

TSE 1st Section, Code No. 6143

Create Your Future



Fiscal Year Ended March 31, 2015

Results Briefing



May 22, 2015

Sodick
株式会社 ソディック

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Fiscal Year Ended March 31, 2015 - Financial Results

- ✓ Financial results posted strong gains compared with the year earlier. Sales rose 10.9% while operating income and ordinary income gained 84.5% and 45.3%, respectively, overshooting initial projections.
- ✓ Net income declined 15.4% compared with the year earlier, a natural consequence of the absence of tax effects posted in the previous fiscal year.
- ✓ After an initial backlash from the demand rush ahead of the consumption tax rate increase, demand recovered in the second half, with margins improved on the back of rising sales.

Fiscal Year Ending March 31, 2016 - Outlook

- ✓ The outlook is for increased facility investment and higher demand both in Japan and abroad due to favorable market environments.
- ✓ Expectations are for sales of ¥69,000 million, an increase of 9.4% from the previous fiscal year.
- ✓ Operating income is seen to gain a marginal 4.3% compared with the previous fiscal year due to higher R&D expenditures aimed at business expansion.

Medium and Long-term Growth Strategies

- ✓ The Company is taking steps to further extend and stabilize its business portfolio by promoting global initiatives in industrial machinery operations and food processing machinery operations as well as by creating markets for its metal 3D printers and through the expansion of existing operations.
- ✓ Net sales are projected to exceed ¥80,000 million by the fiscal year ending March 31, 2018.

**I . Fiscal Year Ended March 31, 2015
Financial Results Summary**



Financial Results Highlights



- ✓ Sales in fiscal year ended March 31, 2015 increased 10.9% compared with the previous fiscal year.
- ✓ Income posted strong growth, with operating income and ordinary income gaining 84.5% and 45.3%, respectively.
- ✓ Net income declined 15.4% compared with the year earlier, a natural consequence of the absence of tax effects posted in the previous fiscal year.

(In million yen)

	FY ended March 2014		FY ended March 2015		Compared with the year earlier		FY ended March 2015 Original projection
	Actual	Earnings margin	Actual	Earnings margin	Amount	Rate of change	
Net Sales	56,899	-	63,090	-	6,190	10.9%	61,500
Gross Margin	16,667	29.3%	20,876	33.1%	4,209	25.3%	-
Operating Income	2,651	4.7%	4,891	7.8%	2,240	84.5%	3,900
Ordinary Income	3,886	6.8%	5,647	9.0%	1,761	45.3%	3,500
Net Income for the Period	4,194	7.4%	3,550	5.6%	-644	-15.4%	2,600
Comprehensive Income	7,541		7,763				
ROE	10.7%		7.7%				
Period average foreign exchange rate	USD EUR CNY THB	100.17 yen 134.21 yen 15.87 yen 3.19 yen		109.76 yen 138.69 yen 17.14 yen 3.38 yen			102.00 yen 140.00 yen 16.80 yen 3.13 yen

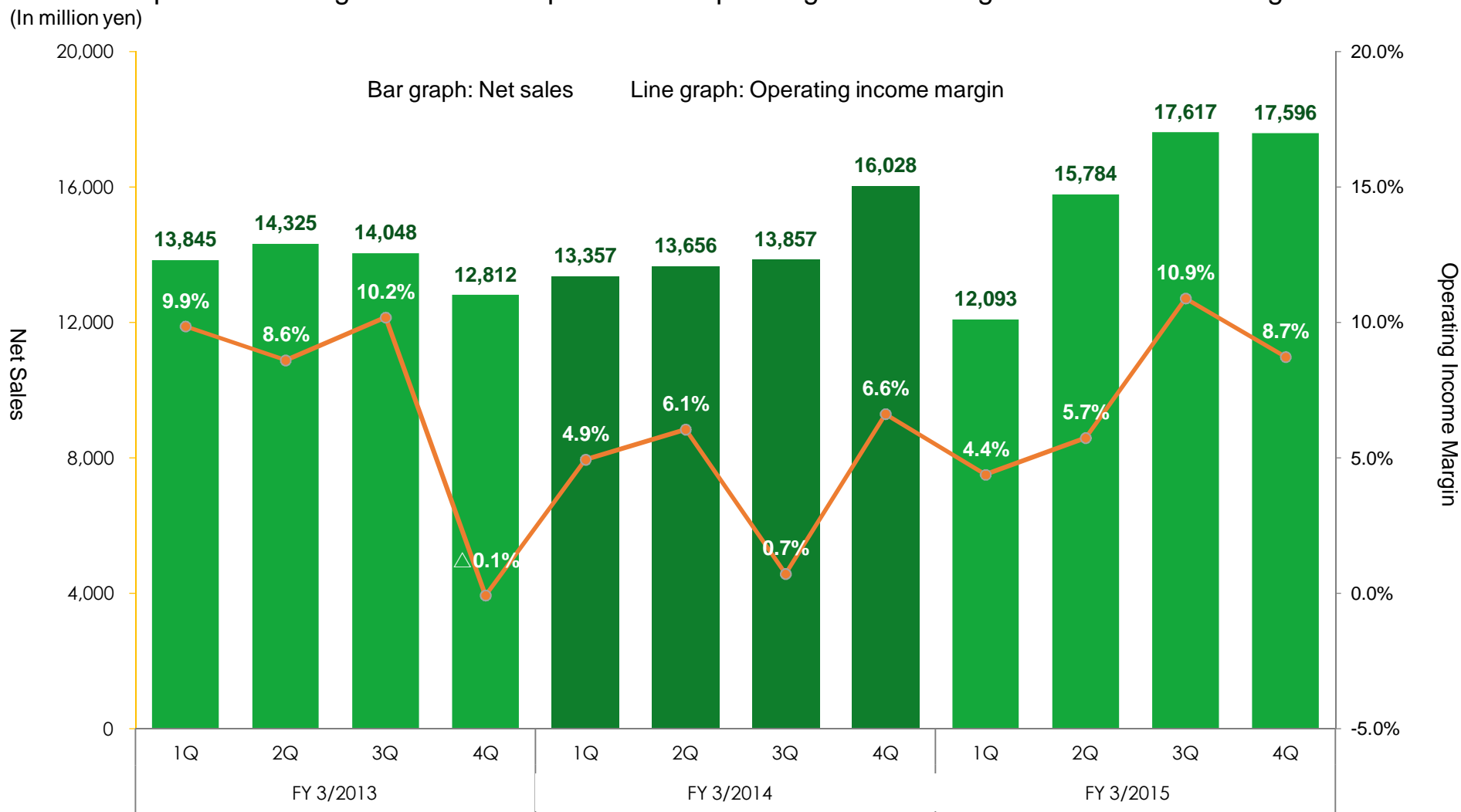
Note:
Supplementary
information

FY 3/2015 end Foreign exchange rates
FY 3/2014 end Foreign exchange rates

USD: 120.17 yen EUR: 130.32 yen CNY: 19.35 yen THB: 3.70 yen
USD: 102.92 yen EUR: 141.65 yen CNY: 17.36 yen THB: 3.17 yen

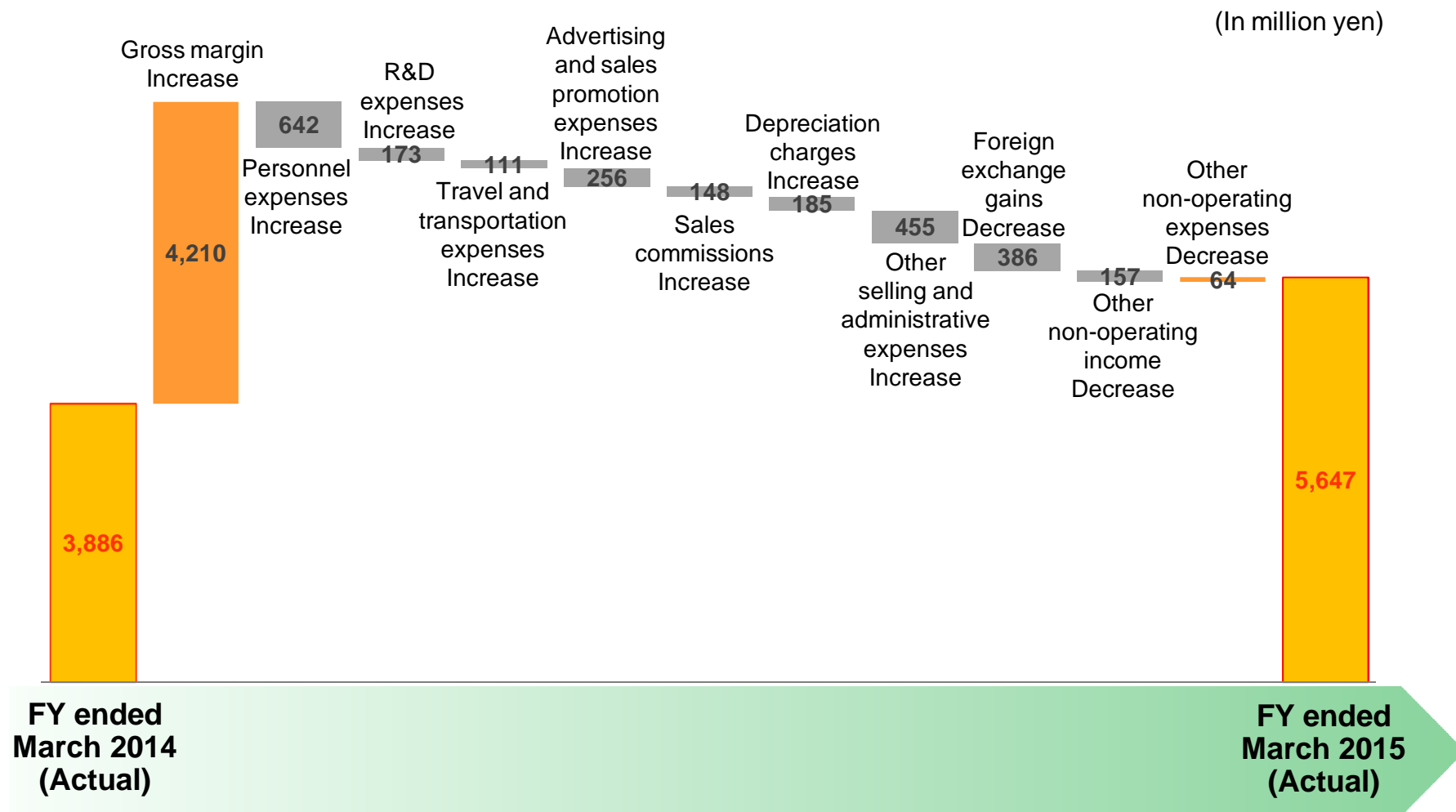
Sales-to-operating-income Ratio (Quarterly)

- ✓ Sales in the first quarter of fiscal year ended March 31, 2015 declined due to the backlash after the demand rush ahead of the consumption tax rate increase. Sales rebounded in all quarters starting in the second quarter. The operating income margin has been recovering.



Factors Affecting Ordinary Income (Actual Results)

- ✓ Ordinary income increased ¥1,761 million thanks to a stronger gross margin, overriding the effects of higher operating expenses (personnel, R&D, and advertising expenses, etc.) and lower foreign exchange gains.



Financial Results by Segment



(In million yen)

		FY ended March 2014	FY ended March 2015	Compared with the year-earlier period	
		Actual	Actual	(Amount)	(Change)
Net Sales	● Machine Tool Operations	40,836	46,783	5,947	14.6%
	● Industrial Machinery Operations	8,444	8,189	-255	-3.0%
	● Food Processing Machinery Operations	3,537	2,790	-747	-21.1%
	● Other Operations	4,080	5,326	1,246	30.5%
		56,899	63,090	6,190	10.9%
Segment Income	● Machine Tool Operations	3,436	6,795	3,359	97.8%
	● Industrial Machinery Operations	771	20	-751	-97.4%
	● Food Processing Machinery Operations	155	121	-34	-21.9%
	● Other Operations	134	455	321	239.6%
		4,498	7,393	2,895	64.4%
Adjustments and Amortization, etc.		-1,846	-2,501	-655	-
Operating Income - Total		2,651	4,891	2,240	84.5%

Machine Tool Operations

- ✓ After a backlash in domestic demand at the start of the fiscal year following the rush ahead of the consumption tax rate increase, demand recovered aided by government subsidies, etc.
- ✓ Overseas markets too saw solid demand related to the automotive, aircraft, and medical equipment industries as well as smartphone applications.

Industrial Machinery Operations

- ✓ Earnings margins decreased due high production cost at the start of the fiscal year and a rise in sales of low-priced models mainly in the Asian regions, overriding strong domestic and foreign demand related to automotive and smartphone applications.

Food Processing Machinery Operations

- ✓ Demand from supermarkets and convenience stores favoring higher-quality noodles has been increasing.
- ✓ Sales declined due to deferred delivery dates for a number of high-value items.

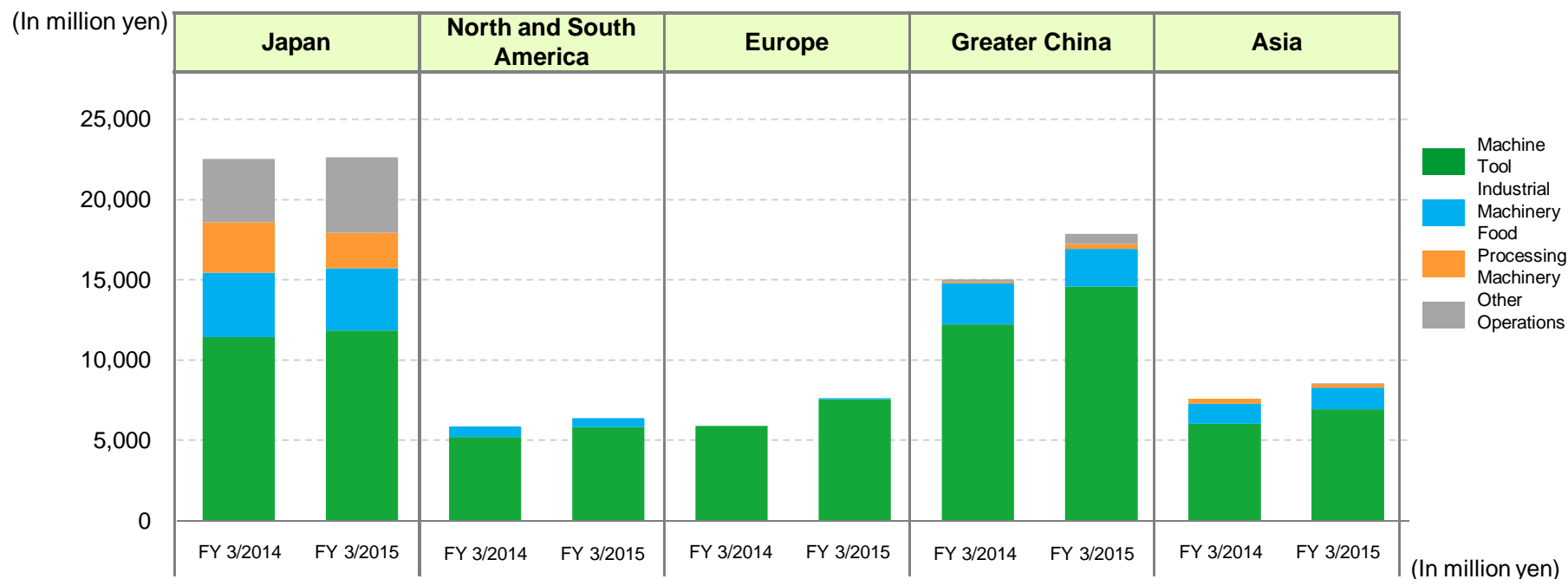
Other Operations

- ✓ Robust sales of linear motors and ceramics components by external vendors.

Overseas Sales Ratios Broken Down by Operation



✓ Global business initiatives lifting the overseas sales ratio to 64.1%, marking a further year-on-year increase.

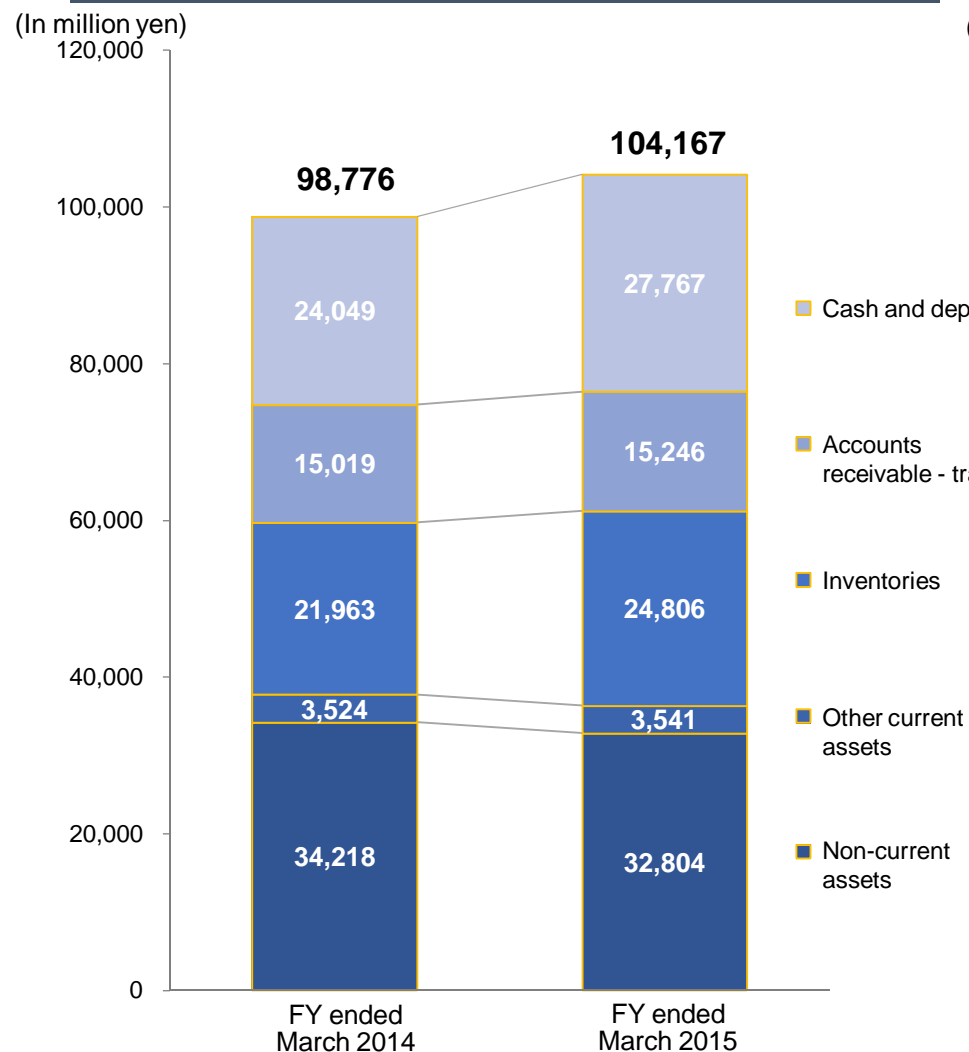


FY 3/2014	Japan		North and South America		Europe		Greater China		Asia		Total
Machine Tool	11,424	28.0%	5,231	12.8%	5,893	14.4%	12,240	30.0%	6,046	14.8%	40,836
Industrial Machinery	4,011	47.5%	633	7.5%	0	0.0%	2,551	30.2%	1,247	14.8%	8,444
Food Processing Machinery	3,147	89.0%	0	0.0%	0	0.0%	90	2.5%	300	8.5%	3,537
Other Operations	3,935	96.5%	0	0.0%	0	0.0%	143	3.5%	0	0.0%	4,080
By region - Total	22,519	39.6%	5,865	10.3%	5,893	10.4%	15,026	26.4%	7,594	13.3%	56,899
FY 3/2015	Japan		North and South America		Europe		Greater China		Asia		Total
Machine Tool	11,848	25.3%	5,830	12.5%	7,555	16.1%	14,592	31.2%	6,956	14.9%	46,783
Industrial Machinery	3,880	47.4%	579	7.1%	77	0.9%	2,321	28.3%	1,331	16.3%	8,189
Food Processing Machinery	2,202	79.0%	0	0.0%	0	0.0%	325	11.6%	263	9.4%	2,790
Other Operations	4,704	88.3%	0	0.0%	0	0.0%	610	11.5%	12	0.2%	5,326
By region - Total	22,635	35.9%	6,409	10.2%	7,632	12.1%	17,849	28.3%	8,563	13.6%	63,090

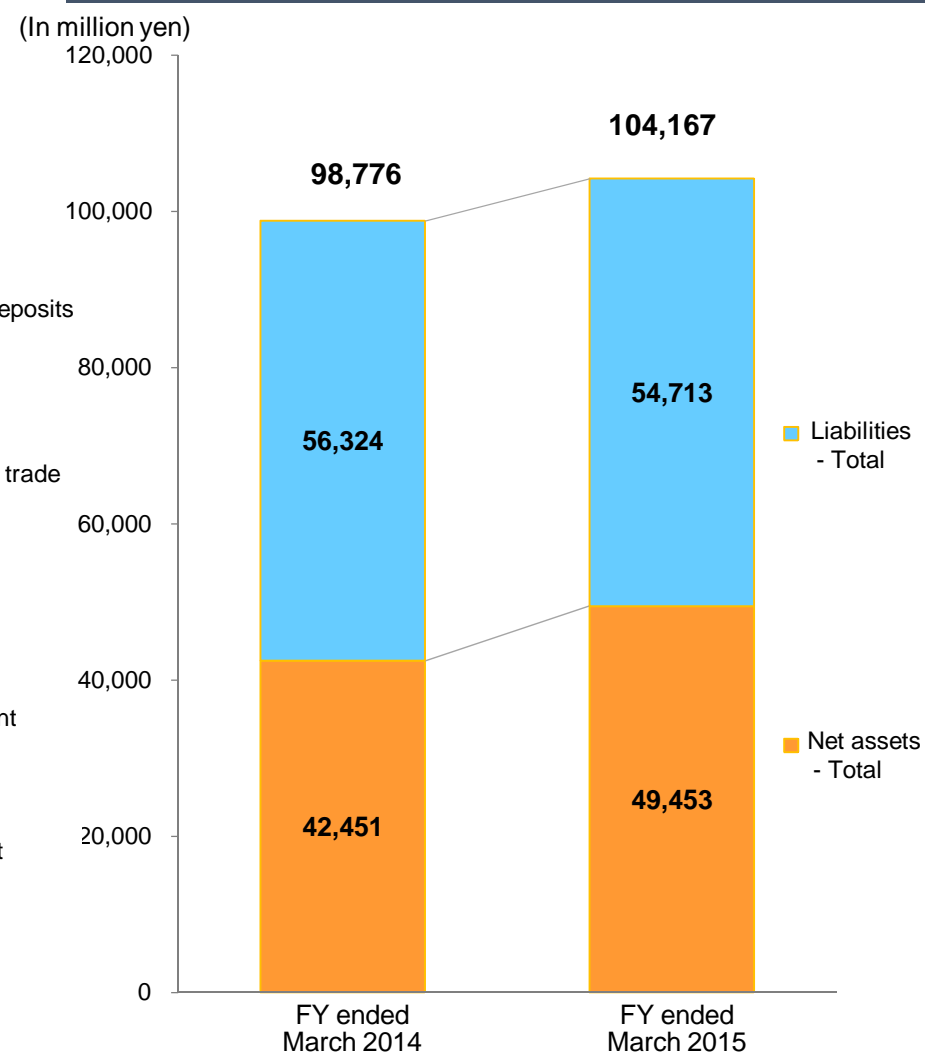
Balance Sheet



Assets



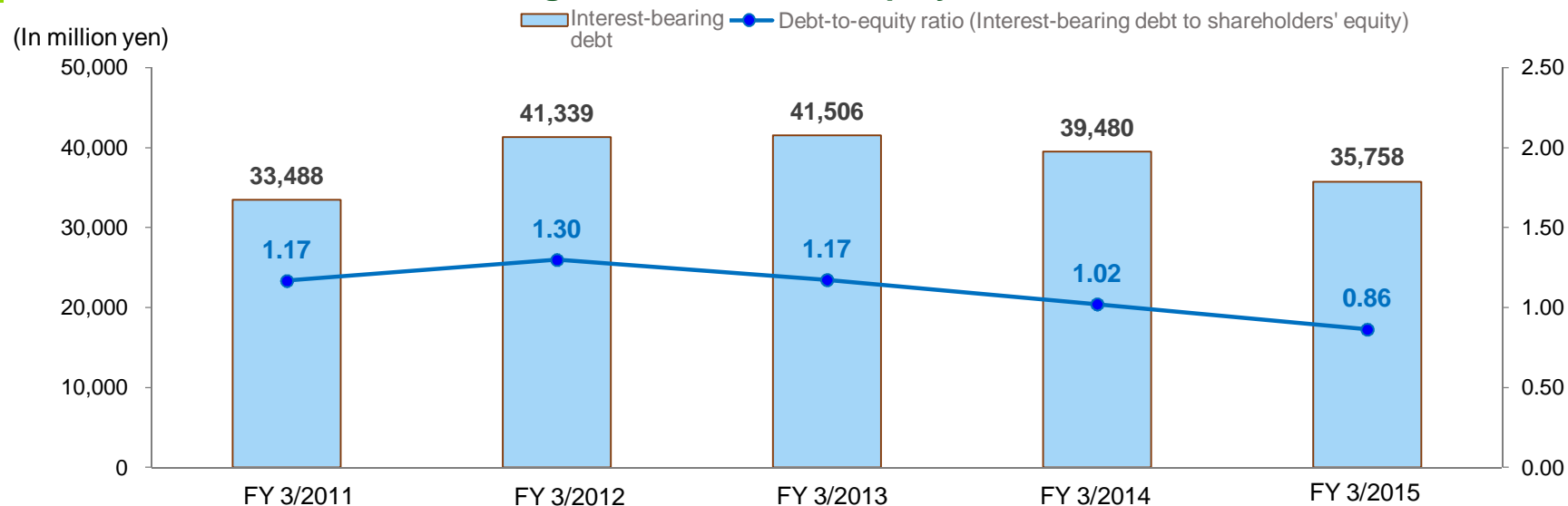
Liabilities and Net Assets



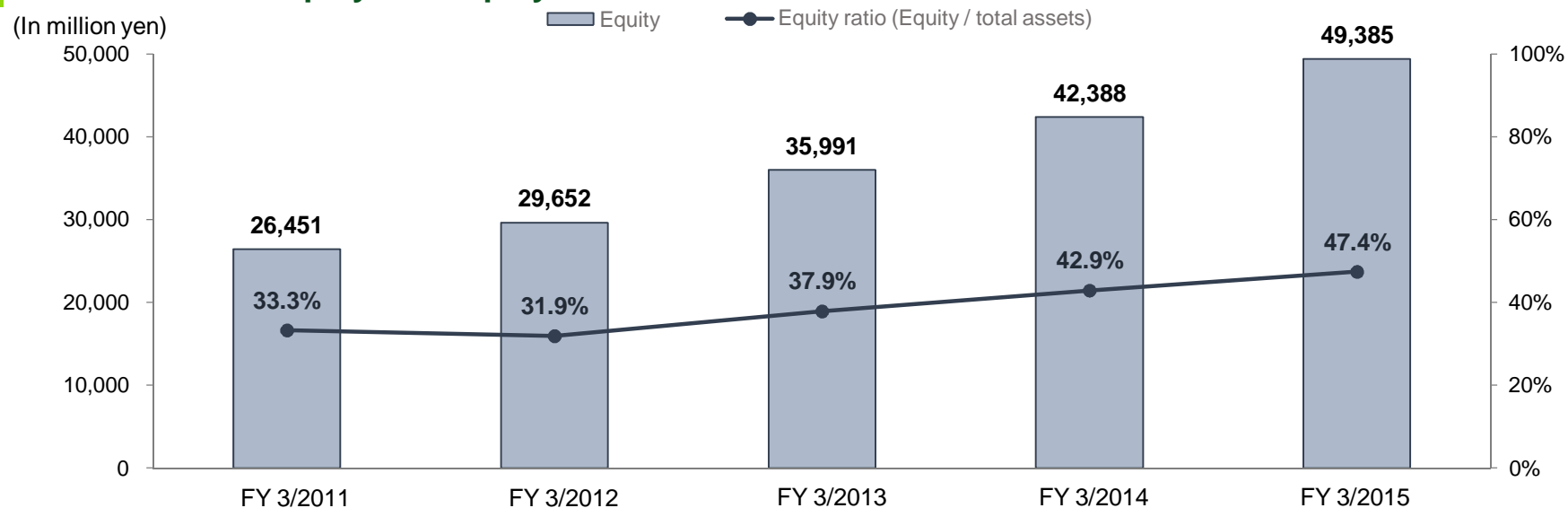
{	FY 3/2015 end - Foreign exchange rates	USD: 120.17 yen	EURO: 130.32 yen	CNY: 19.35 yen	THB: 3.70 yen
	FY 3/2014 end - Foreign exchange rates	USD: 102.92 yen	EURO: 141.65 yen	CNY: 17.36 yen	THB: 3.17 yen

Fluctuation in Financial Indicators

Fluctuation in the Interest-bearing Debt and Debt-to-equity Ratio



Fluctuation in Equity and Equity Ratio

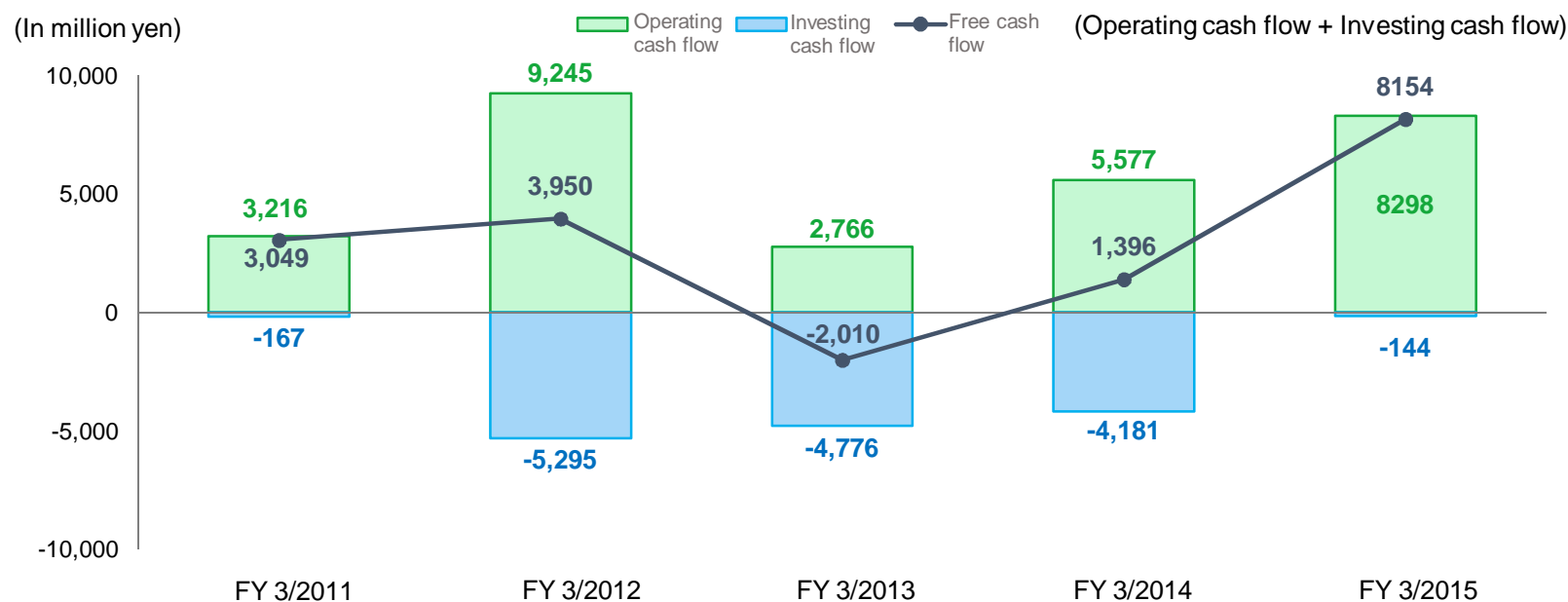


Cash Flow

- ✓ Cash provided by operating activities grew strongly. Cash on hand increased by approximately ¥3,700 million.

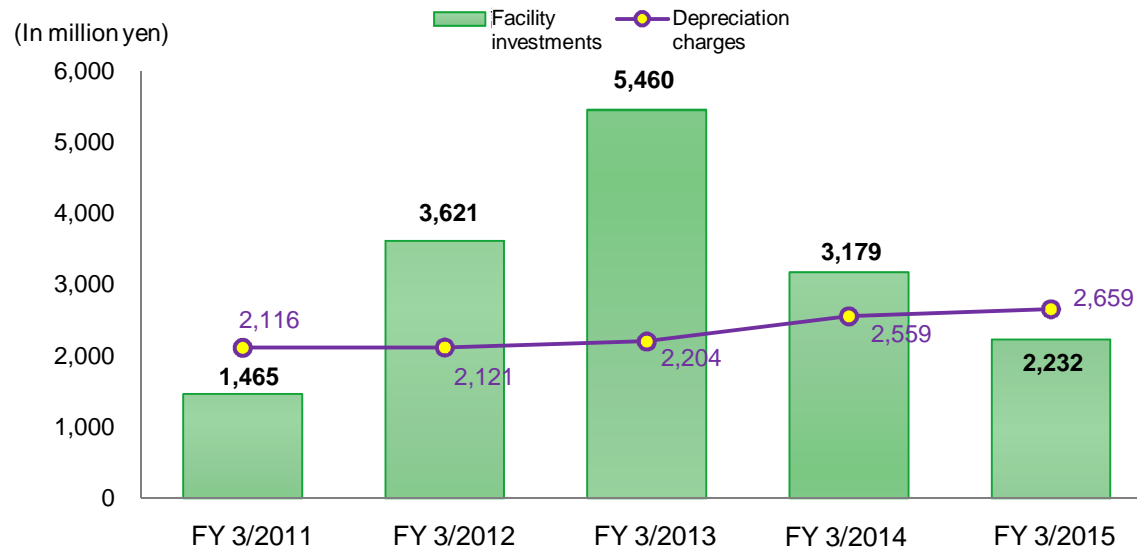
(In million yen)

	FY ended March 2014	FY ended March 2015	Main factors of change
Cash flows from operating activities	5,577	8,298	Increase in income before income taxes
Cash flows from investing activities	-4,181	-144	Approximately ¥2,000 million in expenditure for the acquisition of property, plant, and equipment and intangible non-current assets Approximately ¥1,000 million in income from investment securities held to maturity
Cash flows from financing activities	-3,696	-5,243	Scheduled repayment of long-term debt
Cash and cash equivalents at the end of the period	23,647	27,396	



Facility Investment / Depreciation Charges / R&D Expenditure **Sodick**

Fluctuation in Facility Investments / Depreciation Charges



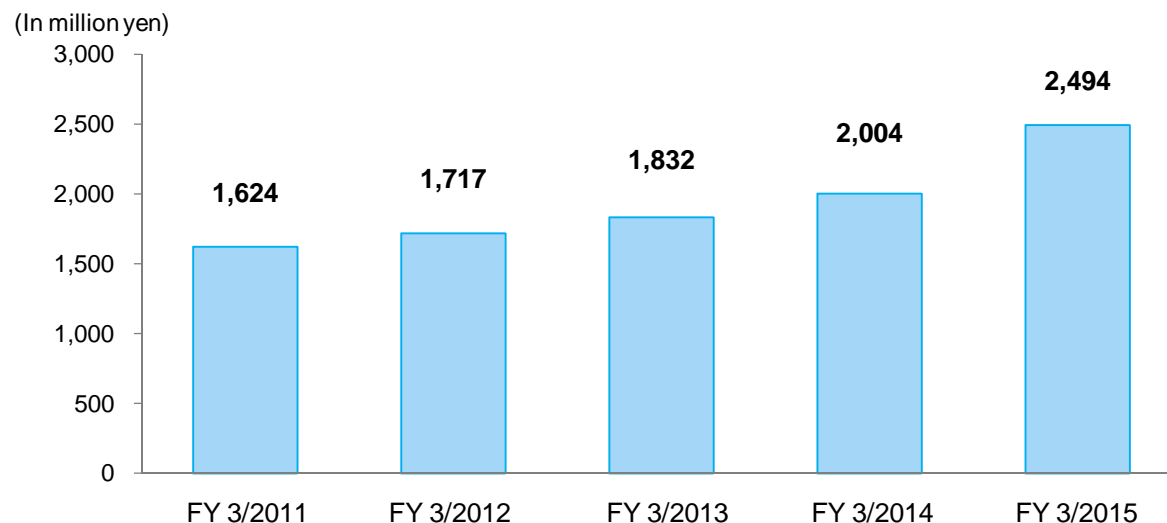
► Main facility investments

- ✓ Approximately ¥300 million on software (ERP)
- ✓ Approximately ¥210 million on the Miyazaki plant
- ✓ Approximately ¥150 million on the Thailand plant

► Depreciation charges

- ✓ FY ended March 31, 2014: Facility investment at the Kaga plant and the Thailand plant as well as software (ERP) investment leading to increased depreciation charges.






Fluctuation in R&D Expenditure



► R&D expenditure

- ✓ An approximate ¥400 million increase in R&D expenditure related to metal 3D printer and injection molding machines.

New Products Released in the Period Under Review

Segment	Machine Tool	Machine Tool	Industrial Machinery	Industrial Machinery	Food Processing Machinery
Product name	Metal 3D printer OPM250L 	High grade machining center UH430L 	Injection molding machine HSP series 	Injection molding machine GL series 	Vacuum extruding machine EX-500 
Sales market	Precision machinery, electronics, electrical machinery, automotive, and aircraft markets	Markets for smartphones, tablet terminals, and state-of-the-art medical equipment	Thin-walled light guide plates for liquid-crystal backlights of smartphones and mini tablets	Markets for high added-value molded articles such as precision machinery, electronics, optics, and medical equipment	Cooked noodles, pasta, pharmaceuticals, pet food, etc.
Product outline	This metal 3D printer operates based on a laser beam scanning metal powder that is melted and hardens as a result. Subsequently the work piece is finished by milling on a rotatable tool. This 3D printer enables in a single process the manufacture of high added-value molds equipped with three-dimensional cooling pipes, which means enhanced productivity for customers.	This product was developed in response to demand for processing of yet greater precision at a high speed, realized by using new-type material CFRP for the head section and by increasing the torque of the spindle. Note: Total servo drive system: In addition to the linear servo-driven extrusion process and electrical servo motor direct-drive of the mold switch gear operation and extrusion process, this own-developed system of the Company realizes an electrical servo-motor pump drive for the mold clamping process and the plasticizing process.	The parallel use of a high-speed mold clamping compression device enables the world's first high-precision, high-quality molding technique of super thin-walled light guide plates sized 6.0 inches with a thinness of 0.25 mm.	The development of a total servo-drive system (Note) enables further gains in energy conservation, improvements in mold clamping force stability, strengthened traceability functions, and enhanced usability, opening the way for the development and manufacture of high added-value products in a broad range of fields.	Targeting the connoisseur of cooked noodle products, this machine offers a higher vacuum function, temperature adjustment function, and a highly compact machine structure, for the manufacture of high-quality noodles with enhanced firmness and texture.

1 Listing on the First Section of the Tokyo Stock Exchange

- August 1976: Founding
- February 1986: Listing on the Second Section of the Tokyo Stock Exchange
- Since the second half of the 1980s, development of global production and sales systems in response to growing overseas demand
- March 31, 2015: Listing on the First Section of the Tokyo Stock Exchange
Note: Payment of a dividend in commemoration of this exchange listing
(→ see page 22 for details)



2 Sales launch of the metal 3D printer OPM250L



Special characteristics and strengths

- Single process milling
- Extrusion cycle reduced by 30%
- Number of process steps vastly reduced
- Molding time shortened
- Delivery time reduced
- Stable quality through assembly manufacturing
- Enables high-precision manufacture of complex shapes



Received the Main Award of the Best 10 New Product Awards sponsored by Nikkan Kogyo Shimbun, Ltd.




3 Decision to enlarge the Kaga Plant

Decision to enlarge the production facilities at the Kaga Plant (the Company's main factory for injection molding machines in Japan) specifically for the newly developed metal 3D printer as well as for machine tools (electrical discharge machines and machining centers) and food processing machines.

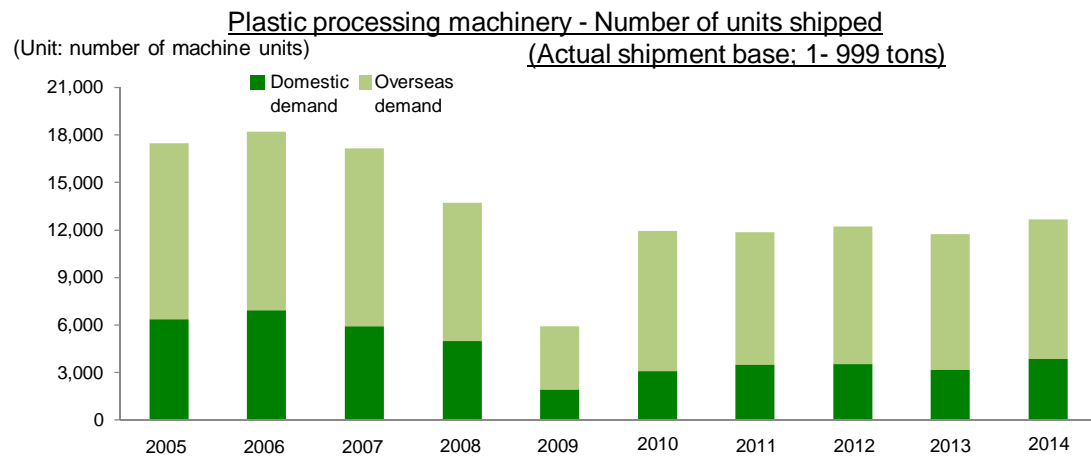
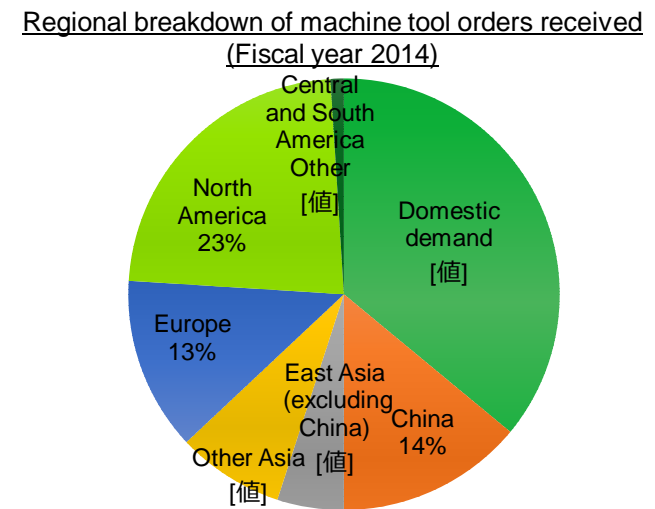
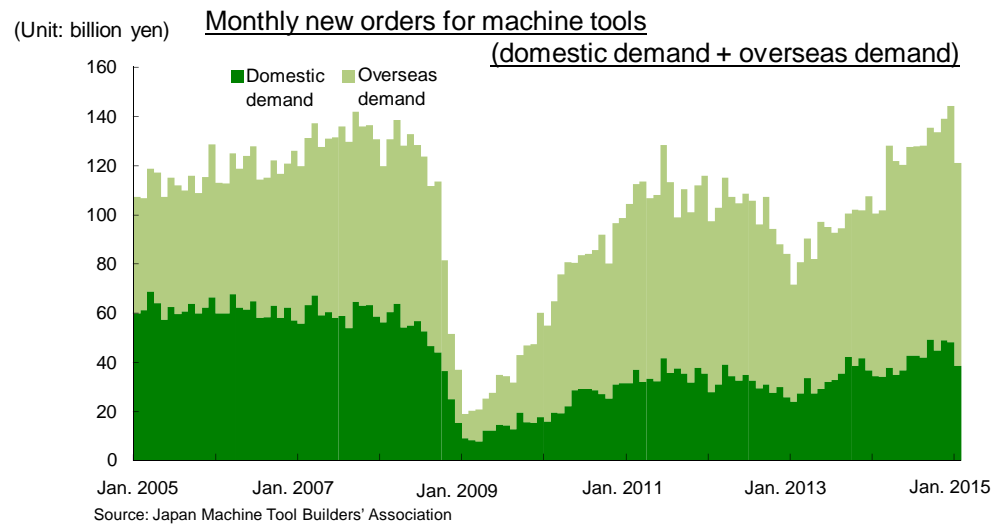
→ The enlargement makes the Kaga Plant the main factory in Japan.

**II . Fiscal Year Ending March 31, 2016
Financial Results Projections**



Market Environment

- Domestic: **Domestic demand has been on a recovery track**, reflected in improving corporate profits aided by the progressing depreciation of the yen as well as the implementation of facility renewals previously put on hold. The further outlook is for **increased facility investments** as previously offshored production is coming under review for repatriation due to the progressing depreciation of the yen.
- Overseas: **Favorable conditions continue**. Smartphone production in Asia is rising and U.S. aircraft and car manufacturers are increasing their production facilities. The outlook includes concerns over weak orders from Europe, partly due to the Ukraine problem, but **automotive demand is seen to remain strong in North America and China**.



Source: Association of Japan Plastics Machinery

Fiscal Year Ending March 31, 2016 - Financial Results Projections



- ✓ Financial results projections for fiscal year ending March 31, 2016 call for sales of ¥69,000 million (+9.4% compared with the year earlier).
- ✓ Operating income is expected to post only a marginal increase mainly due to higher R&D expenditure for future business expansion. (In million yen)

	FY ended March 2015		FY ending March 2016		Compared with the year earlier	
	Actual	Earnings margins	Projections	Earnings margins	Amount	Rate of change
Net Sales	63,090	-	69,000	-	5,910	9.4%
Operating Income	4,891	7.8%	5,100	7.4%	209	4.3%
Ordinary Income	5,647	9.0%	4,700	6.8%	-947	-16.8%
Net Income for the Period	3,550	5.6%	3,200	4.6%	-350	-9.9%
Comprehensive Income	7,763					
ROE	7.7%					
Period average foreign exchange rate	USD EUR CNY THB	109.76 yen 138.69 yen 17.14 yen 3.38 yen		119.27 yen 133.65 yen 19.01 yen 3.69 yen		

Projections by Segment

(In million yen)

		FY ended March 2015	FY ending March 2016	Compared with the year-earlier period	
		Actual	Projections	(Amount)	(Change)
Net Sales	● Machine Tool Operations	46,783	49,230	2,446	5.2%
	● Industrial Machinery Operations	8,189	10,600	2,410	29.4%
	● Food Processing Machinery Operations	2,790	3,600	809	29.0%
	● Other Operations	5,326	5,570	243	4.6%
		63,090	69,000	5,909	9.4%
Segment Income	● Machine Tool Operations	6,795	6,070	-725	-10.7%
	● Industrial Machinery Operations	20	700	679	3344.6%
	● Food Processing Machinery Operations	121	220	98	80.4%
	● Other Operations	455	410	-45	-9.9%
		7,393	7,400	6	0.1%
Adjustments and Amortization, etc.		-2,501	-2,300	201	-
Operating Income - Total		4,891	5,100	208	4.3%

Machine Tool Operations

- ✓ Although higher sales of the metal 3D printer are expected to contribute to revenues, operating income is seen to decline due to stepped-up R&D expenditures for future business expansion.

Industrial Machinery Operations

- ✓ Growth in revenues and earnings is expected from increased sales of injection molding machines to overseas customers.

Food Processing Machinery Operations

- ✓ Revenues and earnings are seen to rise as high-value projects put on hold in fiscal year ended March 31, 2015 come to be recognized on accounts.

Other Operations

- ✓ Operating income is expected to decline due to increased R&D expenditures related to elemental technologies.

Projections for Facility Investments, Depreciation Charges, and R&D Expenditure



✓ Projections broken down by item in fiscal year ending March 31, 2016 are as follows.

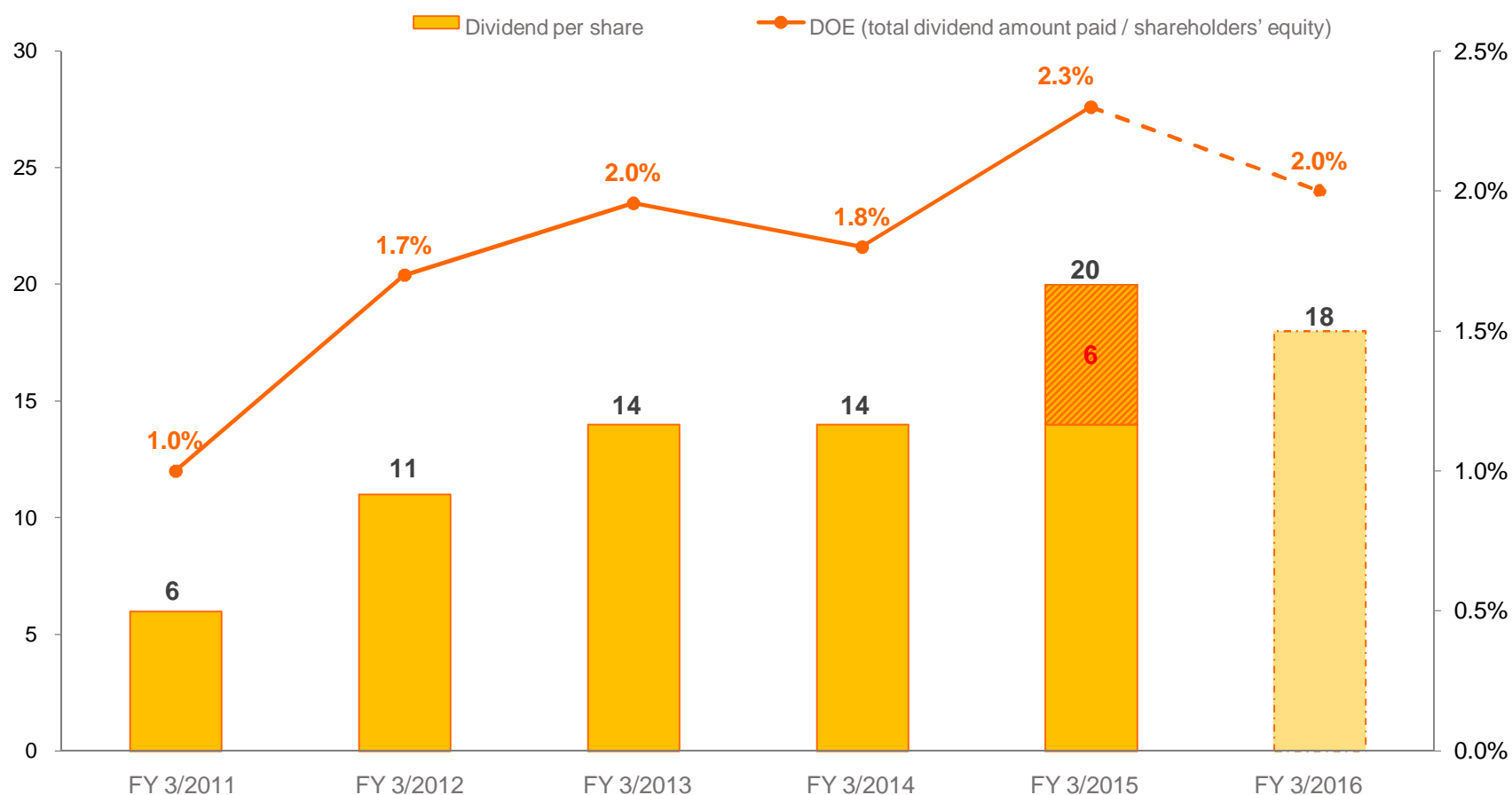
Facility investments	<p>Facility investments are projected at approximately ¥2,700 million, an increase of ¥500 million compared with the year earlier.</p> <ul style="list-style-type: none">•Kaga Plant facility increases•Fundamental research facilities
Depreciation charges	<p>Depreciation charges are not expected to change from the year earlier.</p> <ul style="list-style-type: none">•Depreciation on intangible non-current assets is expected to decrease due to the accounting recognition of an impairment loss on goodwill in the previous fiscal year.•Depreciation charges are seen to increase in step with higher facility investments.
R&D expenditure	<p>R&D expenditure is projected at approximately ¥2,900 million, an increase of ¥500 million compared with the year earlier.</p> <ul style="list-style-type: none">•R&D related to the metal 3D printer•R&D related to machining centers and elemental technologies

III. Shareholder Return



Policies for Shareholder Returns and Dividend Projections

- ✓ As a dividend policy, the Company aims at a dividend yield on equity (DOE) of at least 2%.
- ✓ For the period under review, occasioned by the listing on the First Section of the Tokyo Stock Exchange, a commemorative dividend of ¥6 per share is planned.
- ✓ For fiscal year ending March 31, 2016 an annual dividend of ¥18 per share is planned.

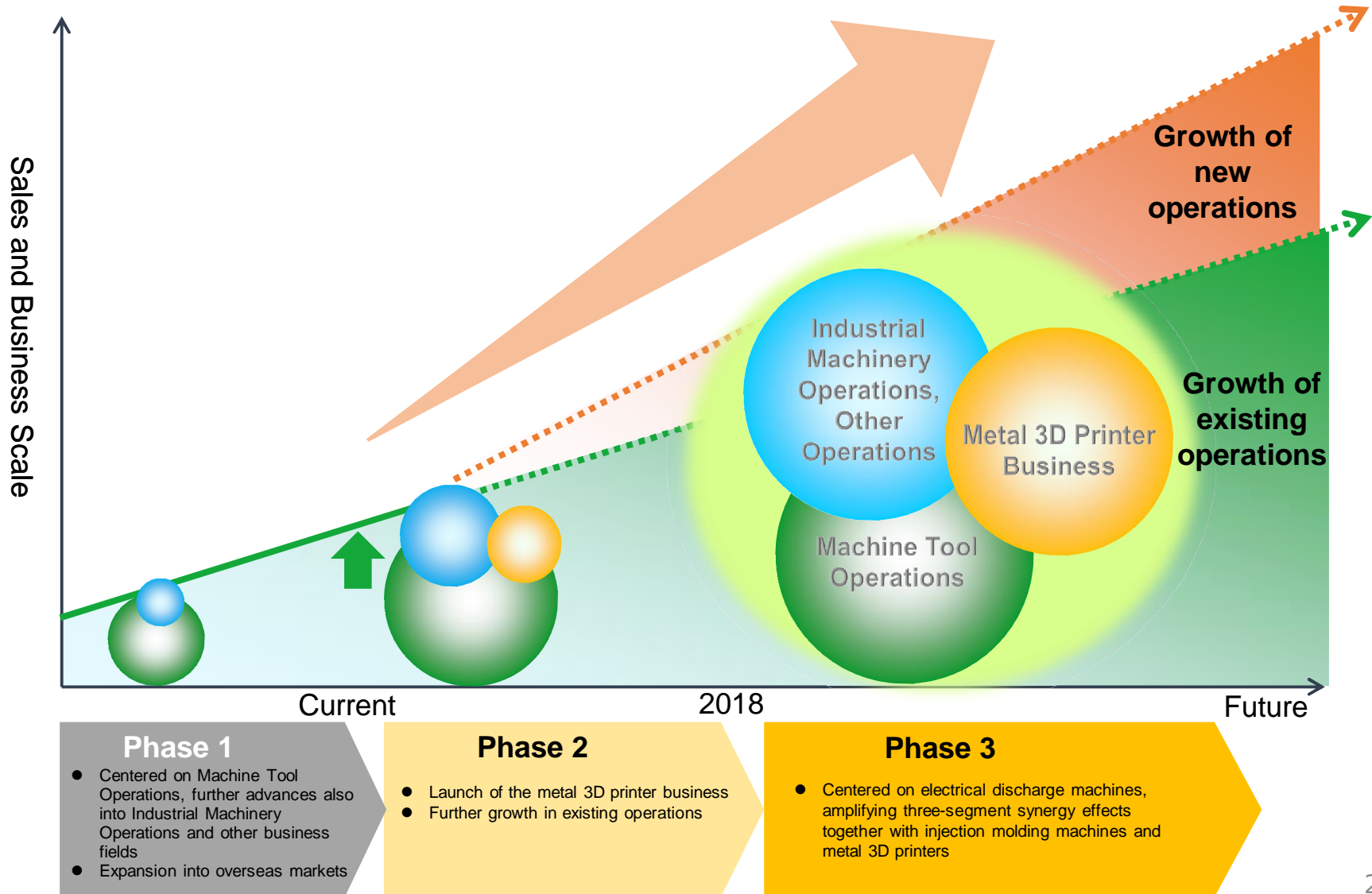


IV. Medium and Long-term Strategies and Outlook

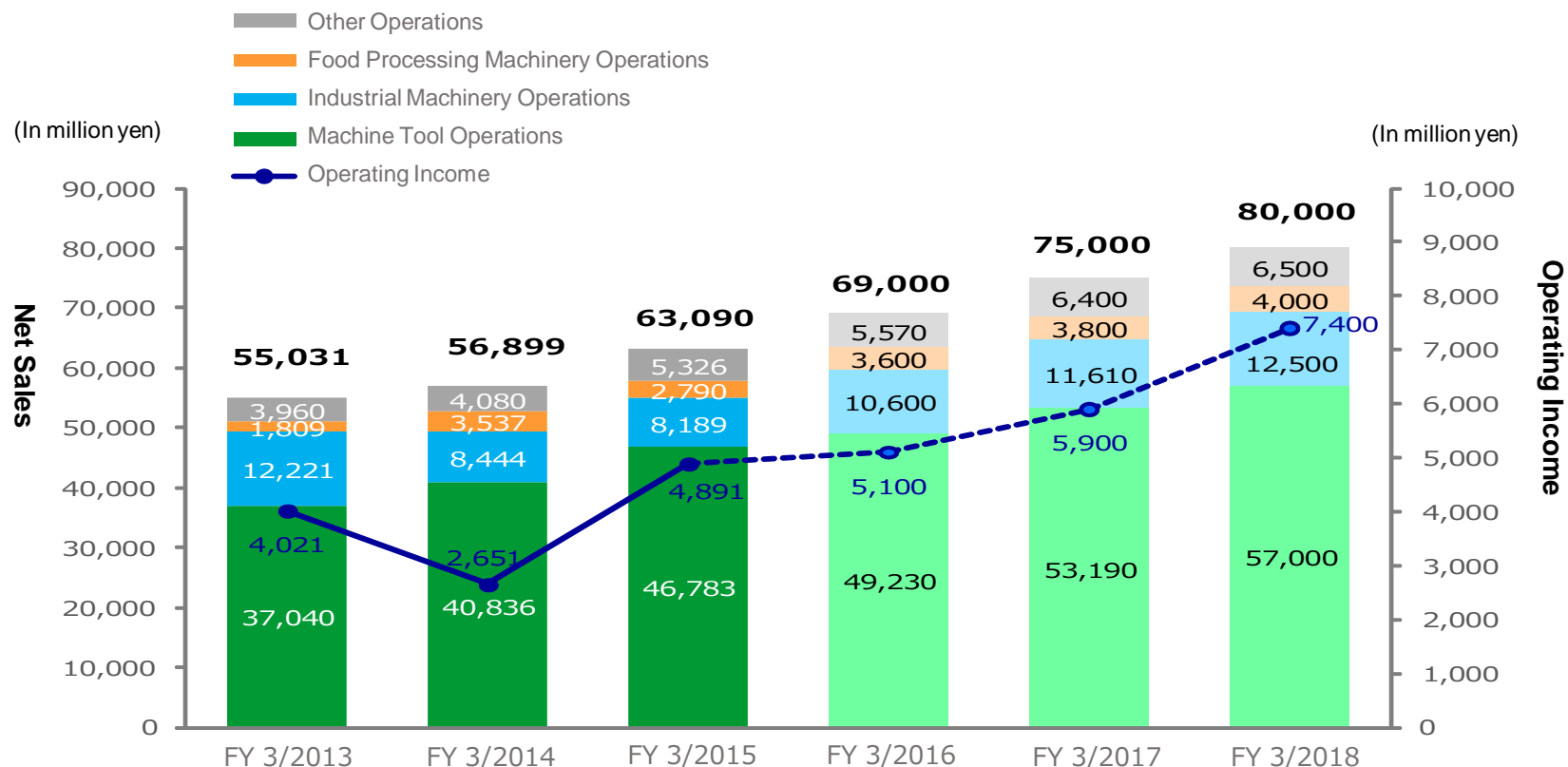


Vision for Growth

Release of the metal 3D printer, listing on TSE First Section, and entry into a new stage. Along with the growth of existing operations, positioning of the metal 3D printer business for full-scale sales and earnings.



Targeting sales of ¥80,000 million with operating income of ¥7,400 million by fiscal year ending March 31, 2018.



Actual
Plan

- ✓ In-house integration of core technology manufacturing
- ✓ Development of electrical discharge machine technology
- ✓ Increase in overseas production ratio through offshoring of manufacturing sites

- ✓ Launch of metal 3D printer business
- ✓ Promotion of global initiatives in industrial machinery operations and food processing machinery operations
- ✓ Capturing of domestic and overseas replacement demand, etc.

(Reference Materials)



Main Domestic and Overseas Sites



Information on Participation in Major Exhibitions

The Company will continue to participate in exhibitions in Japan and overseas with proactive business development activities.

Period	Location		Venue	Outline
May 12-14	U.S.A.	Massachusetts	EASTEC (Eastern States Exposition)	
May 18-23	Brazil	Sao Paulo	FEIMAFE 2015 (International Machine Tools and Integrated Manufacturing Systems Trade Fair)	
May 20-23	China	Dongguan	CHINAPLAS (The International Exhibition on Plastics and Rubber Industries)	Asia's No. 1 and the world's No. 2 exhibition related to plastics
May 20-23	Malaysia	Kuala Lumpur	Metaltech 2015	
May 25-28	China	Shanghai	DMC (Die & Mould China)	
Jun. 9-12	Japan	Tokyo	FOOMA (International Food Machinery & Technology Exhibition)	
Jun. 10-13	Indonesia	Surabaya	Machine Tools & Manufacturing Indonesia-Surabaya	
Jun. 24-27	Thailand	Bangkok	InterMold Thailand	
Jul. 7-10	Vietnam	Ho Chi Minh	MTA Vietnam (International Precision Engineering, Machine Tools and Metalworking Exhibition & Conference)	
Aug. 5-8	Indonesia	Jakarta	MTT Jakarta (International Precision Engineering, Machine Tools and Metalworking Exhibition & Conference)	
Auf. 26-29	Philippines	Manila	Philippine Die & Mold Machine Tools	
Aug. 27-29	Vietnam	Hanoi	Vietnam Manufacturing Expo 2015	
Sep. 28-Oct. 1	Canada	Toronto	CMTS2015 (The Canadian Manufacturing and Technology Show)	
Oct. 5-10	Italy	Milan	EMO (European International Machine Tool Exhibition)	One of the world's three largest machine tool exhibitions
Oct. 7-10	Japan	Nagoya	Nagoya Plastic Industrial Fair	
Oct. 8-10	Vietnam	Ho Chi Minh	METALEX VIETNAM (Vietnam's International Machine Tool & Metalworking Solutions Expo)	
Oct. 21-24	Japan	Nagoya	Mechatronics Technology Japan (MECT)	
Nov. 18-21	China	Dongguan	Dongguan DMP2014 (Dongguan International Mold and Metalworking Exhibition)	
Nov. 21-25	Thailand	Bangkok	Metalex (Thailand's International Machine Tool and Metalworking Exhibition)	
Dec. 2-5	Indonesia	Jakarta	Machine Tools Indonesia	

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