

TSE 1st Section, Code No. 6143

Create Your Future



Fiscal Year Ending March 31, 2017
Second Quarter

Results Briefing



November 25, 2016

Sodick Co.,Ltd.

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Fiscal Year Ending March 31, 2017 – Second Quarter Financial Results

- ✓ First-quarter financial results struggled, additionally affected by the rapid appreciation of the yen, leaving consolidated sales at ¥28,387 million (-13.2% compared with the year-earlier period) with operating income of ¥1,982 million (-37.5%).
- ✓ Into the second quarter, new orders and sales in Japan and overseas rebounded, along with a substantial improvement in the operating income margin compared with the first quarter.
- ✓ In the domestic market, sales and new orders turned upward, aided by the government's manufacturing financial assistance programs adopted in June.
- ✓ Overseas demand was solid in North America and Europe. In China, capital investment demand increased after the end of Chinese New Year, as did demand for high-precision machinery, with sales and new orders rebounding toward the second half of the fiscal year.

Fiscal Year Ending March 31, 2017 – Full-year Financial Results Projections

- ✓ Current new order receipts have been solid, leaving full-year results projections as revised on August 10 intact. Estimates are calling for sales of ¥61,100 million and operating income of ¥5,300 million.
- ✓ In the markets of industrialized countries (Japan, North America, and Europe), we expect continued solid demand on the back of solid capital investment demand in the automotive, aerospace, and medical equipment applications.
- ✓ Greater China has been showing rising capital investment demand mainly for automation and high-precision machinery driven by surging labor costs. Current new order receipts are recovering and we expect a continued solid demand.
- ✓ Adverse conditions in the markets of emerging economies expected to continue due to economic slowdown.

**I . Fiscal Year Ending March 31, 2017
Second Quarter Financial Results Summary**



Financial Results Highlights



- ✓ With first-quarter performance struggling and additional adverse effects from the rapid appreciation of the yen, second-quarter results posted declines in sales and earnings compared with the year-earlier period.
- ✓ The recovery trend in new orders and sales in Japan and overseas brought a substantial improvement in earnings compared with the first quarter.
- ✓ Foreign exchange rates affected by the appreciation of the yen resulted in a ¥860 million foreign exchange loss recognized in non-operating expenses

(In million yen)

	2Q FY ended March 2016		2Q FY ending March 2017		Compared with the year-earlier period		FY ending March 2017 First-half projections
	Actual	Earnings margin	Actual	Earnings margin	Amount	Rate	
Net Sales	32,705	-	28,387	-	-4,318	-13.2%	28,800
Gross Margin	11,708	35.8%	10,323	36.4%	-1,384	-11.8%	-
Operating Income	3,170	9.7%	1,982	7.0%	-1,187	-37.5%	2,150
Ordinary Income	3,132	9.6%	1,050	3.7%	-2,081	-66.5%	1,500
Net Income	2,604	8.0%	1,058	3.7%	-1,545	-59.3%	1,300

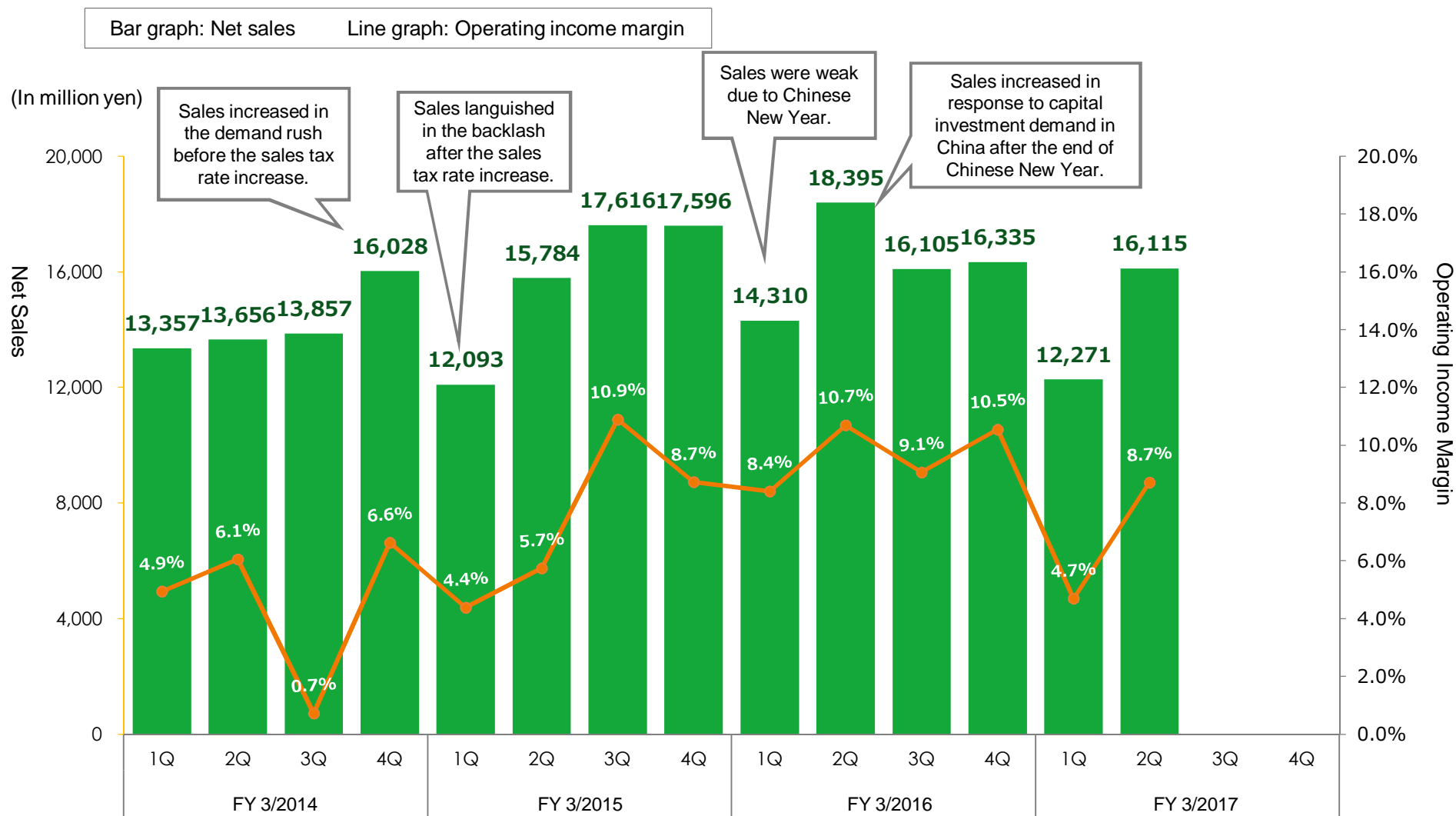
Period average foreign exchange rate	USD	121.87 yen		105.20 yen		105.48 yen
	EUR	135.11 yen		118.04 yen		118.14 yen
	CNY	19.32 yen		17.05 yen		16.54 yen
	THB	3.57 yen		3.00 yen		3.00 yen

Note: Supplementary information

FY 3/2017 2Q end - Foreign exchange rates	USD: 101.12 yen	EUR: 113.36 yen	CNY: 15.46 yen	THB: 2.91 yen
FY 3/2016 end - Foreign exchange rates	USD: 112.68 yen	EUR: 127.70 yen	CNY: 18.36 yen	THB: 3.19 yen

Sales-to-operating-income Ratio (Quarterly)

- ✓ Financial results in the second quarter saw in domestic operations contributions from projects under the government's manufacturing financial assistance programs, while in Greater China facility investment demand and sales of high-precision machinery developed favorably after the end of Chinese New Year, resulting in higher sales and earnings compared with the first quarter.



Financial Results by Segment



(In million yen)

		2Q FY ended March 2016	2Q FY ending March 2017	Compared with the year-earlier period	
		Actual	Actual	(Amount)	(Rate)
Net Sales	● Machine Tool Operations	24,367	19,983	-4,383	-18.0%
	● Industrial Machinery Operations	4,139	3,860	-278	-6.7%
	● Food Processing Machinery Operations	1,474	1,772	297	20.2%
	● Other Operations	2,724	2,770	46	1.7%
		32,705	28,387	-4,318	-13.2%
Segment Income	● Machine Tool Operations	3,611	2,606	-1,005	-27.8%
	● Industrial Machinery Operations	67	17	-49	-73.5%
	● Food Processing Machinery Operations	222	154	-67	-30.3%
	● Other Operations	482	483	1	0.3%
		4,383	3,262	-1,120	-25.6%
Adjustments		-1,212	-1,279	-66	5.5%
Operating Income - Total		3,170	1,982	-1,187	-37.5%

Machine Tool Operations

- ✓ In Japan, demand for smartphone-related applications marked a slower pace, but demand for automotive-related applications continues favorably.
- ✓ In North America, solid demand continued for aerospace and medical equipment applications.
- ✓ In Europe, strong demand continued for automotive and aerospace applications, albeit with patches of weakness such as Russia.
- ✓ Although adverse conditions continue in Asia, sales and new order receipts have developed favorably on rising demand for high-precision machinery in Greater China.

Industrial Machinery Operations

- ✓ In Japan, demand was favorable for automotive applications related to car parts and connectors. In smartphone-related applications, demand has been solid for high value-added components such as lenses.
- ✓ Sales and earnings in Asia and Greater China have been falling short of plan due to the appreciation of the yen and intense price competition.

Food Processing Machinery Operations

- ✓ Food Processing Machinery Operations benefited from capital investment demand for raising the quality of cooked noodles.
- ✓ Noodle making machinery has been seeing demand from overseas.

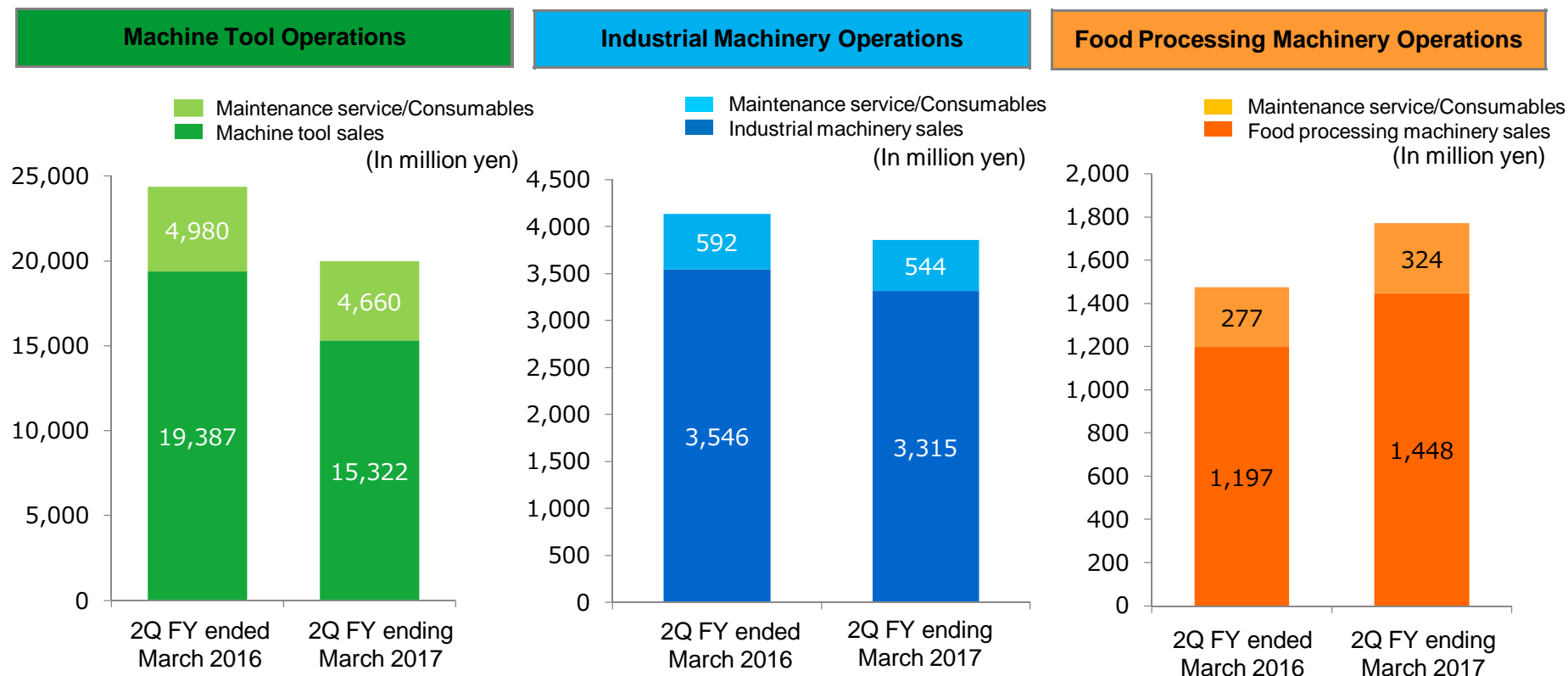
Other Operations

- ✓ Operations for precision molds and precision molded articles centered on automotive applications performed well.

Segment Sales Breakdown



✓ Sales of maintenance services and consumables, a stable source of cash, account for roughly 22% of total sales.



Machine Tool Operations	2Q FY ended March 2016	2Q FY ending March 2017
Machine tool sales	19,387	15,322
Maintenance services/Consumables	4,980	4,660
Total	24,367	19,983

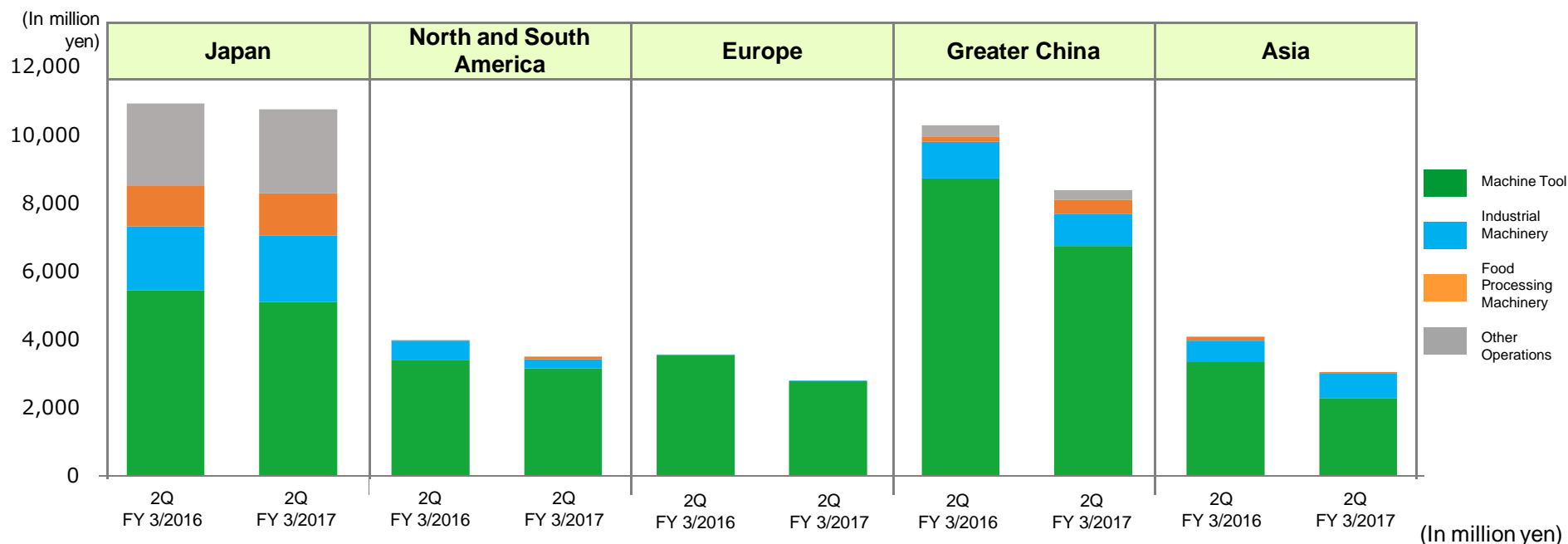
Industrial Machinery Operations	2Q FY ended March 2016	2Q FY ending March 2017
Injection molding machine sales	3,546	3,315
Maintenance services/Consumables	592	544
Total	4,139	3,860

Food Processing Machinery Operations	2Q FY ended March 2016	2Q FY ending March 2017
Food processing machinery sales	1,197	1,448
Maintenance services/Consumables	277	324
Total	1,474	1,772

Overseas Sales Ratios Broken Down by Operation



✓ Sodick has been developing global operations with an overseas sales ratio of 62.2%.



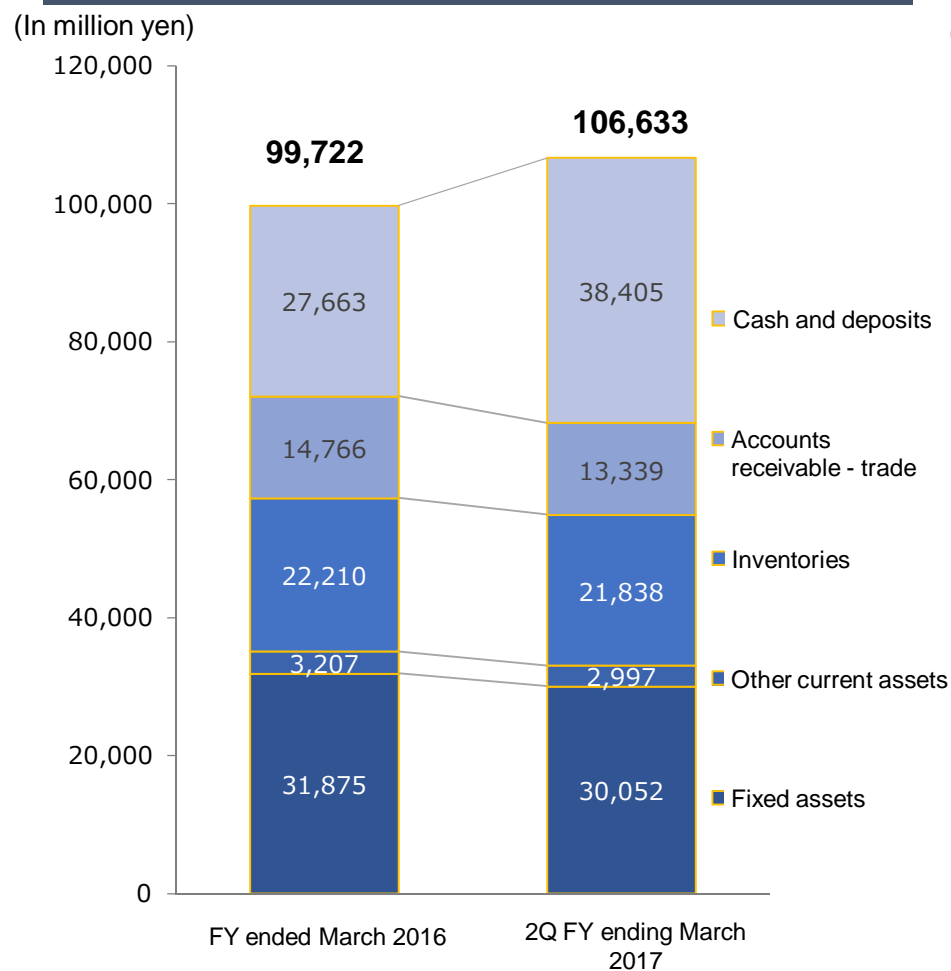
2Q FY 3/2016	Japan		North and South America		Europe		Greater China		Asia		Total	
Machine Tool	5,422	22.3%	3,379	13.9%	3,520	14.4%	8,708	35.7%	3,335	13.7%	24,367	74.5%
Industrial Machinery	1,873	45.3%	569	13.7%	1	0.0%	1,079	26.1%	615	14.9%	4,139	12.7%
Food Processing Machinery	1,213	82.3%	3	0.2%	0	0.0%	158	10.7%	99	6.8%	1,474	4.5%
Other Operations	2,396	88.0%	0	0.0%	0	0.0%	317	11.6%	11	0.4%	2,724	8.3%
By region - Total	10,906	33.3%	3,951	12.1%	3,522	10.8%	10,263	31.4%	4,061	12.4%	32,705	100.0%

2Q FY 3/2017	Japan		North and South America		Europe		Greater China		Asia		Total	
Machine Tool	5,091	25.5%	3,131	15.7%	2,765	13.8%	6,727	33.7%	2,268	11.3%	19,983	70.4%
Industrial Machinery	1,941	50.3%	263	6.8%	3	0.1%	927	24.0%	723	18.8%	3,860	13.6%
Food Processing Machinery	1,235	69.7%	85	4.8%	0	0.0%	420	23.7%	32	1.8%	1,772	6.2%
Other Operations	2,474	89.3%	0	0.0%	0	0.0%	296	10.7%	0	0.0%	2,770	9.8%
By region - Total	10,743	37.8%	3,480	12.3%	2,768	9.8%	8,371	29.5%	3,023	10.6%	28,387	100.0%

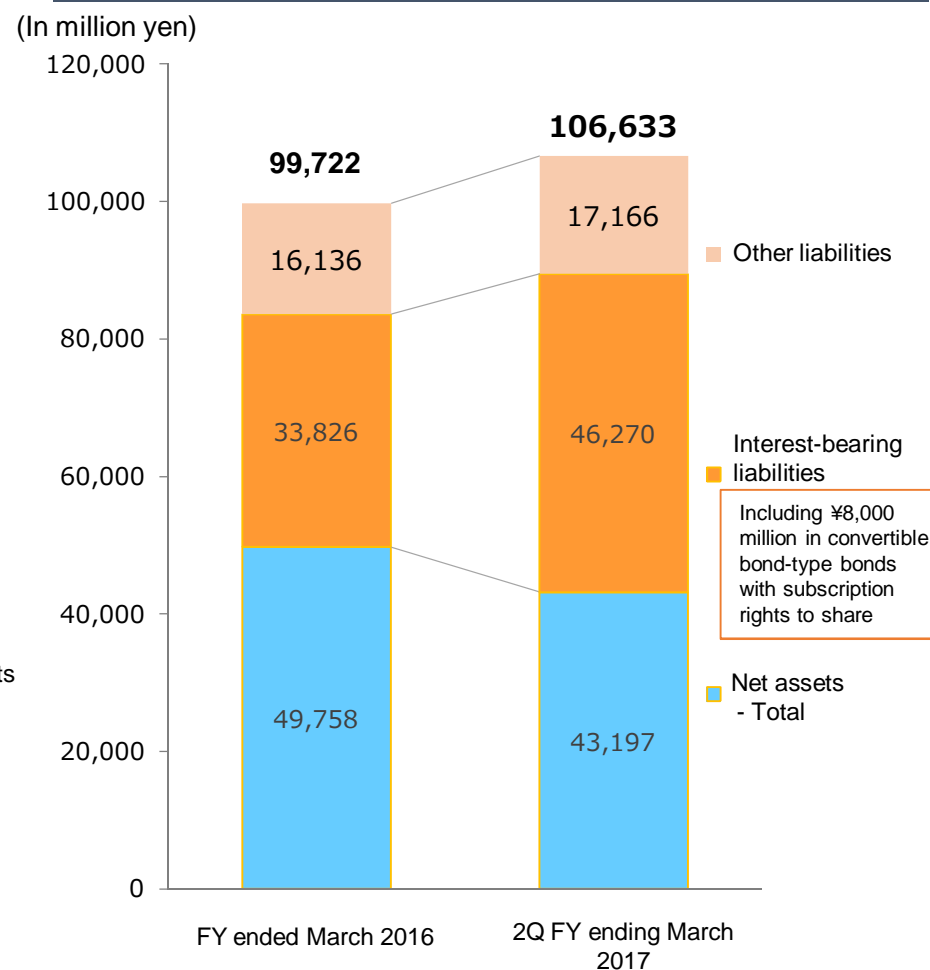
Balance Sheet

- ✓ Strong growth in interest-bearing liabilities and cash and deposits from proceeds of ¥8,000 million convertible bond-type bonds with subscription rights to share issuance (out of the ¥8,000 million total, ¥3,000 million was allocated to the acquisition of own stock, the remainder will be used as R&D funding). Current ratio continues above 200%.
- ✓ Net assets decreased due to factors such as lower translation adjustments for capital payments to overseas subsidiaries due to the appreciation of the yen as well as the acquisition of own stock.

Assets



Liabilities and Net Assets



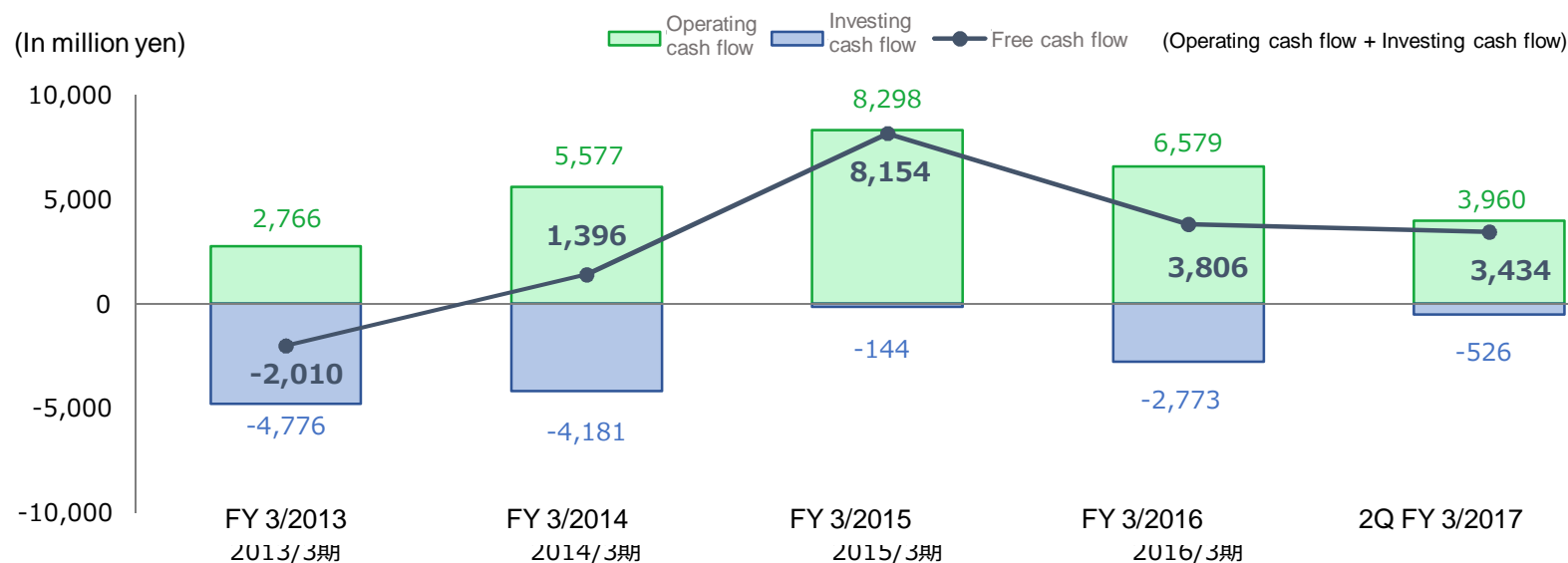
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Cash Flow

- ✓ Free cash flow increased ¥3,434 million (¥918 million higher than in the year-earlier period).
- ✓ Net cash provided by financing activities increased due to the issuance of convertible bond-type bonds with subscription rights to share and procurement of long-term working capital funds (¥6,755 million higher than in the year-earlier period).

(In million yen)

	2Q FY ended March 2016	FY ended March 2016	2Q FY ending March 2017	Main factors of change (Compared with the year-earlier period)
Cash flows from operating activities	3,251	6,579	3,960	Increase in accounts payable and advances received
Cash flows from investing activities	-735	-2,773	-526	¥800 million (approx.) in expenditure for the acquisition of tangible fixed assets
Cash flows from financing activities	2,508	-2,854	9,263	¥8,000 million in income from the issuance of convertible bond-type bonds with subscription rights to share ¥10,500 million (approx.) in income from long-term loans ¥5,500 million (approx.) in expenditure for the repayment of long-term loans ¥3,000 million in expenditure for the acquisition of own stock
Cash and cash equivalents at the end of the period	32,229	27,328	38,007	



1 Sales launch of the "OPM350L" precision metal 3D printer

In order to accommodate customers' needs for increasingly large and diversified metal 3D printers, in November 2016 Sodick launched the "OPM350L" as a large-format line-up of the "OPM250L," which has been in the market since October 2014. With the maximum forming dimensions increased to 350×350×350mm, this printer offers enhanced processing speed enabled by upgraded laser functions. Substantially increased fume processing capability enables continuous operations over extended time periods. The "OPM350L" achieves the same processing quality and accuracy as the "OPM250L" but delivers a significant improvement in processing speed for large-size formed objects.



2 Development of the "MR30" production cell system specialized for OPM molds

Sodick has developed an injection molding machine specialized for molds manufactured on Sodick-made precision metal 3D printers. Achieving maximum cooling effect at the time of resin formation in plastic molded object production has drastically shortened the forming cycle while helping suppress deformation of the molded object and thereby improving the production yield.

<Special features>

- (1) Specialized for molds with built-in 3-dimensional internal cooling ducts manufactured on metal 3D printers
→ Drastic shortening of the forming cycle, suppression of molded-object deformation, and improved production yield.
- (2) Stable high-cycle molding by adopting the V-LINE® methods in combination with single toggle-type closing mechanism
- (3) Use of cassette-type molds drastically shortens mold switching time (program time)
- (4) "All in one" structure with integration of peripheral equipment (raw material feeder tank, reserve dryer, and mold temperature regulation, etc.)
- (5) Equipped with IoT-compatible, latest controller type developed by Sodick



3 Development of the "MS100" eV-LINE injection molding machine

The application of the V-Line method acknowledged for the precision molding of intricately-shaped injection molded plasticized parts enables high precision and superior production stability. Compatibility with servo motor control technology developed by Sodick for the driver components achieves stable high-precision, high-cycle forming. Moreover, running entirely on electric power, this injection molding machine is an energy-conserving proposition and environment-friendly solution.



4 Development of the "UH430L LN4X" linear motor-driven, ultra high-speed milling center

Sodick developed the "UH430L LN4X" model, equipped with a new NC device, as a model change of the linear motor-driven, ultra high-speed milling center.

<Special features>

- (1) Sodick-developed spindle with a wealth of variation options
 - Suppression of vibration and axis blur, enabling well-balanced rotation, torque properties, and high rigidity.
- (2) Equipped with new NC device "LN4X"
 - High-speed axis control cycles and enhanced driver servo response enable high-quality finishing processing of areas of minute detail.
- (3) All three axes are equipped with linear motors developed and manufactured in-house by Sodick
- (4) Standard-equipped with IoT compatible software, "Miemmerce".



5 Exhibition at the IMTS 2016 (International Manufacturing Technology Show)

Sodick exhibited at the "IMTS 2016," one of the world's three largest machine tool exhibitions, held in Chicago, US.

Amid the show's broadening scope of Additive Manufacturing exhibits, Sodick followed suit with a display of the "OPM250L" precision metal 3D printer, which has been selling in the US since April 2016. Demonstrations and presentations of the printer's actual operating performance filled the Sodick booth with throngs of visitors and brought a large number of trade inquiries.

Outline of the IMTS2016

Venue location: McCormick Place (Chicago, IL, USA)

Exhibition period: September 12 to September 17, 2016 (6 days)

Exhibits: OPM250L, ALN600G, AQ750LH, VL600Q, UH650L, and others

Number of visitors: 115,612



6 Exhibition at the JIMTOF 2016 (The 28th Japan International Machine Tool Fair 2016)

Sodick exhibited at the "JIMTOF2016," one of the world's three largest machine tool exhibitions, held at the Tokyo Big Sight.

Sodick gave presentations of its "Plastic Forming Revolution" in operation, which combines the "OPM350L" precision metal 3D printer, on public display for the first time, and the "MR30" injection molding machine specialized for OPM molds. Additionally, Sodick introduced new technologies and products that contribute to productivity enhancements at users' operations.

Outline of the JIMTOF 2016

Venue location: Tokyo Big Sight (Tokyo, Japan)

Exhibition period: November 17 to November 22, 2016 (6 days)

Exhibits: OPM350L, MR30, AL600P, AG40LP, UH430L, and others

Number of visitors: 147,602



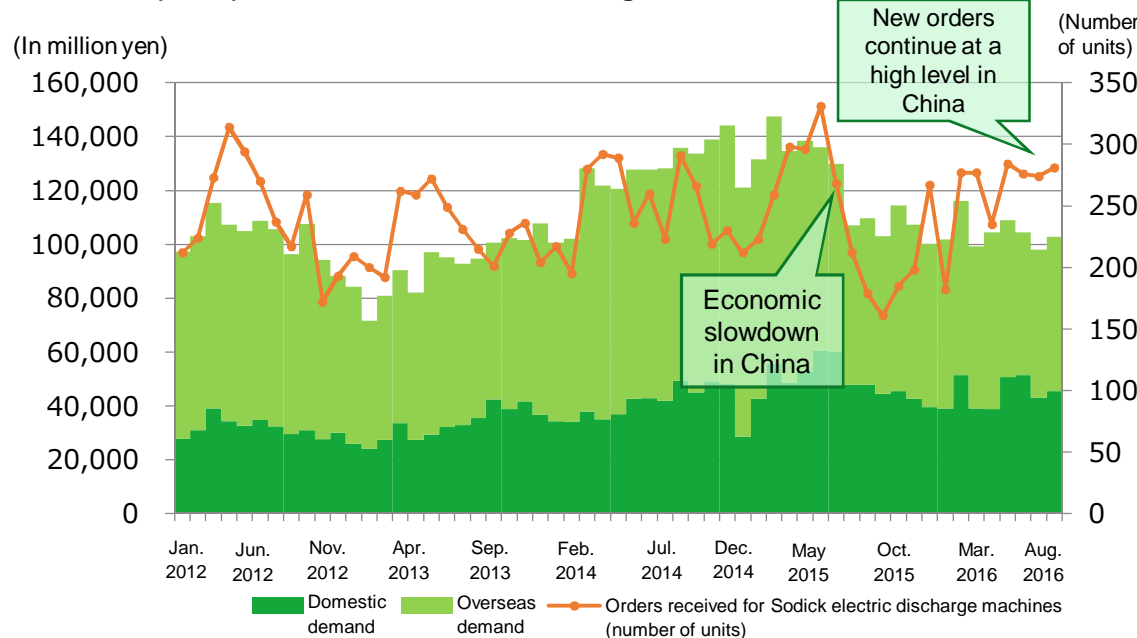
**II . Fiscal Year Ending March 31, 2017
Full-year Financial Results Projections**



Market Environment

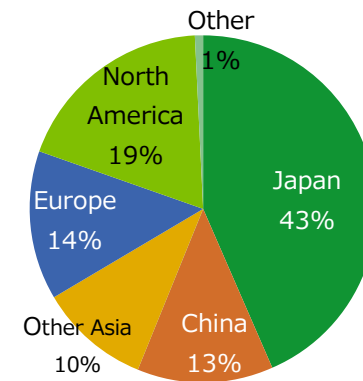
- ✓ Japan: We expect sustained solid demand due to government subsidy programs and replacement demand due to facility aging.
- ✓ North America: While a sense of a lull was observed for the automotive-related applications, capital investment demand has been firm in aerospace and medical equipment-related applications, We expect favorable demand to continue but the effects on the economy from the US presidential election is concerned.
- ✓ Europe: Despite prospects for solid demand related to automotive and aerospace applications, the outlook is uncertain given economic deceleration in Russia, etc., as well as the Brexit problem in the UK and geopolitical risks.
- ✓ China: With the effects of tapering economic growth, the slow-down is becoming widespread, making for an uncertain outlook. Even so, against the background of soaring labor costs, we expect rising demand for machinery geared at automation and higher precision.
- ✓ Asia: Prospects are for continued adverse conditions under the impact of slowing emerging economies.

Japan Machine Tool Builders' Association Machine Tool Orders (value) and Sodick Electrical Discharge Machine Tool Orders (units)



Source: Japan Machine Tool Builders' Association

Japan Machine Tool Builders Association Breakdown of Machine Tool Orders by Region (Cumulative total for the April 2016 – September 2016 period)



Source: Japan Machine Tool Builders' Association

Fiscal Year Ending March 31, 2017 - Full-year Financial Results Projections



- ✓ Given sustained favorable conditions surrounding new orders, financial results projections for the full fiscal year remain intact.
- ✓ First-half financial results were affected by struggling performance in the first quarter, with a low attainment ratio relative to full-year projections. However, order receipts at present have been running ahead of plan, with prospects for improving sales and earnings toward the second half of the fiscal year.

(In million yen)

	FY ended March 2016		2Q FY ending March 2017		FY ending March 2017		Compared with the year-earlier period		Attainment ratio relative to full-year projections
	Actual	Earnings margins	Actual	Earnings margins	Projections	Earnings margins	Amount	Rate	
Net Sales	65,146	-	28,387	-	61,100	-	-4,046	-6.2%	46.5%
Operating Income	6,353	9.8%	1,982	7.0%	5,350	8.8%	-1,003	-15.8%	37.0%
Ordinary Income	5,719	8.8%	1,050	3.7%	4,550	7.4%	-1,169	-20.4%	23.1%
Net Income for the Period	4,167	6.4%	1,058	3.7%	3,500	5.7%	-667	-16.0%	30.3%
ROE	8.4%								

Period average foreign exchange rate	USD	120.15 yen		105.20 yen		104.19 yen	
	EUR	132.60 yen		118.04 yen		116.26 yen	
	CNY	19.21 yen		17.05 yen		16.00 yen	
	THB	3.44 yen		3.00 yen		2.96 yen	

* Above full-year financial results projections for fiscal year ending March 31, 2017 is revised on August 10, 2016.

Full-Year Projections by Segment



(In million yen)

		FY ended March 2016	FY ending March 2017	FY ending March 2017	Compared with the year-earlier period		Attainment ratio relative to full-year projections
		Actual	2Q Actual	Full-year projections	(Amount)	(Rate)	
Net Sales	● Machine Tool Operations	47,789	19,983	42,320	-5,469	-11.4%	47.2%
	● Industrial Machinery Operations	8,633	3,860	8,680	46	0.5%	44.5%
	● Food Processing Machinery Operations	3,562	1,772	4,100	537	15.1%	43.2%
	● Other Operations	5,161	2,770	6,000	838	16.2%	46.2%
		65,146	28,387	61,100	-4,046	-6.2%	46.5%
Segment Income	● Machine Tool Operations	7,113	2,606	6,240	-873	-12.3%	41.8%
	● Industrial Machinery Operations	319	17	280	-39	-12.5%	6.4%
	● Food Processing Machinery Operations	492	154	460	-32	-6.6%	33.6%
	● Other Operations	813	483	820	6	0.8%	58.9%
		8,739	3,262	7,800	-939	-10.7%	41.8%
Adjustments		-2,386	-1,279	-2,450	-63	-	-
Operating Income - Total		6,353	1,982	5,350	-1,003	-15.8%	37.1%

Machine Tool Operations

- ✓ We expect capital investment demand to continue strongly, centered on the markets of industrialized countries.
- ✓ Greater China remains under the impact of a slowing economy with uncertain outlook. However, demand for smartphone-related applications is seen to remain solid.
- ✓ Although demand for capital investment continues in some regions such as Vietnam, expectations are for sustained adverse conditions mainly in Korea and Thailand.

Industrial Machinery Operations

- ✓ Domestic demand to remain strong centered on automotive applications.
- ✓ Demand in China has been rising for high-precision machinery geared at smartphone and connector-related applications, with new orders currently running at the highest level on record.
- ✓ In Southeast Asia, prospects are for continued difficult conditions due to low-price competition.

Food Processing Machinery Operations

- ✓ The outlook is for higher sales, driven by rising domestic and overseas demand.
- ✓ Demand for machines from other than noodle-making industry.

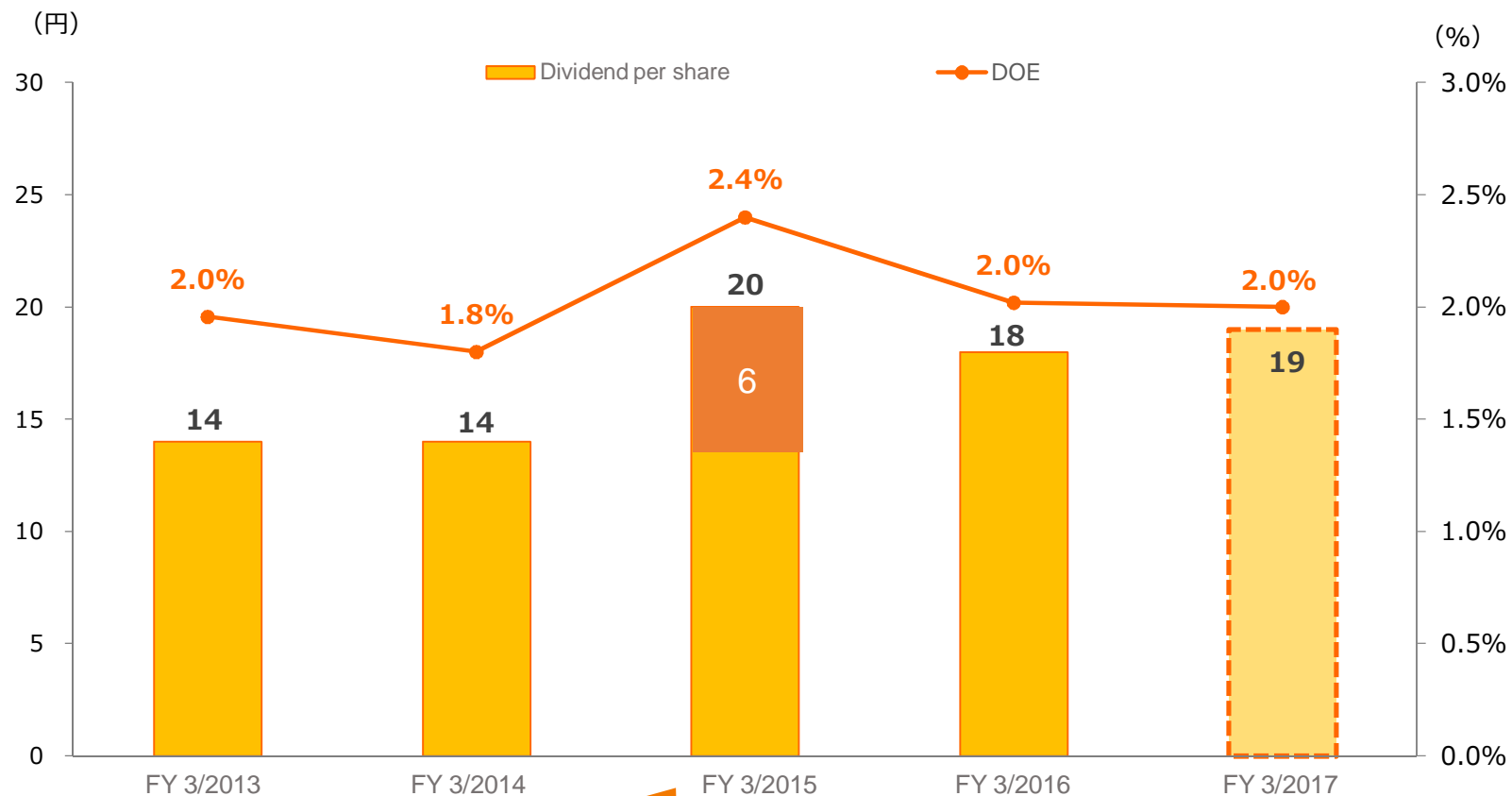
Other Operations

- ✓ We foresee continued solid conditions surrounding precision molds and precision molding operations as well as external sales of ceramics.

* Above full-year projections for fiscal year ending March 31, 2017 is revised on August 10, 2016.

Policies for Shareholder Returns and Dividend Projections **Sodick**

- ✓ As a dividend policy, the Company aims at a dividend yield on equity (DOE) of at least 2%.
- ✓ For the fiscal year ending March 31, 2017, dividends for the full fiscal year are projected at ¥19.0 per share (interim dividend ¥9.0, year-end dividend ¥10.0), reflecting a DOE ratio of around 2%.
- ✓ In order to return earnings to shareholders, Sodick acquired ¥3,000 million in own stock in April 2016.



Included is a ¥6.0 dividend in commemoration of the listing of the shares of the Company on the First Section of the Tokyo Stock Exchange

(Reference Materials)



Domestic and Overseas Sites



Information on Participation in Major Exhibitions

✓ Sodick emphasizes proactive marketing with participation in trade fairs in Japan and

Period	Location		Venue	Outline
2016 Jul. 5-8	Vietnam	Ho Chi Minh	MTA Vietnam 2016 (International Precision Engineering, Machine Tools and Metalworking Exhibition & Conference)	
Jul. 7-10	Thailand	Bangkok	InterPlas Thailand 2016	
Jul. 27-30	Indonesia	Surabaya	MachineTools & manufacturing Indonesia-Surabaya	
Sep. 12-17	U.S.A.	Chicago	IMTS 2016 (Japan International Machine Tool Fair)	One of the world's three largest machine tool exhibitions
Sep. 13-17	Germany	Stuttgart	AMB (International Exhibition for Metalworking)	
Oct. 6-8	Vietnam	Ho Chi Minh	METALEX VIETNAM (Vietnam's International Machine Tool & Metalworking Solutions Expo)	
Nov. 17-22	Japan	Tokyo	JIMTOF2016 (The 28th Japan International Machine Tool Fair 2016)	One of the world's three largest machine tool exhibitions
Nov. 23-26	Thailand	Bangkok	Metalex Thai (Thailand's International Machine Tool & Metalworking Solutions Expo)	
Nov. 24-26	Japan	Yokohama	Japan Die Casting Exhibition	
Nov. 29-Dec. 2	China	Dongguan	Dongguan DMP2016 (Dongguan International Mold and Metalworking Exhibition)	
Dec. 16-19	Indonesia	Jakarta	Machine Tools Indonesia	
2017 Jan. 26-Feb.1	India	Bangalore	IMTEX 2017 (Indian Metal-cutting Machine Tool Exhibition)	
Mar. 7-11	Korea	Seoul	INTERMOLD KOREA 2017 (The 23rd Korea International Die-Mold Related Equipment Exhibition)	
Mar. 7-12	Taiwan	Taipei	TIMTOS 2017 (Taipei International Machine Tool Show)	
Apr. 5-7	Japan	Tokyo	Plastic Japan (Highly-functional Plastic Expo)	
Apr. 12-15	Japan	Tokyo	INTERMOLD 2017 (The 28th Japan Die & Mold Manufacturing Technology Exhibition)	
Apr. 17-22	China	Beijing	CIMT 2017 (The 15th China International Machine Tool Show)	
May. 16-19	China	Guangzhou	CHINAPLAS 2017 (The 31st International Exhibition on Plastics and Rubber Industries)	
Jun. 13-16	Japan	Tokyo	FOOMA JAPAN 2017 (International Food Machinery & Technology Exhibition)	

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