



Tokyo Stock Exchange Prime Market 6143



**Action to Implement Management
that is Conscious of Cost of Capital
and Stock Price
(Update on February 17, 2025)**

Sodick Co., Ltd.

February 17, 2025

Plan to improve PBR by implementing a medium- to long-term growth strategy after quickly improving our low-profit structure by implementing structural reforms in the current medium-term management plan

Current status analysis and issues

PBR has been below 1.

As of December 31, 2024 **0.44** times

ROE below cost of shareholders' equity

Result for FY2024/12 **5.1** %

Solutions

Improve PBR

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Improve ROE

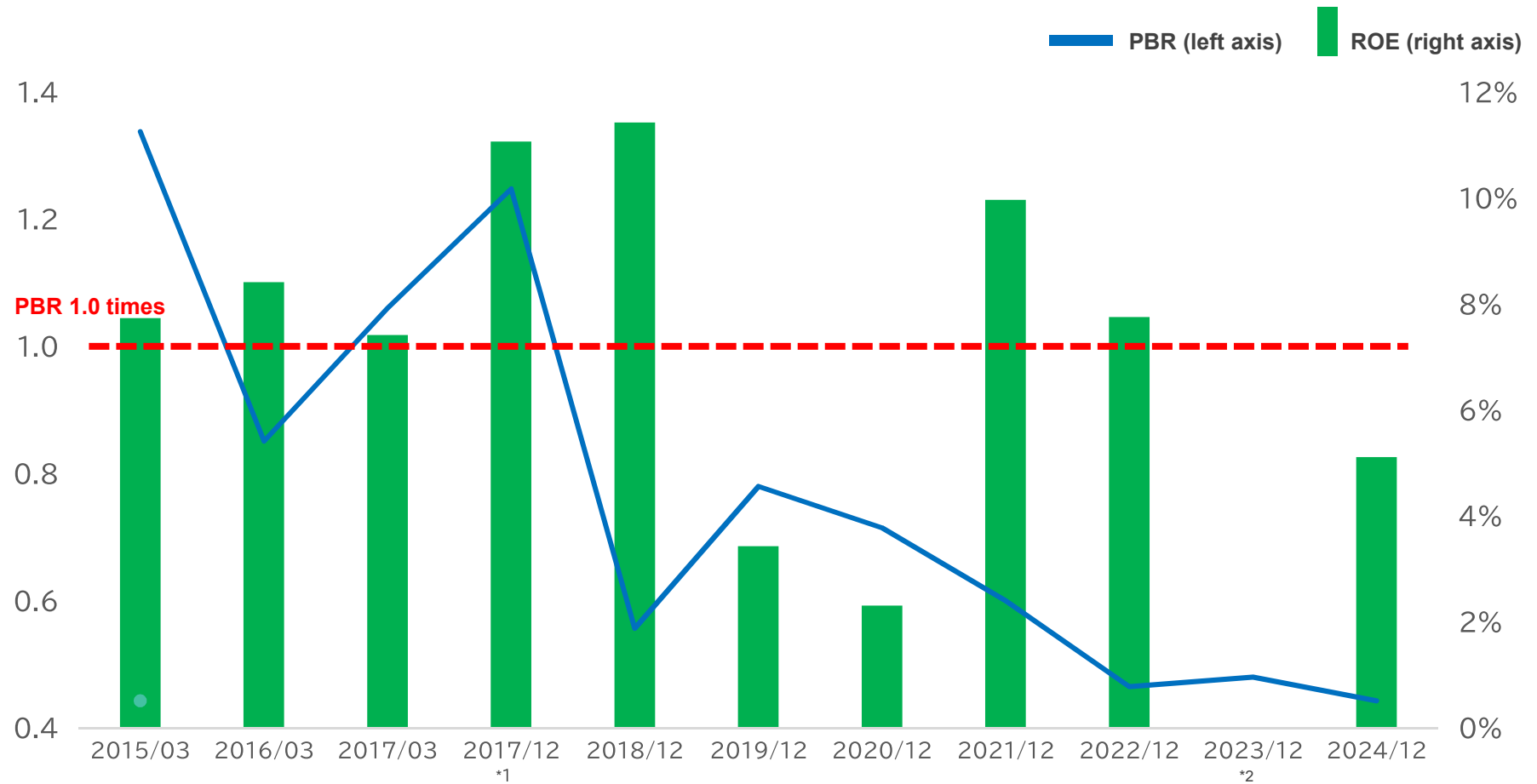
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Increase PER

- Under the current medium-term management plan, we will improve our low-profit structure more quickly.
- Transition to **a Company with an Audit and Supervisory Committee** with stronger governance and steady implementation of plans

- Continue to improve profitability in all existing businesses (short-term)
- Expanding business in metal 3D printers, laser processing machines, and food machinery as growth areas (medium- to long-term)

Progress in structural reforms has improved profitability, but due to low ROE, PBR has been continuously below 1.0 times since 2018.



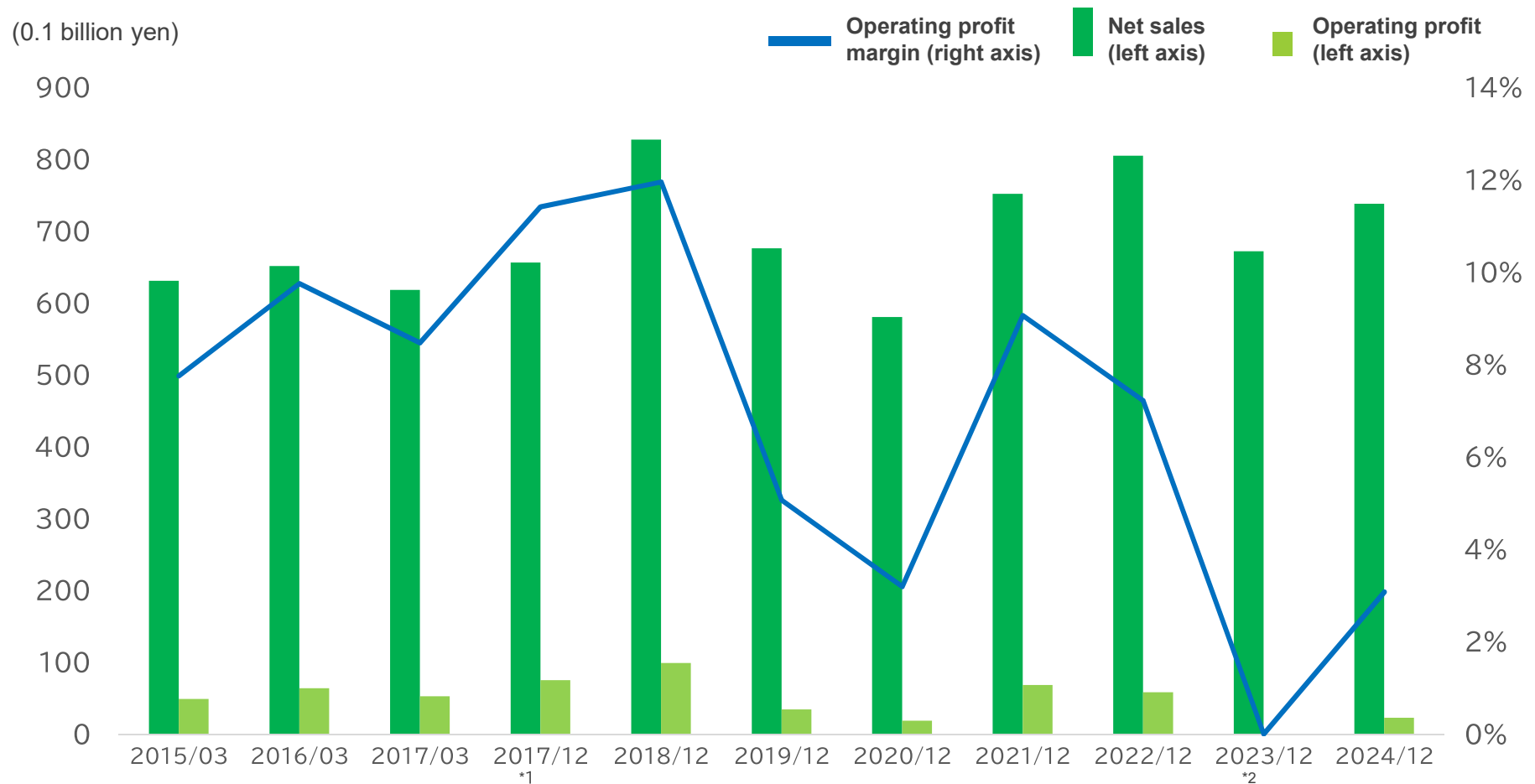
*1 Due to the change in the closing date in 2017, the period of FY2017/12 was nine months.

*2 ROE for FY2023/12 was negative.

Performance Trends and Operating Profit Margin



The main reason for the low ROE is the low level of the operating profit margin, which necessitates the early improvement of the low profit structure.



*1 Due to the change in the closing date in 2017, the period of FY2017/12 was nine months.

*2 Operating profit for FY2023/12 was negative.

Assessment of the current status

- Our company's average ROE for the last five fiscal years has been sluggish in the 3.9% range, and the urgent task is to improve quickly to achieve higher level than 1.0 times in PBR.
- **The main cause of the low ROE was the decline in net income ratio.** Amid rapid and drastic changes in the external environment, such as the rapid depreciation of the yen since 2022, our company's overall **profitability declined** due to changes in the Chinese market.

Policies for improvement

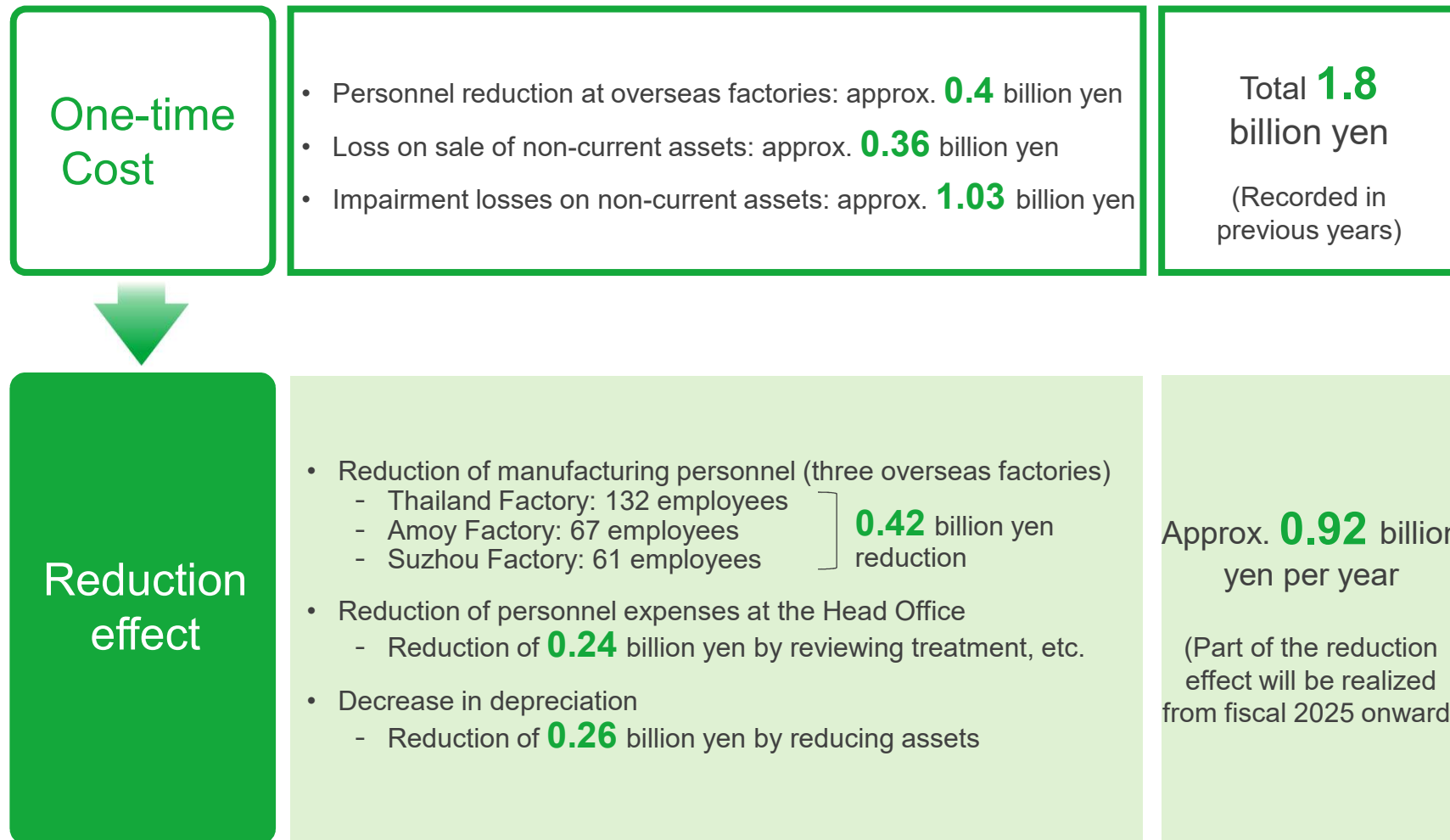
- **Under the current medium-term management plan, we will improve our low-profit structure more quickly.**
- **Establish a foundation for future growth** by implementing structural reforms centered on the reduction of dependence on China, selection and concentration, and the restructuring of production and sales systems
- Strengthen IR activities to disseminate growth strategies through financial results briefings and business briefings in order to improve market evaluation

Status of improvement

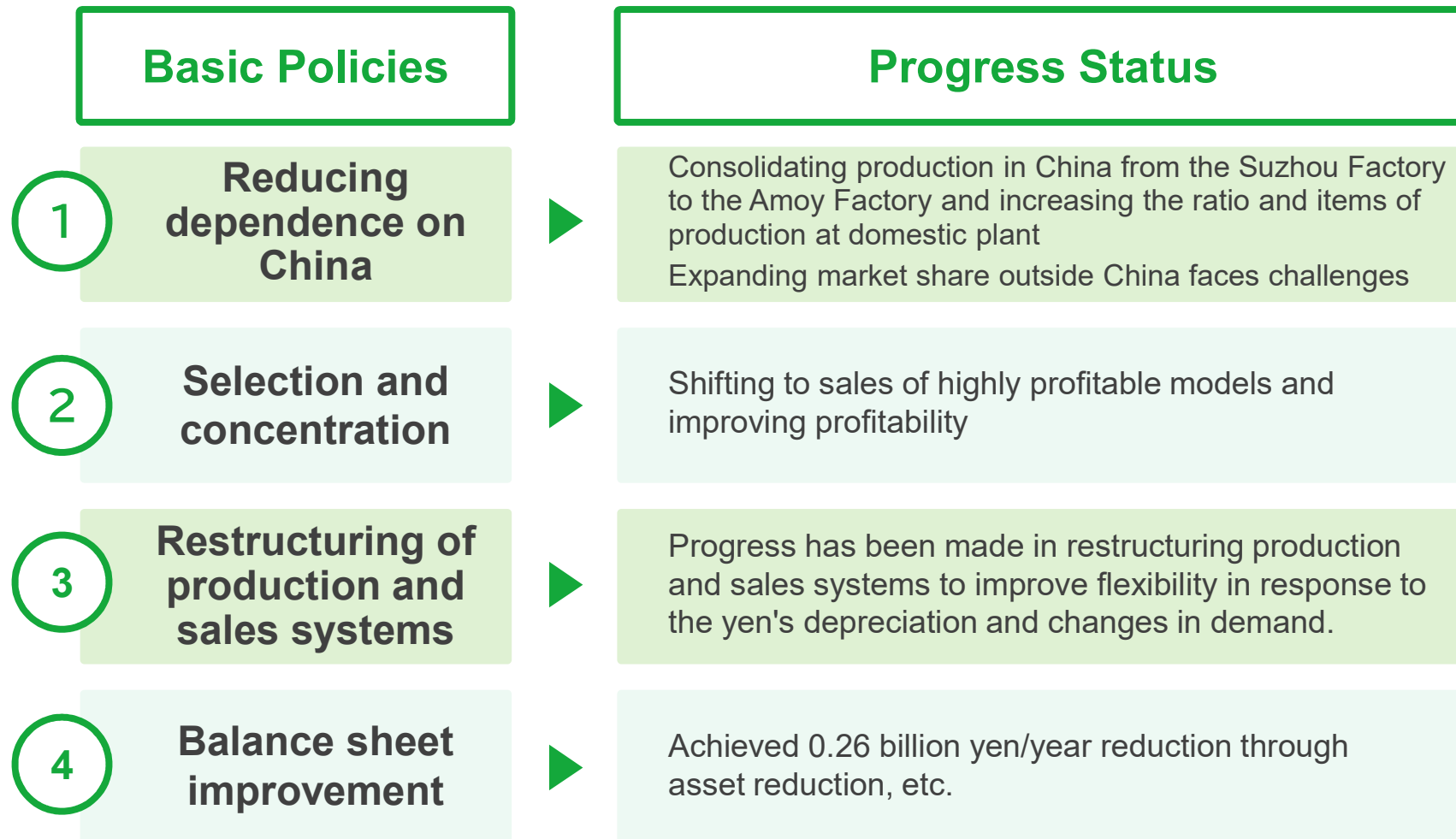
- **Steady progress has been made in improving our earnings structure** through structural reforms to reduce fixed costs and in-house production of outsourced parts.
- As part of our efforts to select and focus on business products, **we are shifting to selling highly profitable models, contributing to improved profitability.**
- As part of efforts to reduce dependence on China, **the production scale in China is being optimized.**

Progress in reducing fixed costs through structural reforms is being made as planned

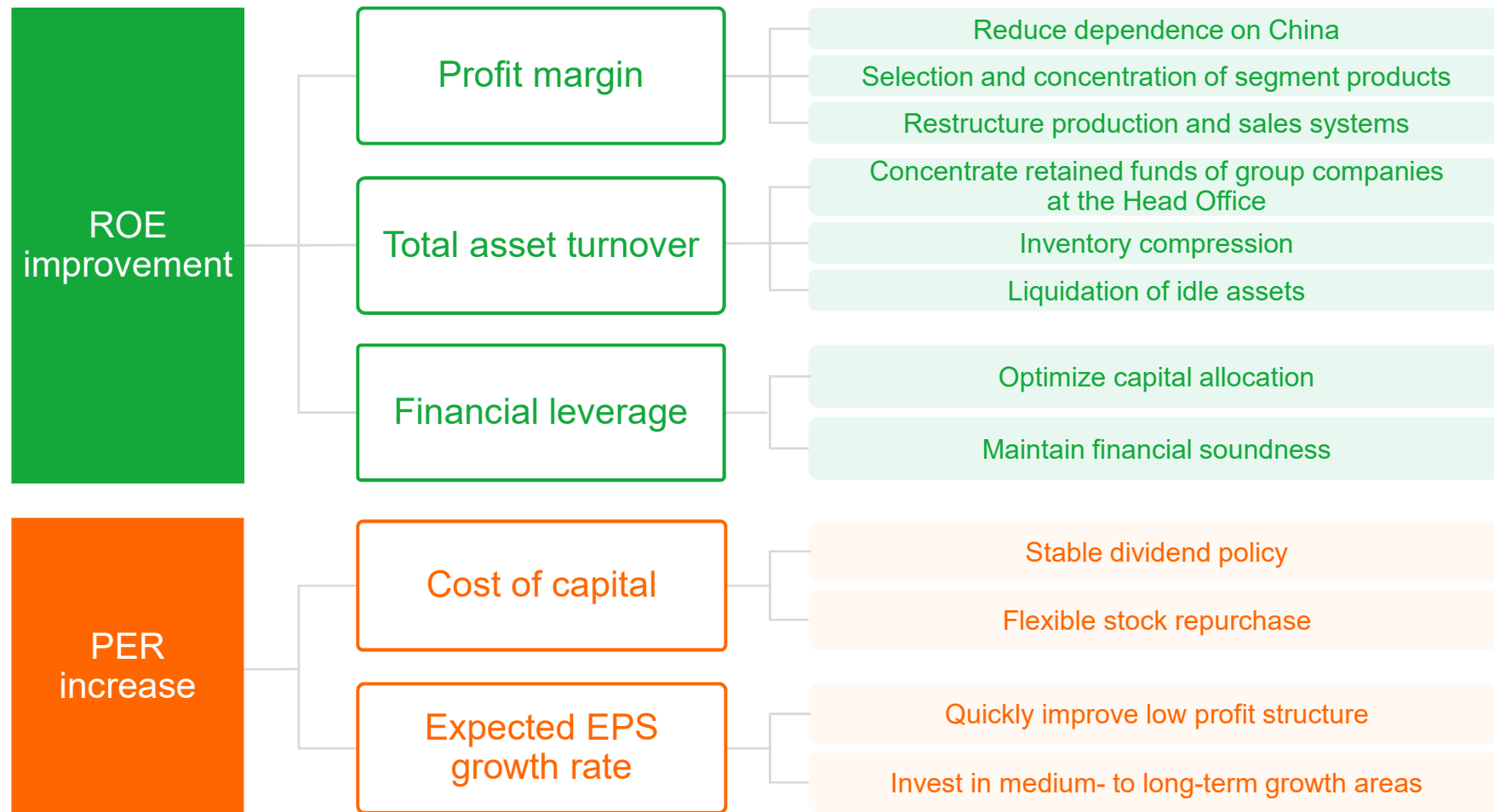
Although one-time expenses were incurred in the previous fiscal year, the effort will contribute to improving profitability by reducing expenses in the future.



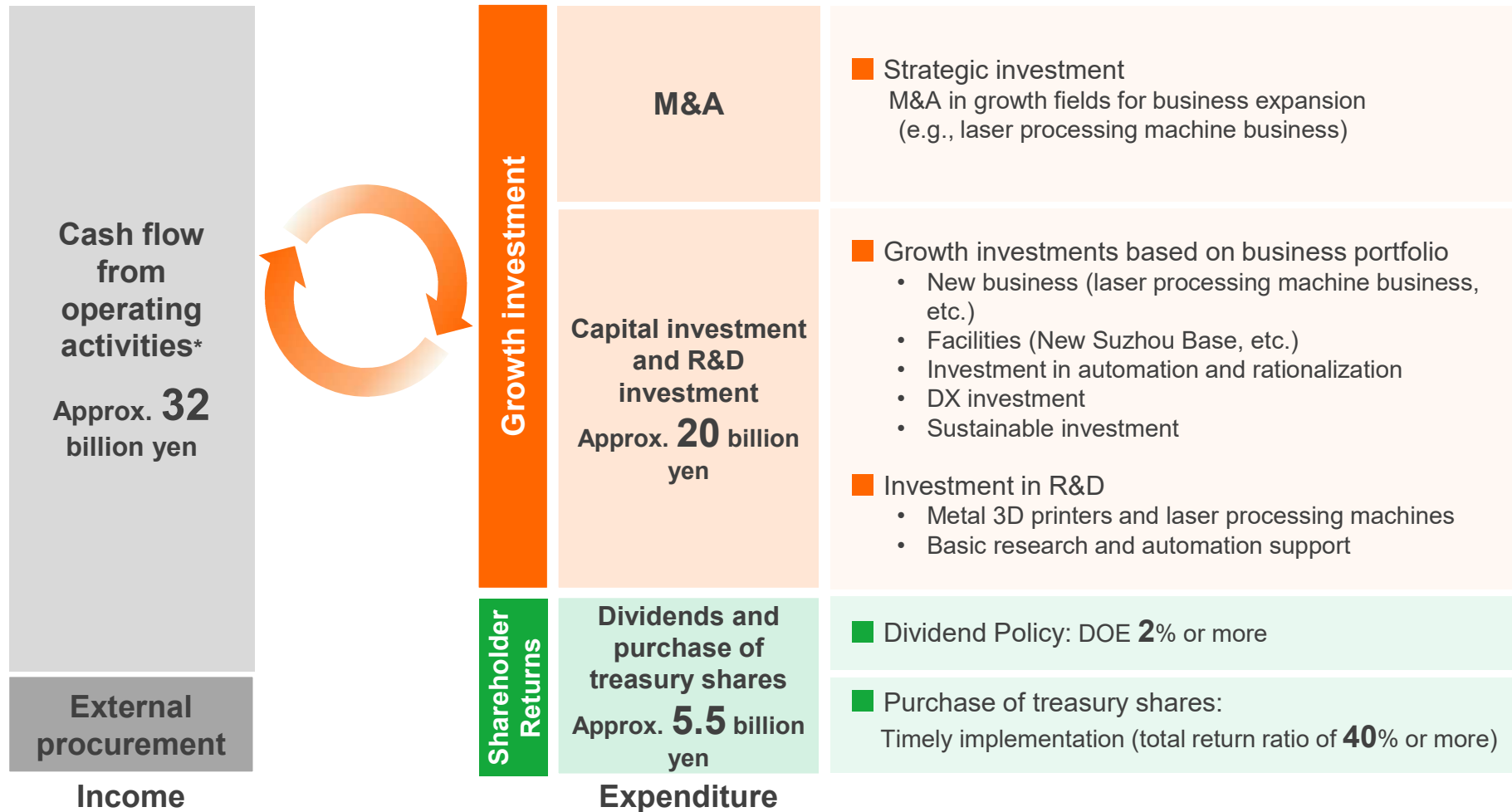
Making steady progress in reforming the earnings structure and management structure through business model reform



We aim to improve PBR by increasing ROE and PER through various measures in accordance with the medium-term management plan.



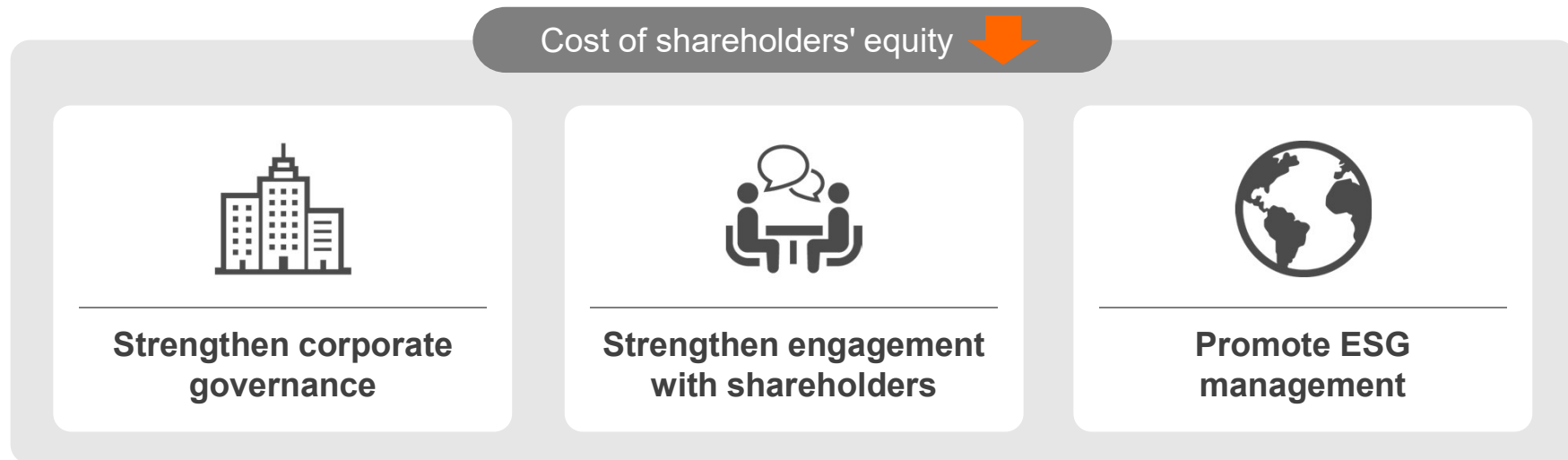
Aggressively allocate capital to growth investments while steadily conducting shareholder returns based on earned operating cash flows



*Before deduction of research and development expenses

Promoting Four Non-Financial Measures to Reduce Cost of Shareholders' Equity

- In order to steadily implement the structural reforms under the current medium-term management plan, we shifted to a new management structure with stronger governance in fiscal 2024. Planning to transition to a company with an audit and supervisory committee in fiscal 2025
- Enhance management transparency and promote management from an investor's perspective through conducting regular engagement with shareholders
- Promoting the use of renewable energy and CO2 reduction to achieve carbon neutrality
- Introduced a system to reflect ES (Employee Satisfaction Survey) scores when revising remuneration for directors (and other officers) in fiscal 2024 to promote a corporate culture in which diverse employees can work with a sense of "job satisfaction" and "ease of working."



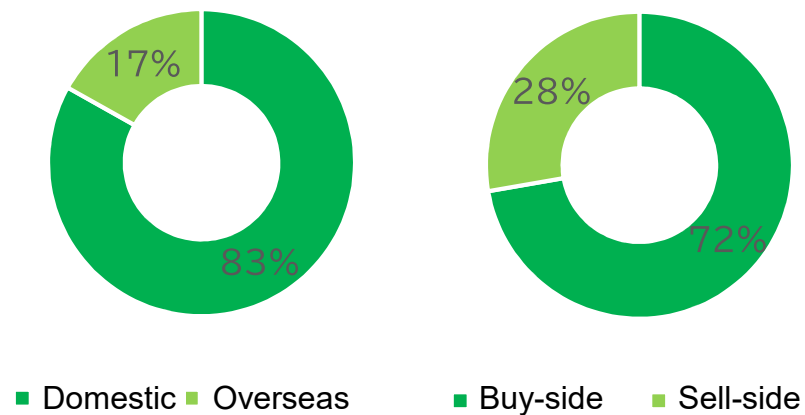
Status of dialogue with shareholders and investors

Contents of activities	Actual results	Main responders
Shareholders' Meeting	1 times	All directors and auditors
Results Briefing	2 times	CEO, CFO
Business Briefing	1 times	CEO and Executive Officers
IR Meetings	83 times	CEO, CFO, Executive Officers, Investor Relations Department
SR Meetings	8 times	CFO, External Directors, Executive Officers

Main Themes and Concerns discussed in the Dialogue

- Progress in structural reforms and medium-term management plans
- Economic recovery and demand trends in Greater China
- Regional growth strategies (especially, India and Mexico)
- Measures and growth strategies to strengthen after-sales services
- Measures and initiatives to improve PBR

Summary of Shareholders and Investors with whom dialogue was conducted



Examples of implementation based on the dialogue

- Shortening of directors' terms (from two years to one year)
- The chairpersons of the Personnel Advisory Committee and the Compensation Committee were changed from President and Representative Director to External Director.
- Increase of one external director (total of five)
- Increase of one female corporate auditor (total of two)
- Reduction of cross-shareholdings
- Expansion of information disclosure in financial results presentation materials, etc.
- Transition to a Company with an Audit and Supervisory Committee (planned for FY2025)