



2Q FY18/12

Results Briefing

August 17, 2018

Sodick Co., Ltd.

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Consolidated Accounting Period for FY17/12 (Previous FY)



- ✓ Sodick changed its fiscal year-end from March 31 to December 31, effective from FY2017, thereby eliminating the three-month difference between the parent's year-end and year-ends of its subsidiaries in China. Accordingly, the year ended December 31, 2017 (FY17/12) was an irregular accounting period of transition that covered nine months.

(1) Period included in the consolidated results for 2Q FY17/12 (on a financial report basis)

- Companies closing accounts in March: April-September 2017
- Companies closing accounts in December (7 subsidiaries in China): January-September 2017

	Jan-Mar	FY17/12			FY18/12			
		Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
		1Q	2Q	3Q	1Q	2Q	3Q	4Q
Companies closing accounts in March		6 months			6 months			
Companies closing accounts in December	9 months			6 months				

(2) Period covered by the consolidated figures for the purpose of comparison (Figures for the purpose of comparison: **Adjusted**)

- 2017: Group-wide; January-June 2017
- 2018: Group-wide; January-June 2018

	Jan-Mar	FY17/12			FY18/12			
		Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
		1Q	2Q	3Q	1Q	2Q	3Q	4Q
Companies closing accounts in March								
Companies closing accounts in December								

* See pages 13 through 16 for "Figures for the purpose of comparison."

I. 2Q FY18/12 Financial Results Summary

Financial Results Highlights (on a Financial Report Basis)



- ✓ In China after the Chinese New Year holiday, EDMs sold well and on the whole net sales progressed according to plan at the beginning of the period.
- ✓ Gross profit margin improved due to a substantial increase in the number of EDMs sold and greater productivity.

(million yen)

	2Q FY17/12		2Q FY18/12		FY18/12 Full-year Projection
	Actual	Income margin	Actual	Income margin	
Net sales	42,408	-	41,416	-	81,000
Gross profit	14,574	34.4%	15,290	36.9%	-
Operating income	4,206	9.9%	5,277	12.7%	8,000
Ordinary income	4,466	10.5%	5,185	12.5%	8,000
Net income	3,159	7.4%	3,677	8.9%	5,700

Average exchange rate over the period	USD	111.04 yen		108.67 yen		112.00 yen
	EUR	126.32 yen		131.55 yen		132.00 yen
	CNY	16.47 yen		17.09 yen		16.90 yen
	THB	3.28 yen		3.43 yen		3.40 yen

* Reference information Exchange rate at end of June 2018 USD: 110.54 yen EUR: 127.91 yen CNY: 16.66 yen THB: 3.33 yen
Exchange rate at end of September 2017 USD: 112.73 yen EUR: 132.85 yen CNY: 16.96 yen THB: 3.38 yen

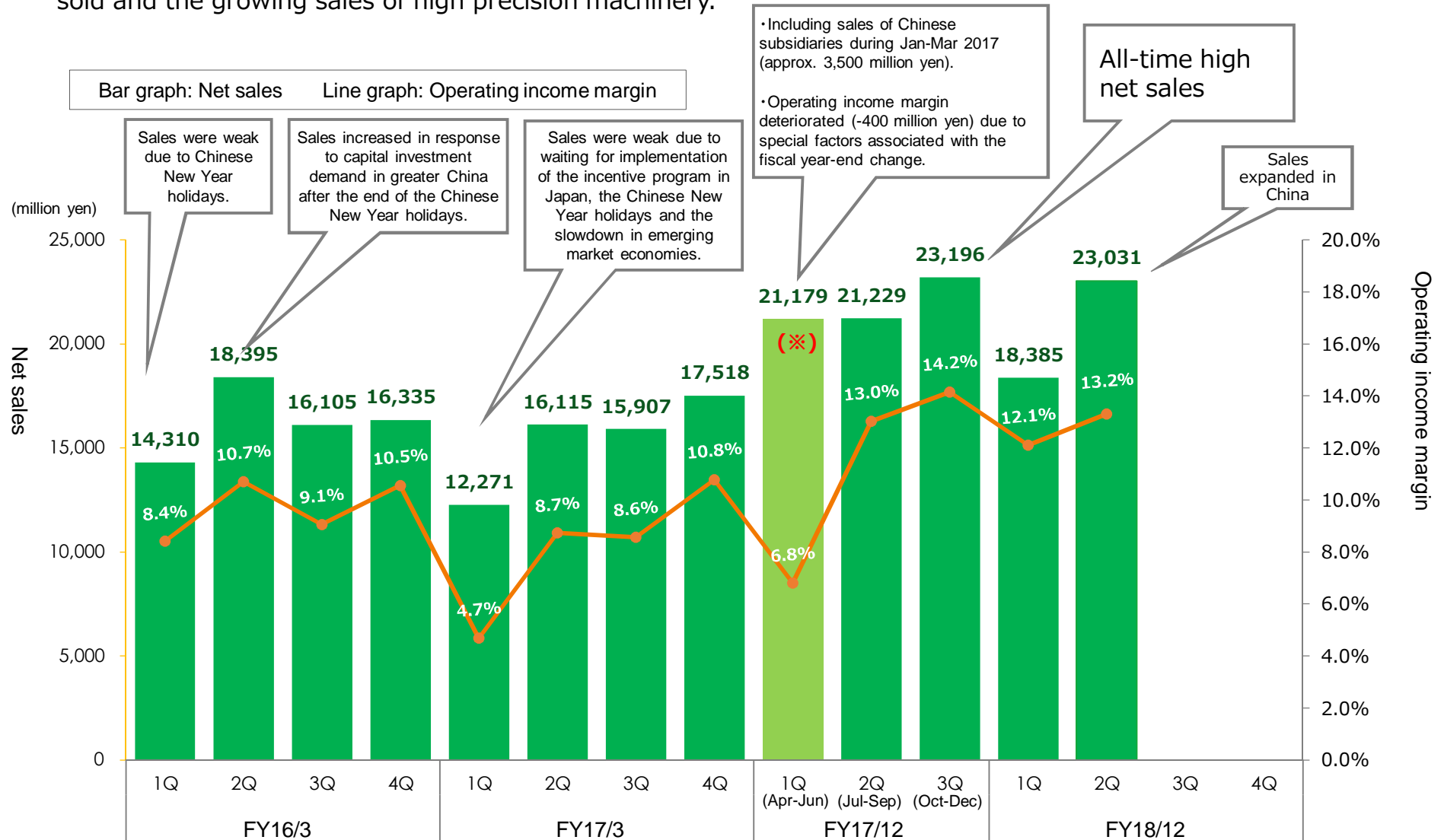
* Due to the fiscal year-end change, 2Q FY17/12 was an irregular accounting period covering 6 months (from April to September 2017) for old companies whose fiscal year ends on March 31, and 9 months (from January to September 2017) for those whose fiscal year ends on December 31. Accordingly, changes compared to the same quarter in the preceding fiscal year are not provided.

* Financial impact in 2Q FY17/12 due to the fiscal year-end change (approx. 400 million yen decrease in operating income).

Ratio of Operating Income to Net Sales (Quarterly: on a Financial Report Basis)



- ✓ Sales substantially increased in 2Q up from 1Q thanks to favorable EDM sales after the New Year holiday in China. Operating income margin remained at a high level of 13.2% owing to a substantial increase in the number of EDMs sold and the growing sales of high precision machinery.



(*) Due to irregular settlement of accounts resulting from the fiscal year-end change, figures for the April-June period of companies whose fiscal year ends on March 31 as well as those for the January-June period of companies whose fiscal year ends on December 31 are included.

Financial Results by Segment (on a Financial Report Basis)



(million yen)

		2Q FY17/12	2Q FY18/12
		Actual	Actual
Net sales	● Machine tool segment	31,494	29,980
	● Industrial machinery segment	6,531	4,981
	● Food processing machinery segment	1,493	3,151
	● Other segments	2,888	3,303
		42,408	41,416
Segment income	● Machine tool segment	4,220	5,179
	● Industrial machinery segment	714	302
	● Food processing machinery segment	-68	424
	● Other segments	653	695
		5,519	6,602
Adjustment amounts		-1,313	-1,324
Total operating income		4,206	5,277

Machine tool segment

- ✓ In China, although demand in smartphone-related industries was rather stagnant, the increasing sophistication and automation of manufacturing, and the government's subsidy policies boosted the performance of the segment. Sales substantially increased mainly in auto-related industries where electric car production is increasing and booming semiconductor-related industries.
- ✓ In Japan, demands mainly in the automotive and semiconductor-related industries were strong.
- ✓ In North America, capital investment did not seem to be active in auto-related industries.
- ✓ In Europe, demand from the automotive and aerospace-related industries, in Germany, Italy, and the U.K. remained solid.
- ✓ In other countries and regions in Asia, there is demand in the automotive and semiconductor-related industries in Thailand, India, and Malaysia, etc.

Industrial machinery segment

- ✓ In Japan, demand remained solid for components such as connectors and sensors for auto-related industries.
- ✓ In North America, demand remained stable mainly in the medical equipment-related industries.
- ✓ In China and Asia, demand fell in a lull in smartphone-related industries.

Food processing machinery segment

- ✓ Demand for high-quality noodle making equipment continued to be strong.
- ✓ Demand has been increasing in Japan and Asia for sterile-packed cooked rice production systems.
- ✓ As projects whose acceptance was delayed in 1Q were counted in 2Q, on the whole both sales and segment income increased and progressed according to plan.

Other segments

- ✓ In precision mold and precision molding operations, we are making efforts to develop high precision molding utilizing molds created by metal 3D printers and specialized injection molding machines.
- ✓ Sale of ceramics mainly to the semiconductor production equipment industries remained strong.

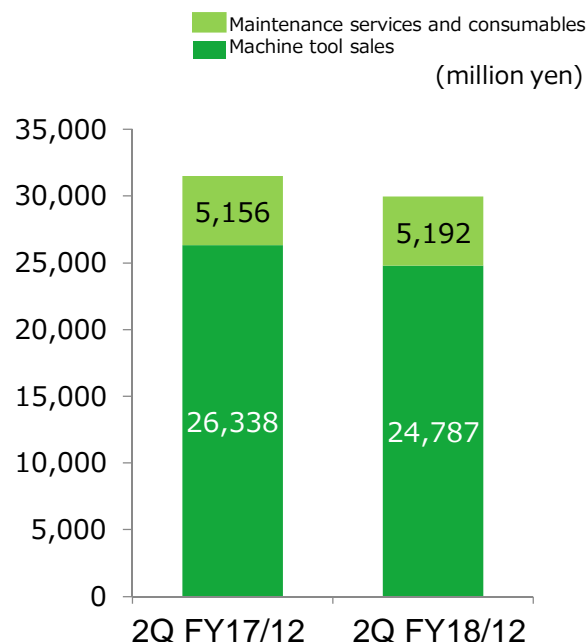
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Net Sales by Segment (on a Financial Report Basis)



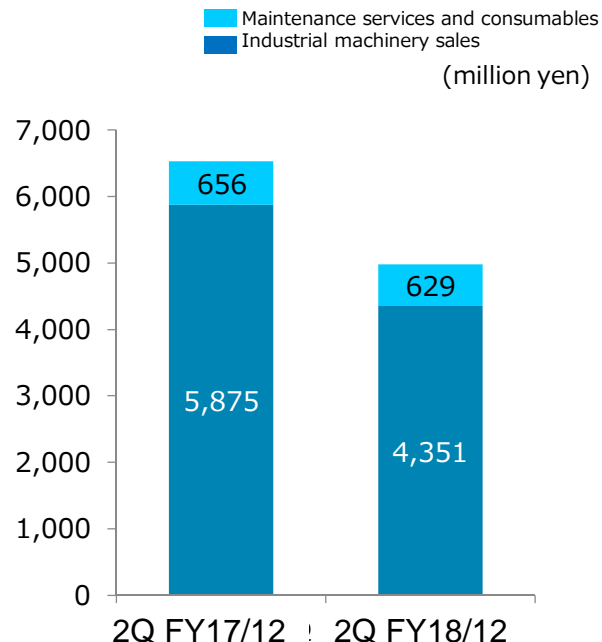
✓ Maintenance services and consumables, a stable source of cash, account for about 16% of total net sales.

Machine tool segment



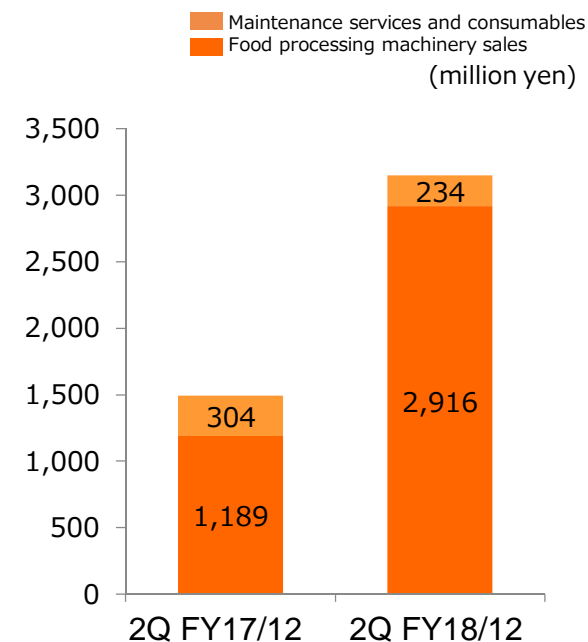
Machine tool segment	2Q FY17/12	2Q FY18/12
Machine tool sales	26,338	24,787
Maintenance services and consumables	5,156	5,192
Total	31,494	29,980

Industrial machinery segment



Industrial machinery segment	2Q FY17/12	2Q FY18/12
Injection molding machine sales	5,875	4,351
Maintenance services and consumables	656	629
Total	6,531	4,981

Food processing machinery segment



Food processing machinery segment	2Q FY17/12	2Q FY18/12
Food processing machinery sales	1,189	2,916
Maintenance services and consumables	304	234
Total	1,493	3,151

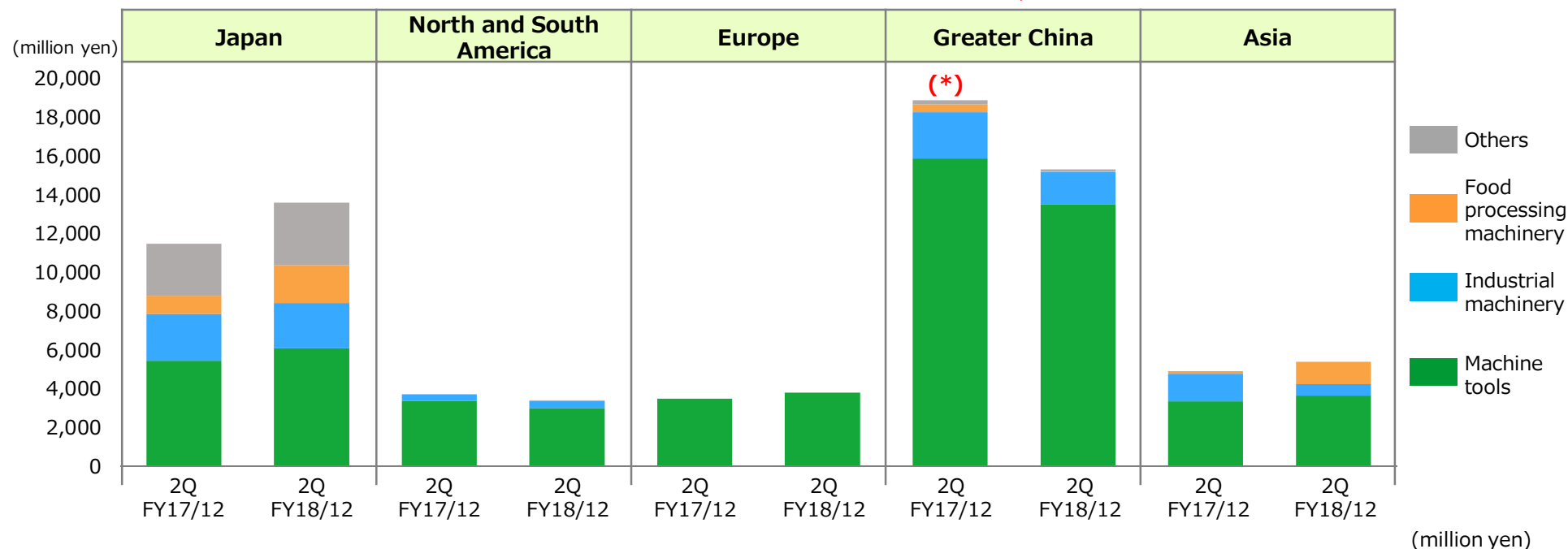
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Overseas Sales Ratio by Segment (on a Financial Report Basis)



✓ Sodick has been developing its business globally with an overseas sales ratio of 67.2%.

* Due to irregular settlement of accounts resulting from the fiscal year-end change, figures for the Jan-Mar 2017 period of Chinese subsidiaries whose fiscal year ends on Dec 31 are included.



2Q FY17/12	Japan		North and South America		Europe		Greater China		Asia		Total	
Machine tools	5,437	17.3%	3,366	10.7%	3,470	11.0%	15,876	50.4%	3,343	10.6%	31,494	74.3%
Industrial machinery	2,400	36.7%	310	4.7%	0	0.0%	2,401	36.8%	1,418	21.7%	6,531	15.4%
Food processing machinery	963	64.5%	1	0.1%	-	-	400	26.8%	127	8.5%	1,493	3.5%
Others	2,686	93.0%	-	-	-	-	202	7.0%	-	-	2,888	6.8%
By-region total	11,488	27.1%	3,677	8.7%	3,470	8.2%	18,881	44.5%	4,890	11.5%	42,408	100.0%

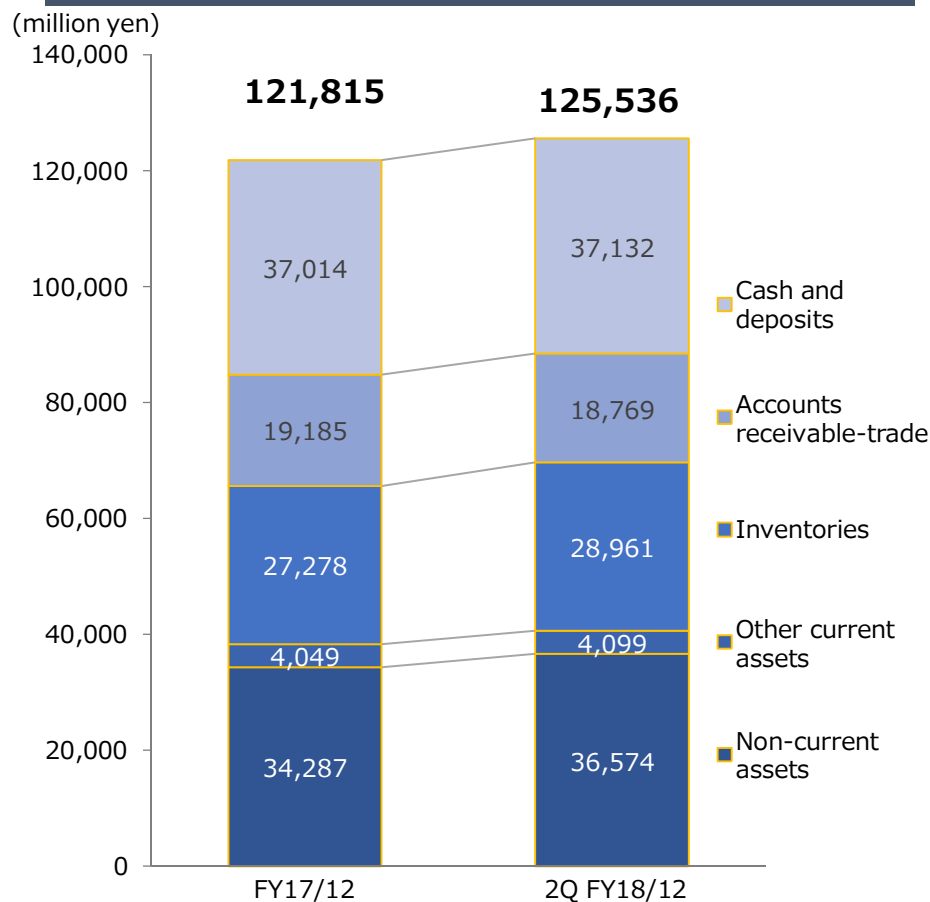
2Q FY18/12	Japan		North and South America		Europe		Greater China		Asia		Total	
Machine tools	6,068	20.2%	2,994	10.0%	3,774	12.6%	13,502	45.1%	3,641	12.1%	29,980	72.4%
Industrial machinery	2,345	47.1%	359	7.2%	18	0.4%	1,681	33.8%	575	11.5%	4,981	12.0%
Food processing machinery	1,967	62.4%	4	0.1%	-	-	24	0.8%	1,155	36.7%	3,151	7.6%
Others	3,208	97.1%	-	-	-	-	95	2.9%	-	-	3,303	8.0%
By-region total	13,589	32.8%	3,358	8.1%	3,792	9.2%	15,303	36.9%	5,372	13.0%	41,416	100.0%

Balance Sheet

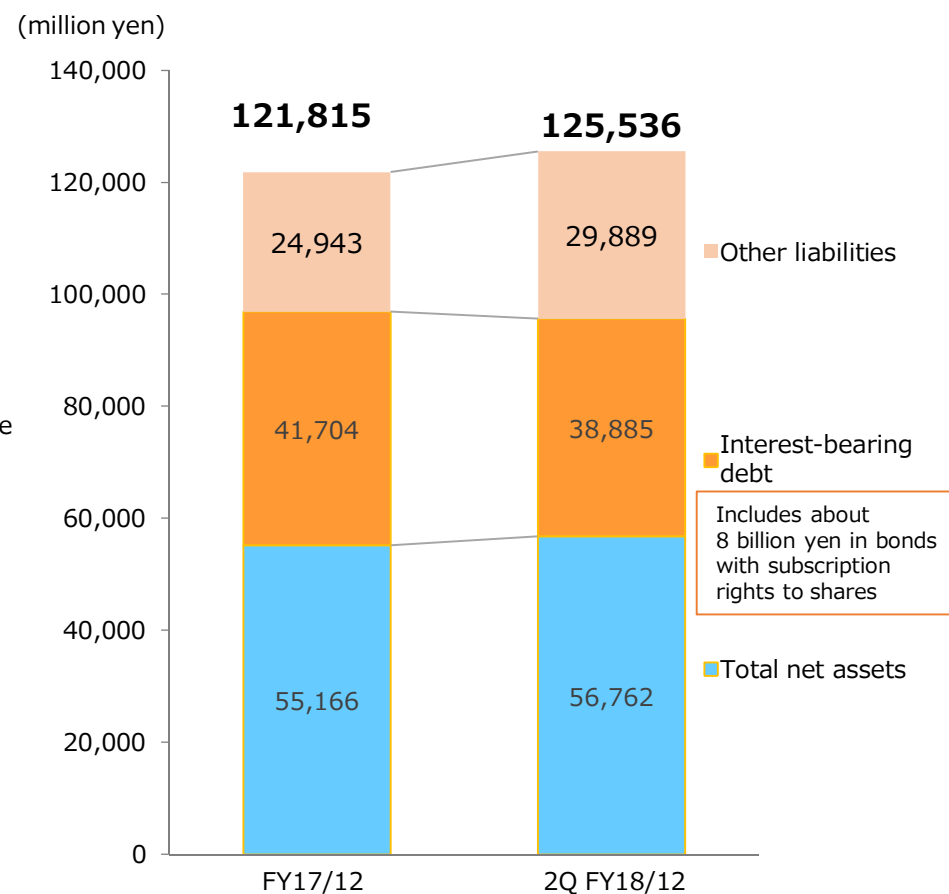


- ✓ Non-current assets substantially increased owing to active capital investment at home and abroad (e.g. the Kaga multi-factory, Distribution Centers, Head Office Building No. 2 (R&D building), the new building for sales office in US, land for sales office in UK, the second factory of the Thailand Plant, and the Miyazaki Factory (for precision molds and precision molding operations))
- ✓ Net interest-bearing debt amounted to 1,753 million yen (a 2,937 million yen decrease compared to the end of the preceding fiscal year).

Assets



Liabilities and net assets



* Reference information

Exchange rate at end of June 2018

USD: 110.54 yen

EUR: 127.91 yen

CNY: 16.66 yen

THB: 3.33 yen

Exchange rate at end of December 2017

USD: 113.00 yen

EUR: 134.94 yen

CNY: 17.29 yen

THB: 3.45 yen

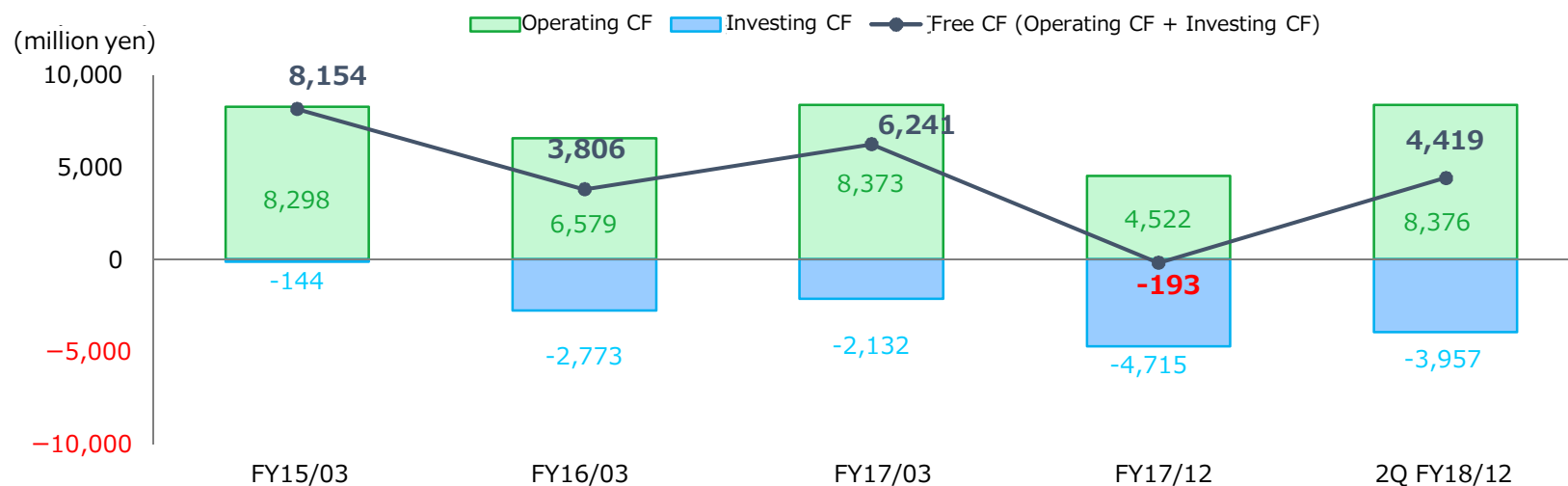
Cash Flow

- ✓ Cash flows from operating activities substantially increased due mainly to an increase in profits before income taxes, notes and accounts payable trade, and advances received.

Although cash flows from investing activities substantially increased due to capital investment at home and abroad, free cash flows maintained a 4,419 million yen increase.

(million yen)

	2Q FY17/12	FY17/12	2Q FY18/12	Major factors for increase or decrease
Cash flow from operating activities	3,921	4,522	8,376	An increase of about -2,400 million yen in inventories An increase of about 2,000 million yen in notes and accounts payable trade An increase of about 2,800 million yen in advances received
Cash flow from investing activities	-2,771	-4,715	-3,957	About -4,200 million yen for purchase of property, plant and equipment
Cash flow from financing activities	-255	-439	-3,420	Repayment of long-term loans payable
Cash and cash equivalents at end of the period	37,306	36,075	36,356	



1 R&D Building completed at Head Office

A new R&D building was completed at Head Office in the middle of May. The R&D department has moved into this building and has started operations from the middle of June.

In R&D building, labs have been expanded, and the most up-to-date research equipment will be introduced in order to expand research and development related to metal 3D printers and development in elemental technology, including new power sources and next-generation CNC.



Outline of R&D Building at Head Office

Location: 12-1, Nakamachidai 3-chome, Tsuzuki-ku, Yokohama-shi

Area: 2,028 m²

Construction: 4-story building of steel construction



2 Grand Opening Held at Sodick, Inc.(sales office in US)

On May 22-24, 2018, we held the grand opening of a new sales office in US (Illinois, USA). At the opening we introduced our new office building, where we started operations in Feb. 2018, and exhibited the latest models. We had many visitors.

The purpose of the new office building is to enhance the sales of products and consumables as well as after-sales service, and a support system for various products, including current and old models, has been prepared in the showrooms and inspection rooms attached thereto.



Outline

Venue: Sodick, Inc. 601 Commerce Drive, Schaumburg, Illinois 60173, USA

Dates: May 22-24, 2018 (3 days)

Products exhibited: ALN series and VL series Wire-cut EDMs
AG series and AD series Die Sinker EDMs
OPM250L and OPM350L Metal 3D Printers



II. Figures for the Purpose of Comparison

- * These figures, which have not been audited, are provided only for the purpose of comparison.
- * Figures for the purpose of comparison are the figures adjusted after we eliminated the three-month difference between the parent's year-end and the year-ends of its subsidiaries in China so that all companies within the Group would use the same financial year.

Financial Results Highlights

***Figures for the purpose of comparison (Adjusted)**



(million yen)

	Jan-Jun 2017		2Q FY18/12 (Jan-Jun 2018)		Increase/Decrease		FY18 Full-year Projection
	Actual	Income margin	Actual	Income margin	Amount	Rate	
Net sales	34,317	-	41,416	-	7,099	20.7%	81,000
Gross profit	12,283	35.8%	15,290	36.9%	3,007	24.5%	-
Operating income	2,931	8.5%	5,277	12.7%	2,346	80.1%	8,000
Ordinary income	2,945	8.6%	5,185	12.5%	2,239	76.0%	8,000
Net income	1,911	5.6%	3,677	8.9%	1,765	92.4%	5,700
	Ratio to sales		Ratio to sales				
Facility investments	1,512	4.4%	4,679	11.3%			8,000
Depreciation	1,481	4.3%	1,508	3.6%			3,300
R&D expenses	2,143	6.2%	2,078	5.0%			4,200
Average exchange rate over the period	USD	112.34 yen		108.67 yen			112.00 yen
	EUR	121.66 yen		131.55 yen			132.00 yen
	CNY	16.39 yen		17.09 yen			16.90 yen
	THB	3.24 yen		3.43 yen			3.40 yen

*** These figures, which have not been audited, are provided only for the purpose of comparison.**

Financial Results by Segment

*Figures for the purpose of comparison (Adjusted)



(million yen)

		Jan-Jun 2017	2Q FY18/12 (Jan-Jun 2018)	Increase/Decrease	
		Actual	Actual	Amount	Rate
Net sales	● Machine tool segment	24,112	29,980	5,867	24.3%
	● Industrial machinery segment	5,993	4,981	-1,011	-16.9%
	● Food processing machinery segment	1,431	3,151	1,719	120.1%
	● Other segments	2,780	3,303	523	18.8%
		34,317	41,416	7,099	20.7%
Segment income	● Machine tool segment	3,151	5,179	2,028	64.4%
	● Industrial machinery segment	795	302	-493	-62.0%
	● Food processing machinery segment	-160	424	584	—
	● Other segments	466	695	229	49.2%
		4,253	6,602	2,348	55.2%
Adjusted amount		-1,322	-1,324	-2	—
Total operating income		2,931	5,277	2,346	80.1%

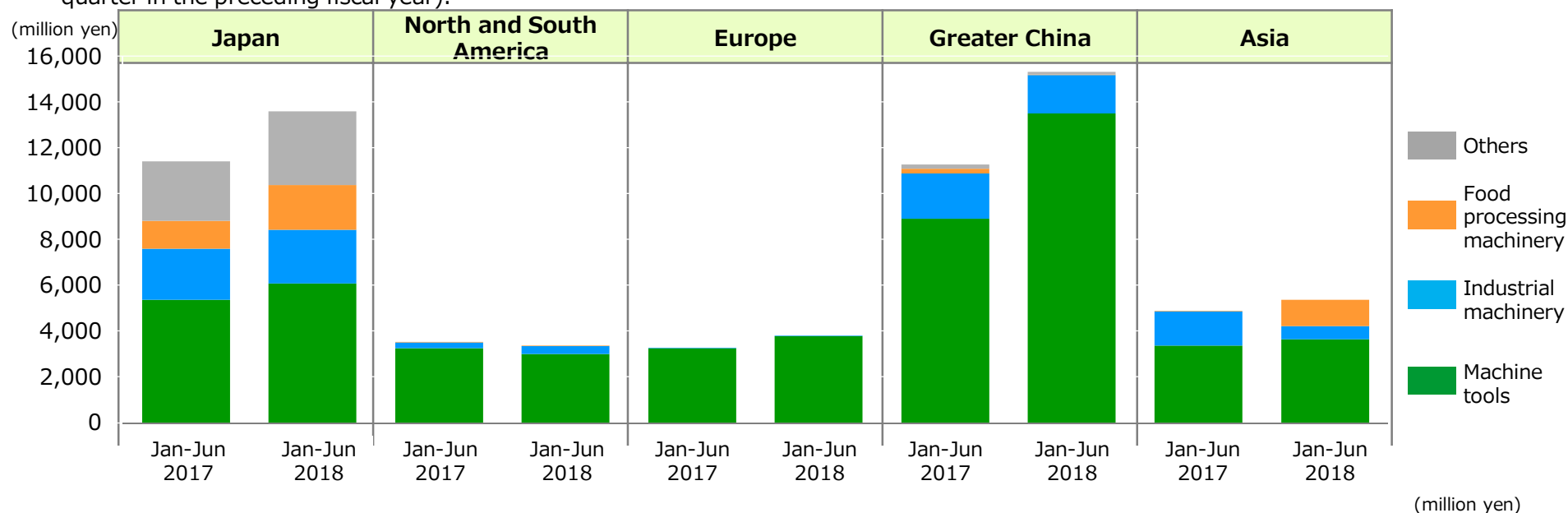
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Overseas Sales Ratio by Segment

***Figures for the purpose of comparison (Adjusted)**



✓ Sodick has been developing its business globally with an overseas sales ratio of 67.2% (a 0.4% increase compared to the same quarter in the preceding fiscal year).



Jan-Jun 2017	Japan		North and South America		Europe		Greater China		Asia		Total	
Machine tools	5,357	22.2%	3,245	13.5%	3,259	13.5%	8,892	36.9%	3,357	13.9%	24,112	70.2%
Industrial machinery	2,234	37.3%	263	4.4%	0	0.0%	1,997	33.3%	1,497	25.0%	5,993	17.5%
Food processing machinery	1,218	85.2%	19	1.3%	-	-	188	13.2%	5	0.3%	1,431	4.2%
Others	2,599	93.5%	-	-	-	-	181	6.5%	-	-	2,780	8.1%
By-region total	11,409	33.2%	3,528	10.3%	3,259	9.5%	11,259	32.8%	4,861	14.2%	34,317	100.0%

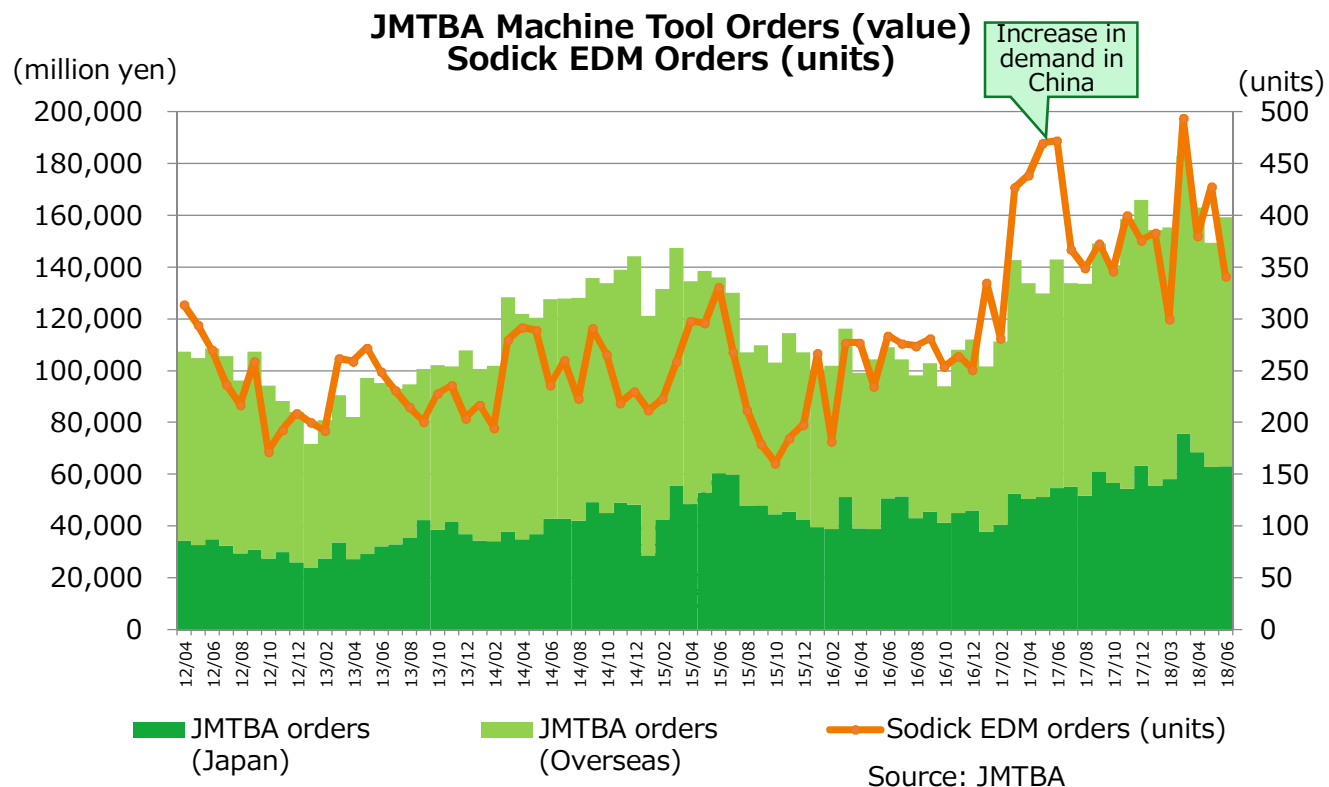
2Q FY18/12 (Jan-Jun 2018)	Japan		North and South America		Europe		Greater China		Asia		Total	
Machine tools	6,068	20.2%	2,994	10.0%	3,774	12.6%	13,502	45.1%	3,641	12.1%	29,980	72.4%
Industrial machinery	2,345	47.1%	359	7.2%	18	0.4%	1,681	33.8%	575	11.5%	4,981	12.0%
Food processing machinery	1,967	62.4%	4	0.1%	-	-	24	0.8%	1,155	36.7%	3,151	7.6%
Others	3,208	97.1%	-	-	-	-	95	2.9%	-	-	3,303	8.0%
By-region total	13,589	32.8%	3,358	8.1%	3,792	9.2%	15,303	36.9%	5,372	13.0%	41,416	100.0%

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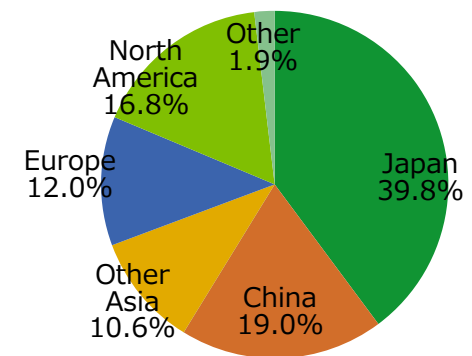
III. FY18/12 Financial Results Projections

Market Environment

- ✓ Japan: We expect sustained solid demand due to the government subsidy programs and replacement demand due to facility aging.
- ✓ North America: Bolstered by the corporate tax cuts, capital investment demand is expected to increase mainly in the automotive, aerospace and medical equipment industries.
- ✓ Europe: There is uncertainty about the future because of the Brexit issue and slower growth in demand in countries such as Russia and Turkey, but demand in the automotive and aerospace industries is expected to remain firm.
- ✓ China: We expect that there is a continuous demand for high-precision machinery mainly in auto-related industries owing to increasing sophistication in manufacturing, an increasing need for automation against a background of soaring personnel expenses.
- ✓ Asia: Demand mainly from auto-related industries is expected to continue picking up in Thailand and Malaysia, etc.



**JMTBA Machine Tool Orders by Region
(cumulative for Jan-Jun 2018)**



Source: JMTBA

FY18/12 Financial Results Projections



- ✓ In the situation where we see uncertainty about the future due to concerns about the influence of the trade policies of the USA and China, etc., we are leaving our full-year financial results projections unchanged based on the 2Q financial results etc.

(million yen)

	2Q FY18/12		FY18/12 Full-year		Progress toward projection	FY17/12 (Group-wide: Jan-Dec) Actual
	Actual	Income margin	Projection	Income margin		
Net sales	41,416	-	81,000	-	51.1%	78,714
Operating income	5,277	12.7%	8,000	9.9%	66.0%	9,161
Ordinary income	5,185	12.5%	8,000	9.9%	64.8%	9,384
Net income	3,677	8.9%	5,700	7.0%	64.5%	6,664

Average exchange rate over the period	USD	108.67 yen		112.00 yen		112.16 yen
	EUR	131.55 yen		132.00 yen		126.70 yen
	CNY	17.09 yen		16.90 yen		16.62 yen
	THB	3.43 yen		3.40 yen		3.31 yen

FY18/12 Financial Results Projections by Segment



(million yen)

		FY18/12	FY18/12	Progress	FY17/12
		2Q Actual	Full-year projection	toward projection	(Group-wide: Jan-Dec)
					Actual
Net sales	● Machine tool segment	29,980	57,000	52.6%	55,796
	● Industrial machinery segment	4,981	12,100	41.2%	12,721
	● Food processing machinery segment	3,151	5,900	53.4%	4,435
	● Other segments	3,303	6,000	55.1%	5,760
		41,416	81,000	51.1%	78,714
Segment income	● Machine tool segment	5,179	8,370	61.9%	9,300
	● Industrial machinery segment	302	1,000	30.2%	1,471
	● Food processing machinery segment	424	550	77.1%	127
	● Other segments	695	680	102.2%	846
		6,602	10,600	62.3%	11,745
Adjustment amounts		-1,324	-2,600	50.9%	-2,583
Total operating income		5,277	8,000	66.0%	9,161

Machine tool segment

- ✓ In Japan, steady earnings are expected thanks to the subsidy policy and demand for replacing aging equipment.
- ✓ While capital investment demand is likely to increase in North America, due chiefly to the corporate tax cuts, such demand is expected to remain solid in Europe as well.
- ✓ In China, demand for high-precision tools used mainly in the automotive and semiconductor-related industries is projected to continue to be firm.
- ✓ Demand from auto-related industries in Thailand and Malaysia, etc. is forecasted to continue to be strong.

Industrial machinery segment

- ✓ In Japan, demand is expected to remain firm, mainly in the automotive, electronic component and semiconductor industries.
- ✓ In both Greater China and Asia, there is a growing demand for high-precision machinery for auto-related industries, and orders received are expected to remain solid.

Food processing machinery segment

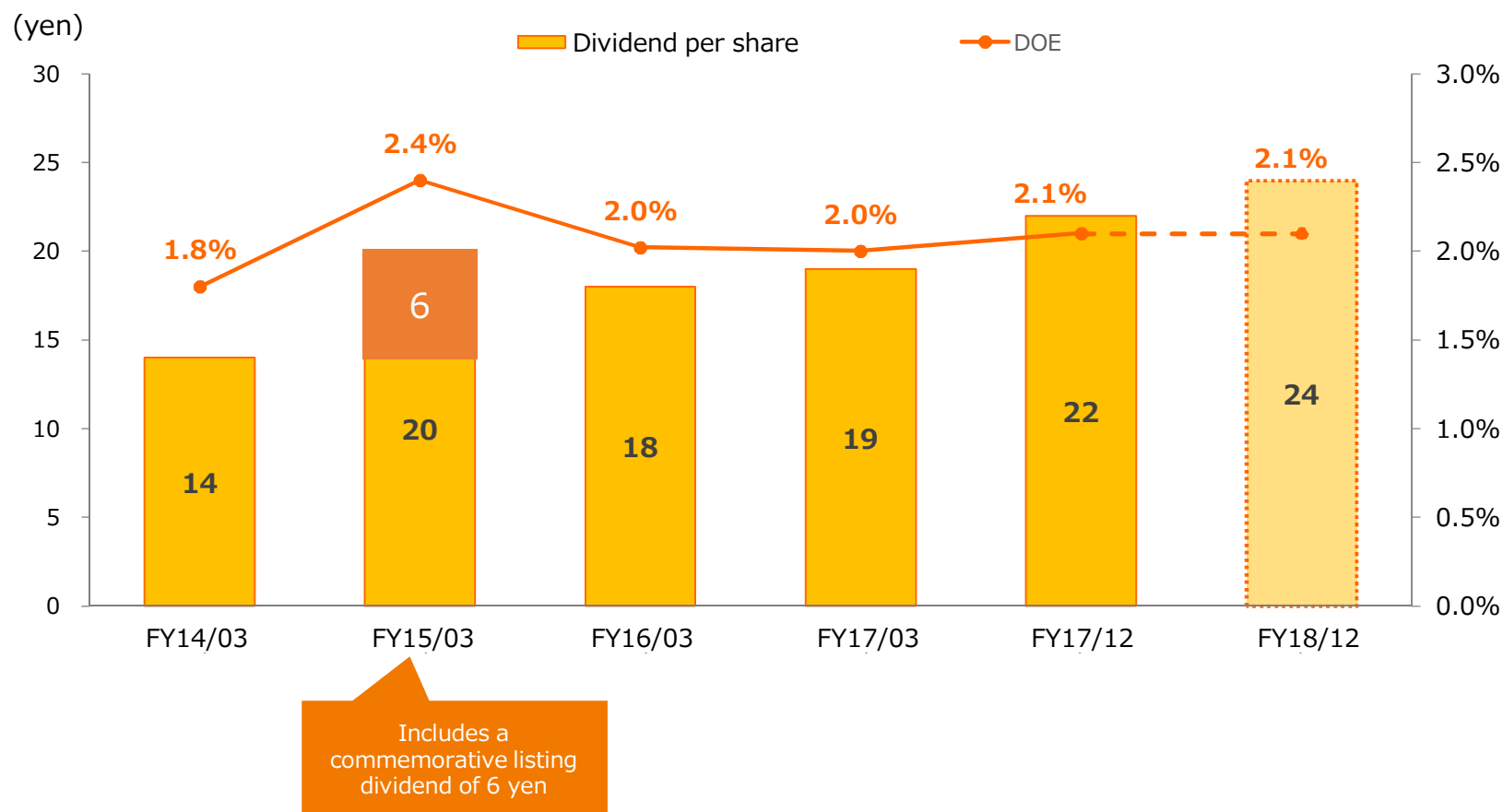
- ✓ Demand for high quality noodles is expected to remain strong. In addition, sales to food makers other than noodle manufacturers such as confectionery companies and manufacturers of packaging materials for precooked rice and delicatessens are anticipated to grow.

Other segments

- ✓ Both the high-precision dies and mold business and external sales of ceramics are expected to remain strong.

Policy on Shareholder Returns and Dividend Projection

- ✓ Dividend policy: We are aiming for 2% or more for the dividend on equity ratio (DOE).
- ✓ We plan to pay an annual dividend of 24 yen per share (12 yen for each interim and terminal) in FY18/12.



(Reference Materials)

Domestic and Overseas Sites



Participation in Major Exhibitions



✓ The Company will participate in both domestic and overseas exhibitions, thereby engaging in proactive marketing.

Dates	Location		Exhibition	Notes
2018				
Sep. 10-15	USA	Chicago	IMTS2018	One of the world's largest machine tool trade shows
Sep. 18-22	Germany	Stuttgart	AMB (International exhibition for metal working)	
Oct. 9-13	Italy	Milan	31.BiMu (trade fair for metal forming and cutting machines)	
Oct. 31 - Nov. 2	Japan	Nagoya	Nagoya Plastics Industry Show 2018	
Nov. 1-6	Japan	Tokyo	JIMTOF 2018	One of the world's largest machine tool trade shows
Nov. 8-10	Japan	Yokohama	Japan Die-casting Conference and Show	
Nov. 27-30	China	Dongguan	DMP 2018 (international show for metal molds, metalworking, plastics and packing)	
Dec. 5-7	Japan	Makuhari	Highly Functional Plastics Show / Finetech Japan	
2019				
Jan. 24-30	India	Bangalore	IMTEX2019 (Indian Metal-cutting Machine Tool Exhibition)	
Feb. 5-8	Germany	Leipzig	Intec2019	
Mar. 4-9	Taiwan	Taipei	TIMTOS (Taipei International Machine Tool Show)	
Apr. 15-20	China	Beijing	CIMT (China International Machine Tool Show)	
May 8-11	Thailand	Bangkok	Intermach	
May 14-16	USA	Massachusetts	Eastec	
May 20-23	USA	Michigan	Rapid	3D printer trade show
May 21-24	China	Guangzhou	Chinaplas 2019 (international show for the plastics and rubber industries)	
May 22-25	Malaysia	Kuala Lumpur	METALTECH 2019	
May 27-31	Russia	Moscow	Metalloobrabotka (international show for the machine tool and metalworking industry)	
Jun. 19-22	Thailand	Bangkok	Intermold/Interplus	

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