Q2 FY2026/12 Financial Results and Full-year Outlook

Q. Following the upward revision to the FY2026 full-year earnings forecast, do you plan to revise the Medium-Term Management Plan?

A. While we are steadily implementing the various initiatives outlined in the Medium-Term Management Plan, we believe that we are still only halfway toward achieving our objectives. At this stage, we do not intend to revise the plan. However, we will consider the possibility of a review in the future, taking into account factors such as the final results for FY2026.

Q. How much has the order backlog for EDMs accumulated?

A. We disclose the amount of our order backlog in our annual securities report. For EDMs, orders have consistently exceeded production capacity, and the backlog remains at a very high level, approximately 1.5 times the level at the end of FY2025. In the Industrial Machinery Segment, orders for injection molding machines have been particularly strong, with the backlog currently standing at approximately four times the level at the end of FY2025.

Q. Was the strong performance of the Machine Tool Segment driven primarily by EDMs? How are metal 3D printers and laser processing machines progressing?

A. The strong performance was driven mainly by EDMs. We are also continuing to develop the metal 3D printer and laser processing machine businesses as medium- to long-term growth areas.

Q. Why has profitability in the Industrial Machinery Segment not improved significantly?

A. The industrial machinery market remains highly competitive, particularly in the general-purpose machines. At the same time, we are promoting a shift toward high value-added applications to improve profitability and aim to achieve margin improvement from next year onward.

Q. Was there any impact from U.S. tariff refunds?

A. U.S. tariff refunds were recorded in the first half of FY2026.

Demand Trends

Q. Orders in Greater China declined from Q1 to Q2. Was this due to seasonality in Greater China, or has demand begun to slow? Also, do you expect orders to remain at a high level in the second half of FY2026?

A. In Greater China, orders typically peak after the Chinese New Year and gradually decline toward year-end. We believe that this seasonality was one factor behind the decline from Q1 to Q2. On the other hand, demand has exceeded our expectations since the Q4 FY2025, representing a trend not seen in the past. We will continue to monitor market conditions closely.

Q. How long do you expect demand related to AI, data centers, and optical connectors to continue?

A. It is difficult to clearly determine how long capital investment demand will continue. However, we regard these markets as medium- to long-term growth areas and expect demand to continue growing over the next several years.

Q. Manufacturers of optical connectors (MT ferrules) for data centers are increasing capital investments to expand production capacity, yet domestic orders for your machine tools do not appear to be growing significantly. Is demand related to MT ferrules expanding in Japan as well? Also, is particularly strong demand in Greater China being driven by a shift of production and capital investment to the region?

A. We believe that there has been some shift toward Greater China. Our machine tools are used to manufacture molds for MT ferrules. While there is some demand in Japan, Greater China is the world’s largest mold market, and demand is increasing primarily in that region. For Industrial Machinery, domestic demand for injection molding machines used in MT ferrule production has been also increasing, and order backlog continues to grow.

Q2 FY2026 Financial Results Presentation, Questions and Answers Overview (3/4)

Sodick

Production Capacity

Q. What is the current production capacity situation? Given the current order backlog, can sales growth continue going forward?

A. Production capacity is currently tight due to the growing order backlog. The situation varies by model, but for some models lead times exceed one year. We are currently taking measures to secure additional production capacity, including expanding production capabilities at each factory and strengthening our manufacturing system to meet customer demand. Through these initiatives, we aim to support continued sales growth.

Q. What is the current production capacity of the EXC100L+? What are your plans for future capacity expansion?

A. Monthly production was approximately two units in 2025. We plan to increase this to approximately four to five units per month in the second half of 2026. Furthermore, we aim to enhance production capacity to five to ten units per month from FY2027 onward.

Others

Q. As MT ferrules continue to become more multi-core, are precision requirements for the flagship EXC100L+ also increasing? In addition, will the shift from 12-core to 24-core and 48-core ferrules further enhance the Company's technological advantage?

A. The EXC100L+ has a competitive advantage in ultra-precision machining and is used particularly for high-end optical connector applications, including molds for MT ferrules. While multi-core ferrules represent an important technological trend, increasing data traffic is also driving higher requirements for optical signal quality and transmission performance. We believe these trends will be allow us to maintain our technological advantage going forward.

Q2 FY2026 Financial Results Presentation, Questions and Answers Overview (4/4)

Q. Have you seen benefits from the alliance with Advantage Partners (AP)?

A. Together with AP, we are working on multiple initiatives, including strengthening sales capabilities, enhancing management systems, improving solution proposal capabilities, and promoting M&A activities. In addition to favorable market conditions, we believe that the effects of internal initiatives have also contributed to recent improvements in business performance.

Q. Has dependence on Greater China increased?

A. As demand in Greater China expands, sales to China as a percentage of total sales have increased. However, because we supply equipment to manufacturing customers, larger markets naturally create greater business opportunities. At the same time, we are actively pursuing growth in other regions, including Europe, the Americas, and Asia. We will continue to promote business operations with a focus on regional diversification.

Q. Could you provide an update on AltForm's recent performance?

A. AltForm has continued to steadily increase both orders and sales. Although we expect the company to record an operating loss this fiscal year due to continued investment in R&D, subsidy income is expected to improve net profit. We are targeting profitability within three years. Over the longer term, we expect AltForm's technological capabilities and global business network to contribute to strengthening the competitiveness of the Sodick Group as a whole.

Q. The Company has announced a total shareholder return ratio target of 70% or more. Are you considering any additional capital policy initiatives going forward?

A. Our target of a total shareholder return ratio of 70% or more is not intended as a single-year target, but rather as a policy covering over the entire four-year period of the Medium-Term Management Plan. We will consider additional capital policy measures as appropriate, taking into account factors such as share price levels, investment opportunities, cash position, and consistency with our overall shareholder return policy.