



First Section of
TSE 6143

1Q FY19/12
Results Briefing

May 10, 2019

Sodick Co., Ltd.

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I. 1Q FY19/12 Financial Results Summary

Financial Results Highlights



- ✓ Sales in the first quarter in Greater China were weak as a result of the decrease in orders from the early fall of 2018 owing to postponing capital investment decisions because of the trade conflict between the US and China, but overall sales slightly increased thanks to an increase in sales of EDMs mainly for auto-related industries in Japan.
- ✓ Operating income margin and gross profit margin deteriorated, mainly owing to low plant utilization rates.

	1Q FY18/12		1Q FY19/12		Increase/Decrease		(million yen) FY19/12 Full-year Projection
	Actual	Income margin	Actual	Income margin	Amount	Rate	
Net sales	18,385	—	18,828	—	443	2.4%	76,800
Gross profit	6,772	36.8%	6,645	35.3%	-126	-1.9%	—
Operating income	2,227	12.1%	2,093	11.1%	-134	-6.0%	6,900
Ordinary income	1,947	10.6%	2,168	11.5%	221	11.4%	6,400
Net income	1,324	7.2%	1,460	7.8%	135	10.2%	4,700
	Ratio to sales		Ratio to sales				
Facility investment	2,121	11.5%	1,918	10.2%			4,500
Depreciation	749	4.1%	831	4.4%			3,400
R&D expenses	910	5.0%	904	4.8%			4,200
Average exchange rate over the period	USD	108.22 yen	110.22 yen		2.00 yen down		105.00 yen
	EUR	133.14 yen	125.16 yen		7.98 yen up		120.00 yen
	CNY	17.05 yen	16.32 yen		0.73 yen up		15.50 yen
	THB	3.43 yen	3.49 yen		0.06 yen down		3.40 yen

*Reference information

Exchange rate as of Mar. 31, 2019
Exchange rate as of Mar. 31, 2018

USD: 110.99 yen
USD: 106.24 yen

EUR: 124.56 yen
EUR: 130.52 yen

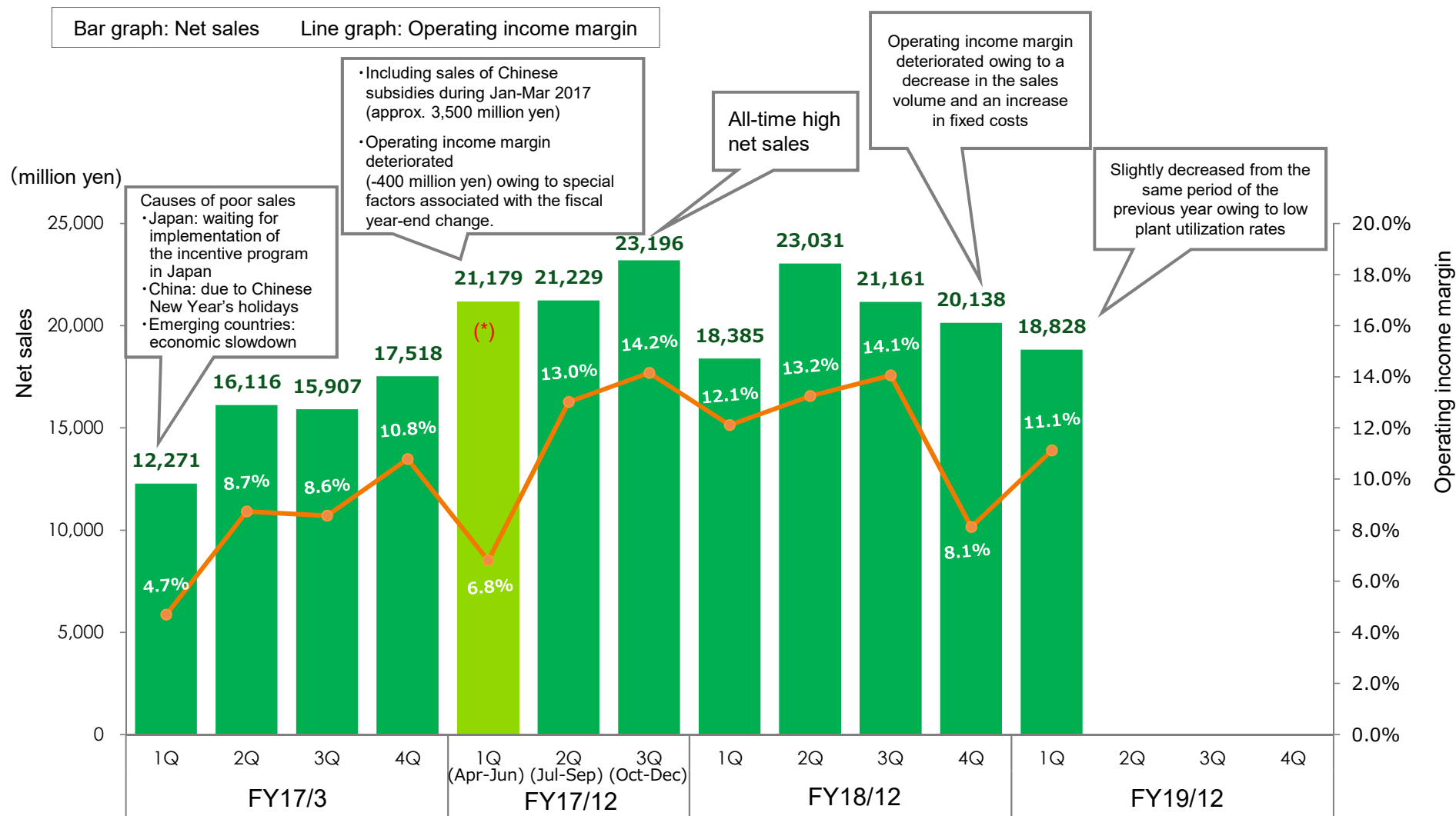
CNY: 16.47 yen
CNY: 16.92 yen

THB: 3.49 yen
THB: 3.40 yen

Ratio of Operating Income to Net Sales (Quarterly)



- ✓ Sales in the first quarter in Greater China were weak as a result of the decrease in orders from the early fall of 2018 owing to postponing capital investment decisions because of the trade conflict between the US and China, but overall sales slightly increased thanks to an increase in sales of EDMs mainly for auto-related industries in Japan.



(*) Owing to irregular settlement of accounts resulting from the fiscal year-end change, figures for the January-March period for companies in China whose fiscal year ends on December 31 are included.

Financial Results by Segment



(million yen)

		1Q FY18/12	1Q FY19/12	Increase/ Decrease	
		Actual	Actual	Amount	Rate
Net sales	● Machine tool segment	13,366	13,362	-4	-0.0%
	● Industrial machinery segment	2,424	2,320	-103	-4.3%
	● Food processing machinery segment	1,005	1,776	770	76.7%
	● Other segments	1,588	1,369	-219	-13.8%
		18,385	18,828	443	2.4%
Segment income	● Machine tool segment	2,361	2,191	-170	-7.2%
	● Industrial machinery segment	148	80	-68	-46.0%
	● Food processing machinery segment	68	336	267	388.0%
	● Other segments	308	-7	-316	—
		2,888	2,600	-287	-9.9%
Adjustment amounts		-660	- 507	—	—
Total operating income		2,227	2,093	-134	-6.0%

Machine tool segment

China: Sales in the first quarter were sluggish as a result of a decrease in orders from the early fall of 2018 owing to postponing capital investment because of the trade conflict with the US. There were signs of recovery in demand, including investment in 5G.

North America: Although some auto-related industries kept a vigilant watch, demand in the aerospace and medical equipment industries remained firm.

Japan: Demand was solid thanks to a large demand in the auto-related industries.

Asia: Demand remained firm in the auto-related industries mainly in Thailand, India, Vietnam and Malaysia.

Europe: Demand in the auto-related industries was weak.

✓ Profits decreased owing to low plant utilization rates.

Industrial machinery segment

✓ Demand remained solid for components such as connectors and sensors for auto-related industries mainly in Japan.

✓ Demand continued to lose its momentum in smartphone-related industries, but in China and Asia there were effects of the government stimulus economic measures and investment-related demand for 5G.

✓ Profits decreased owing to an increase in R&D expenses.

Food processing machinery segment

✓ Demand continued for high-quality noodle making equipment as well as the sterile-packed cooked rice production system.

✓ Sales of value-added noodle making equipment in Japan contributed to high profitability.

Other segments

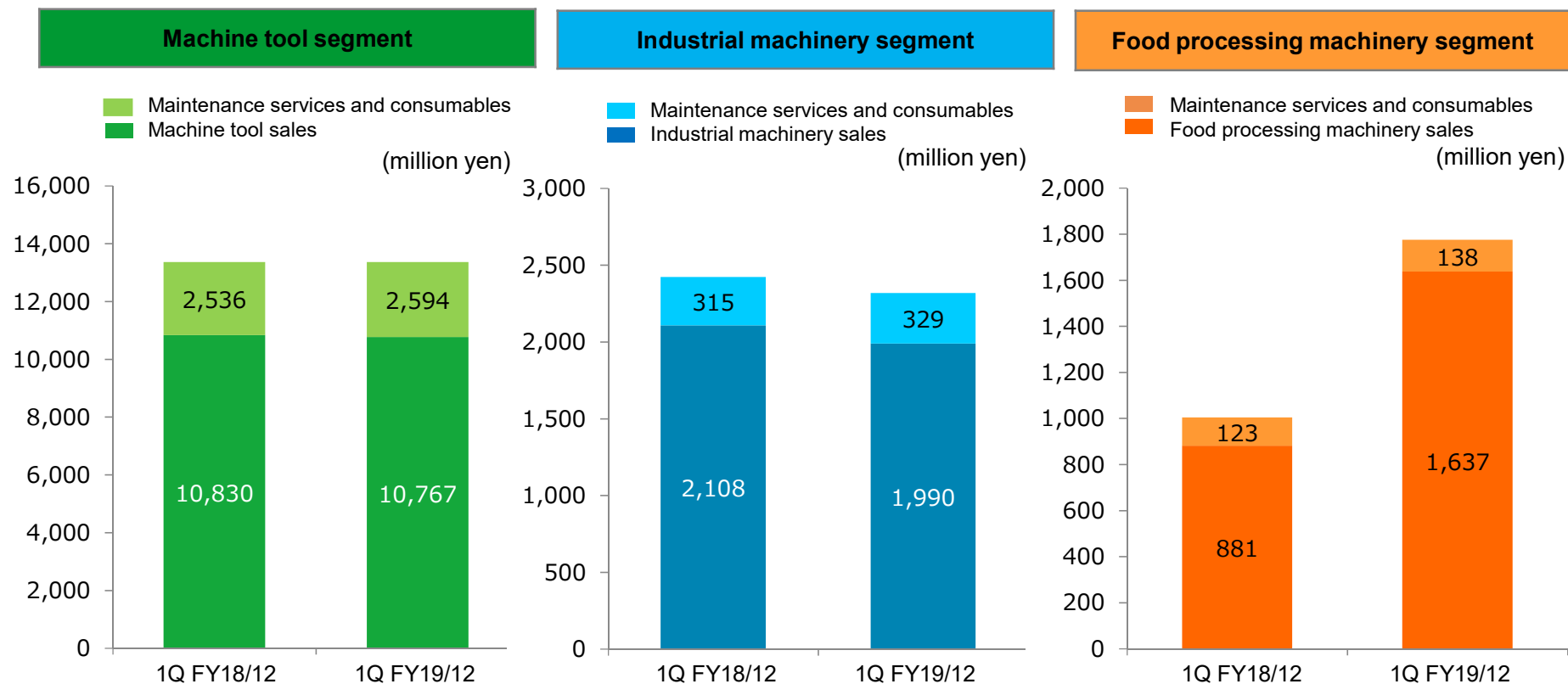
✓ Demand in precision dies and mold business appeared to be losing its momentum for auto-related industries.

✓ Profits decreased owing to prior investments for medium- and long-term growth, including R&D for automated manufacturing.

Net Sales by Segment



✓ Sales of maintenance services and consumables, a stable source of cash, slightly increased in all segments.

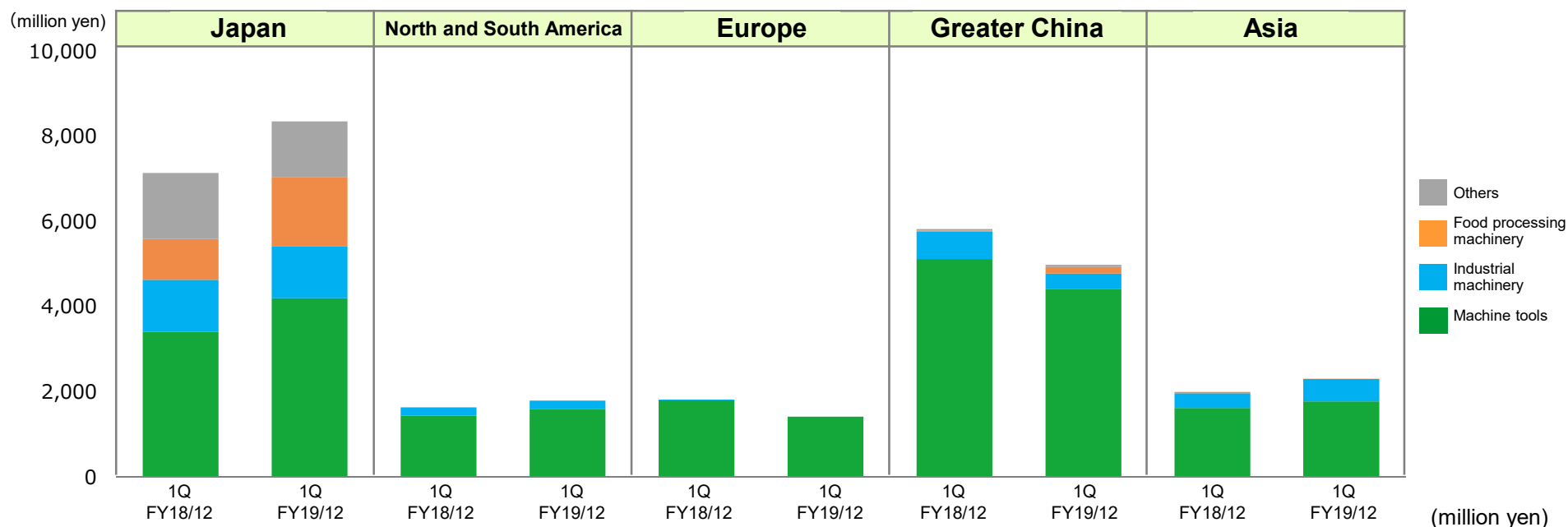


	Machine tool segment				Industrial machinery segment				Food processing machinery segment			
	1Q FY18/12		1Q FY19/12		1Q FY18/12		1Q FY19/12		1Q FY18/12		1Q Fy19/12	
Machine tool sales	10,830	81.0%	10,767	80.6%	2,108	87.0%	1,990	85.8%	881	87.7%	1,637	92.2%
Maintenance services and consumables	2,536	19.0%	2,594	19.4%	315	13.0%	329	14.2%	123	12.3%	138	7.8%
Total	13,366		13,362		2,424		2,320		1,005		1,776	

Overseas Sales Ratio by Segment



✓ Overseas sales slightly increased thanks to the increase in North and South America as well as in Asia, offsetting the decrease in China.



1Q FY18/12	Japan		North and South America		Europe		Greater China		Asia		Total	
Machine tools	3,404	25.5%	1,436	10.7%	1,796	13.4%	5,112	38.3%	1,616	12.1%	13,366	72.7%
Industrial machinery	1,218	50.3%	190	7.9%	18	0.7%	649	26.8%	347	14.3%	2,424	13.2%
Food processing machinery	955	95.1%	2	0.2%	—	—	19	1.9%	28	2.8%	1,005	5.5%
Others	1,551	97.7%	—	—	—	—	37	2.3%	—	—	1,588	8.6%
By-region total	7,129	38.7%	1,629	8.9%	1,815	9.9%	5,819	31.7%	1,991	10.8%	18,385	100.0%

1Q FY19/12	Japan		North and South America		Europe		Greater China		Asia		Total	
Machine tools	4,193	31.4%	1,583	11.8%	1,414	10.6%	4,398	32.9%	1,772	13.3%	13,362	71.0%
Industrial machinery	1,218	52.5%	208	9.0%	—	—	371	16.0%	521	22.5%	2,320	12.3%
Food processing machinery	1,613	90.8%	0	0%	—	—	154	8.7%	7	0.4%	1,776	9.4%
Others	1,318	96.3%	—	—	—	—	50	3.7%	—	—	1,369	7.3%
By-regional total	8,344	44.3%	1,792	9.5%	1,414	7.5%	4,975	26.4%	2,301	12.2%	18,828	100.0%

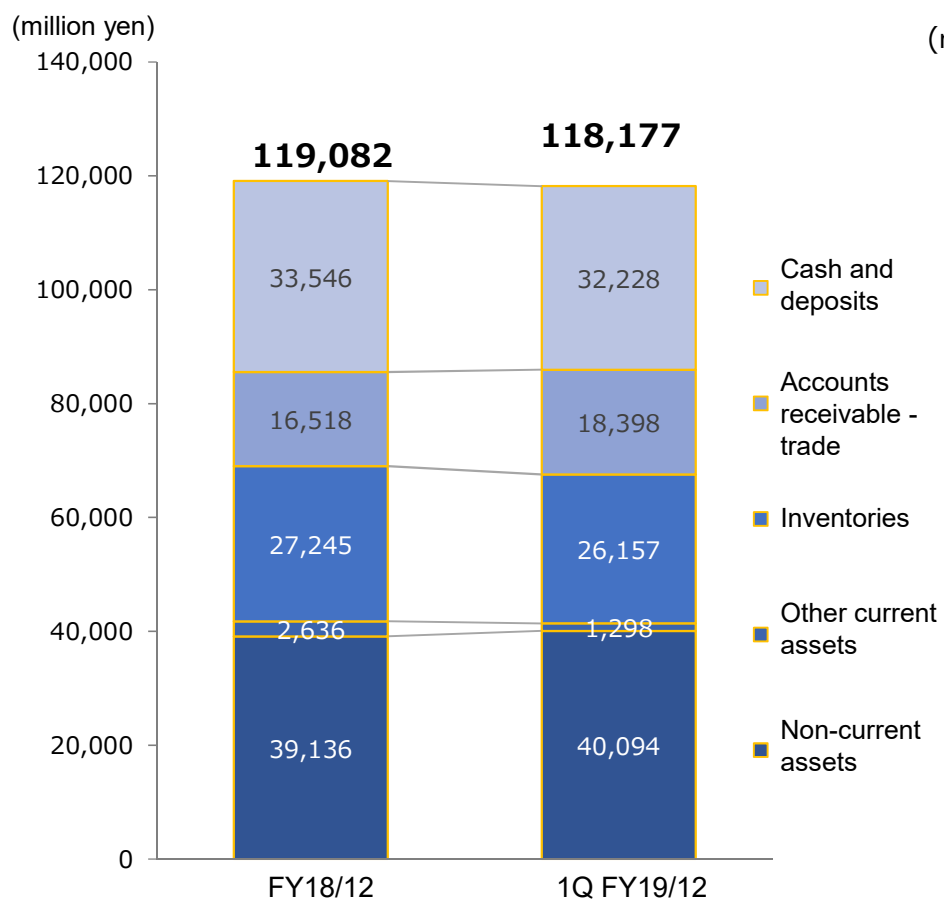
Effect of exchange rates	—	20 million yen	-90 million yen	-200 million yen	0 million yen	-260 million yen
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Balance Sheet

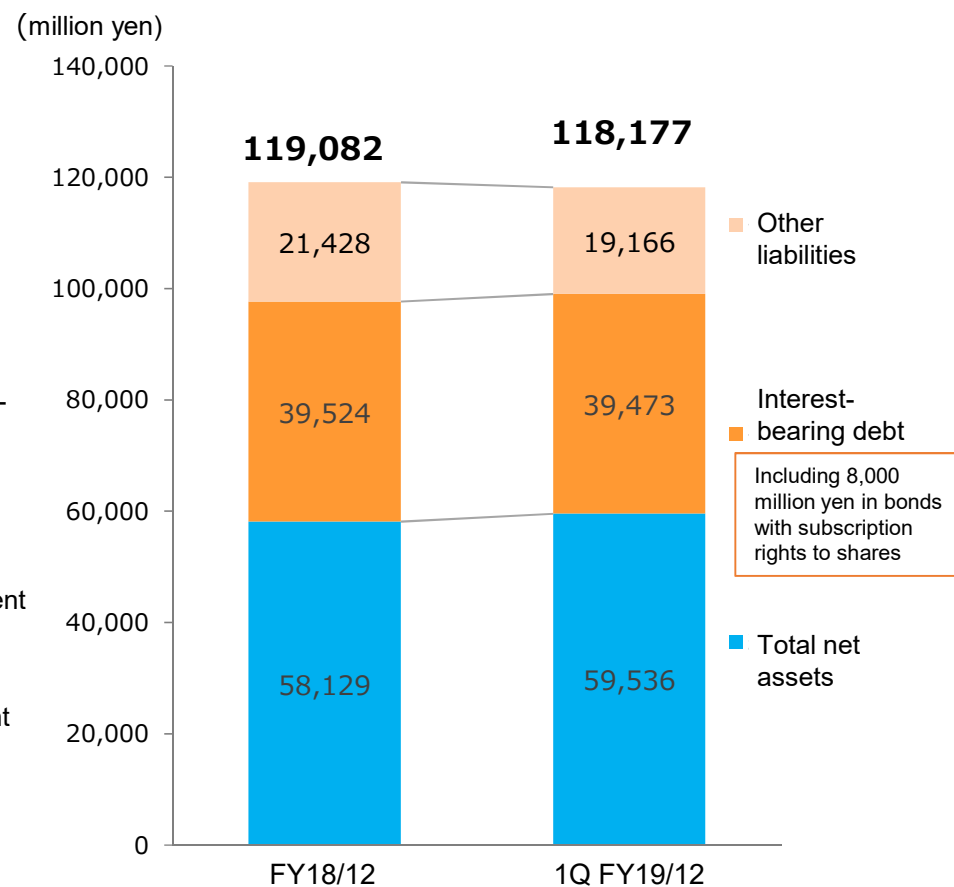


✓ Although non-current assets increased owing to the construction of new sales offices in Europe and an extension of the Miyazaki plant (high-precision dies and mold business), the total assets slightly decreased owing mainly to a decrease in cash and deposits and inventories.

Assets



Liabilities and net assets



*Reference information	Exchange rate at end of March 2019	USD: 110.99 yen	EUR: 124.56 yen	CNY: 16.47 yen	THB: 3.49 yen
	Exchange rate at end of Dec. 2018	USD: 111.00 yen	EUR: 127.00 yen	CNY: 16.16 yen	THB: 3.41 yen

1 Opening Ceremony of the Sodick Singapore Techno Centre

On February 26, 2019 at Sodick Singapore Pte., LTD., our sales base in Singapore, we held the opening ceremony for Sodick Singapore Techno Centre Pte., Ltd., which was established through a tie-up with the Singapore government. Sodick Singapore Techno Centre Pte., Ltd. will promote leading-edge manufacturing in Singapore with the use of metal 3D printers by providing contract processing of die manufacturing utilizing cutting-edge technologies of 3D printers, consulting, sales support, and maintenance services.

Outline

Company Name: Sodick Singapore Techno Centre Pte., Ltd. (SSTC)

Address: 2 JTC Launchpad at Jurong Innovation District

Main equipment: OPM250L, LPM325, CAD/CAM, AL400G, AG40L, UH430L, MS100, GL30 etc.

Products: EDB (Equipment & manpower support), JTC (Building and rental support)



▲ Scene of the ribbon-cutting ceremony

2 TIMTOS 2019 (The 27th Taipei Int'l Machine Tool Show)

Sodick participated in TIMTOS 2019 held in Taipei, Taiwan. At our booth we gave a demonstration on high-precision and high-quality processing with the use of cutting-edge processing machines and high-speed molding with the use of the 3D printer LPM325 to promote our cutting-edge technologies in order to expand our share in Taiwan.

Outline of TIMTOS 2019

Venue: Taiwan (Taipei Nangang Exhibition Center)

Dates: March 4-9, 2019 (5 days)

Products exhibited: Linear motor drive small ultra-high precision EDM AP1L
Linear motor drive ultra-high speed milling center UH430L
High-speed molding metal 3D printer LPM325

Estimated No. of visitors: 52,700 (Taiwan: 45,200, from abroad: 7,500) Excerpt from TIMTOS website

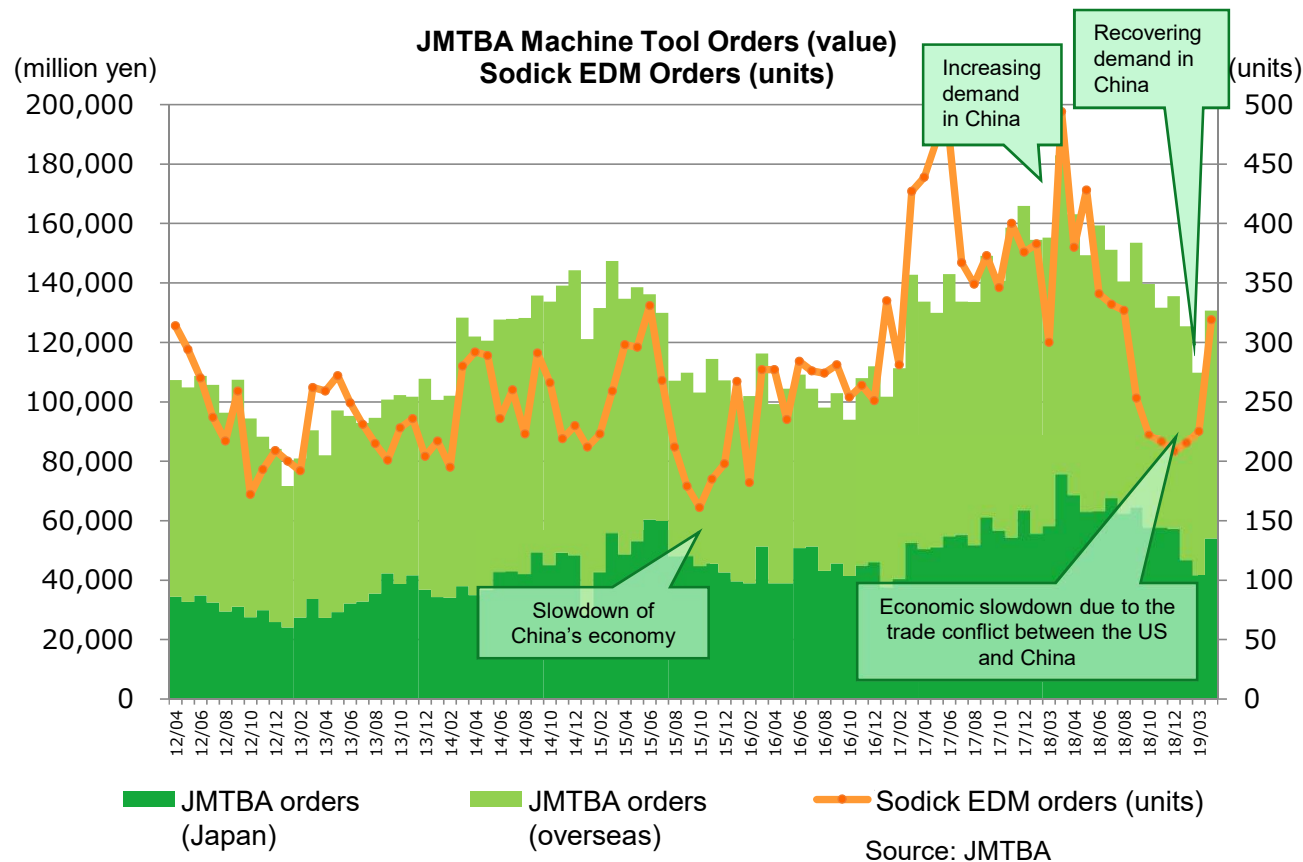


▲ View of the site

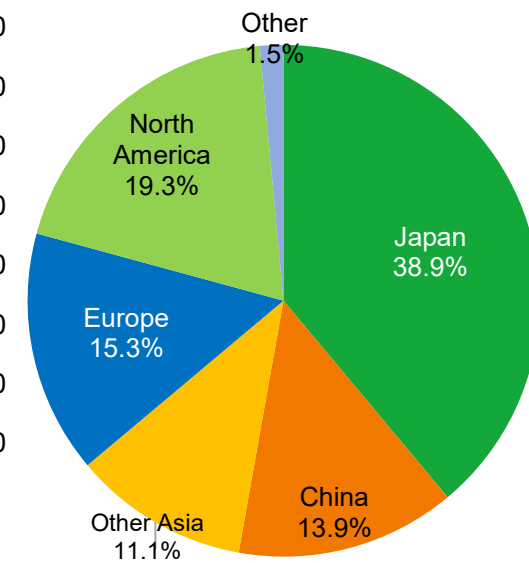
II. FY19/12 Financial Results Projections

Market Environment

- ✓ Japan: We expect sustained solid demand due to the government subsidy programs and replacement demand due to facility aging.
- ✓ North America: Although there is a lull in demand in the automotive industry, capital investment demand is expected to increase mainly in the aerospace and medical equipment industries.
- ✓ Europe: There is uncertainty about future political climates, with issues such as Brexit, but demand in the automotive and aerospace industries is expected to remain firm.
- ✓ China: Although demand for high-precision machinery is forecast to continue increasing mainly in the auto-related industries in the medium and long term, spurred by growing needs for automation on the back of the sophistication of manufacturing and a surge in personnel expenses, there is concern for slowdown in demand for capital investment due to the impact of the trade conflict with the US.
- ✓ Asia: Demand mainly from the auto-related industries is expected to continue picking up in Thailand and Malaysia.



JMTBA Machine Tool Orders by Region (cumulative for Jan–Mar 2019)



Source: JMTBA

FY19/12 Financial Results Projections (Progress)



- ✓ Although there is potential demand for high-precision machinery on the back of the sophistication of manufacturing in the auto-related industries and other industries mainly in China, our largest market, both sales and profits for this term are expected to be weak owing to the impact of the trade conflict between the US and China.
- ✓ In the first quarter, sales were practically in line with the plan thanks to an increase in sales of EDMs in Japan and profits were progressing higher than forecasted.

(million yen)

	1Q FY19/12		FY19/12 Full-year		Progress toward projection	FY18/12 Full-year
	Actual	Income margin	Projection	Income margin		Actual
Net sales	18,828	—	76,800	—	24.5%	82,716
Operating income	2,093	11.1%	6,900	9.0%	30.3%	9,888
Ordinary income	2,168	11.5%	6,400	8.3%	33.9%	9,619
Net income	1,460	7.8%	4,700	6.1%	31.1%	6,462

Average exchange rate over the period	USD	110.22 yen		105.00 yen		110.44 yen
	EUR	125.16 yen		120.00 yen		130.35 yen
	CNY	16.32 yen		15.50 yen		16.71 yen
	THB	3.49 yen		3.40 yen		3.42 yen

FY19/12 Financial Results Projections by Segment (Progress)



		(million yen)			
		FY19/12	FY19/12	Progress	FY18/12
		1Q Actual	Full-year projection	toward projection	Full-year Actual
Net sales	● Machine tool segment	13,362	50,300	26.6%	58,607
	● Industrial machinery segment	2,320	10,500	22.1%	11,155
	● Food processing machinery segment	1,776	8,400	21.1%	6,560
	● Other segments	1,369	7,600	18.0%	6,392
		18,828	76,800	24.5%	82,716
Segment income	● Machine tool segment	2,191	7,300	30.0%	9,988
	● Industrial machinery segment	80	600	13.4%	802
	● Food processing machinery segment	336	850	39.6%	674
	● Other segments	-7	800	—	1,030
		2,600	9,550	27.2%	12,496
Adjustment amounts		-507	-2,650	—	-2,607
Total operating income		2,093	6,900	30.3%	9,888

Machine tool segment

Japan: Steady earnings are expected as there is a demand in replacing aging equipment.

North and South America: Stable demand is expected mainly for medical equipment.

Europe: Earnings are expected to slightly decrease owing mainly to geopolitical risks such as the Brexit issue.

Greater China: Orders and sales are expected to slow down owing to postponement of capital investment decisions because of the trade conflict between China and the US.

Asia: Demand mainly in the auto-related industries in Thailand and Malaysia is expected to remain steady.

Industrial machinery segment

✓ In Japan and North America, demand is expected to remain firm mainly in the auto-related industries.

✓ In Greater China, demand is expected to decrease owing to the impact of the trade conflict between China and the US.

✓ In Asia, sales are expected to remain firm thanks to an increase in demand for high-precision equipment for auto-related industries.

Food processing machinery segment

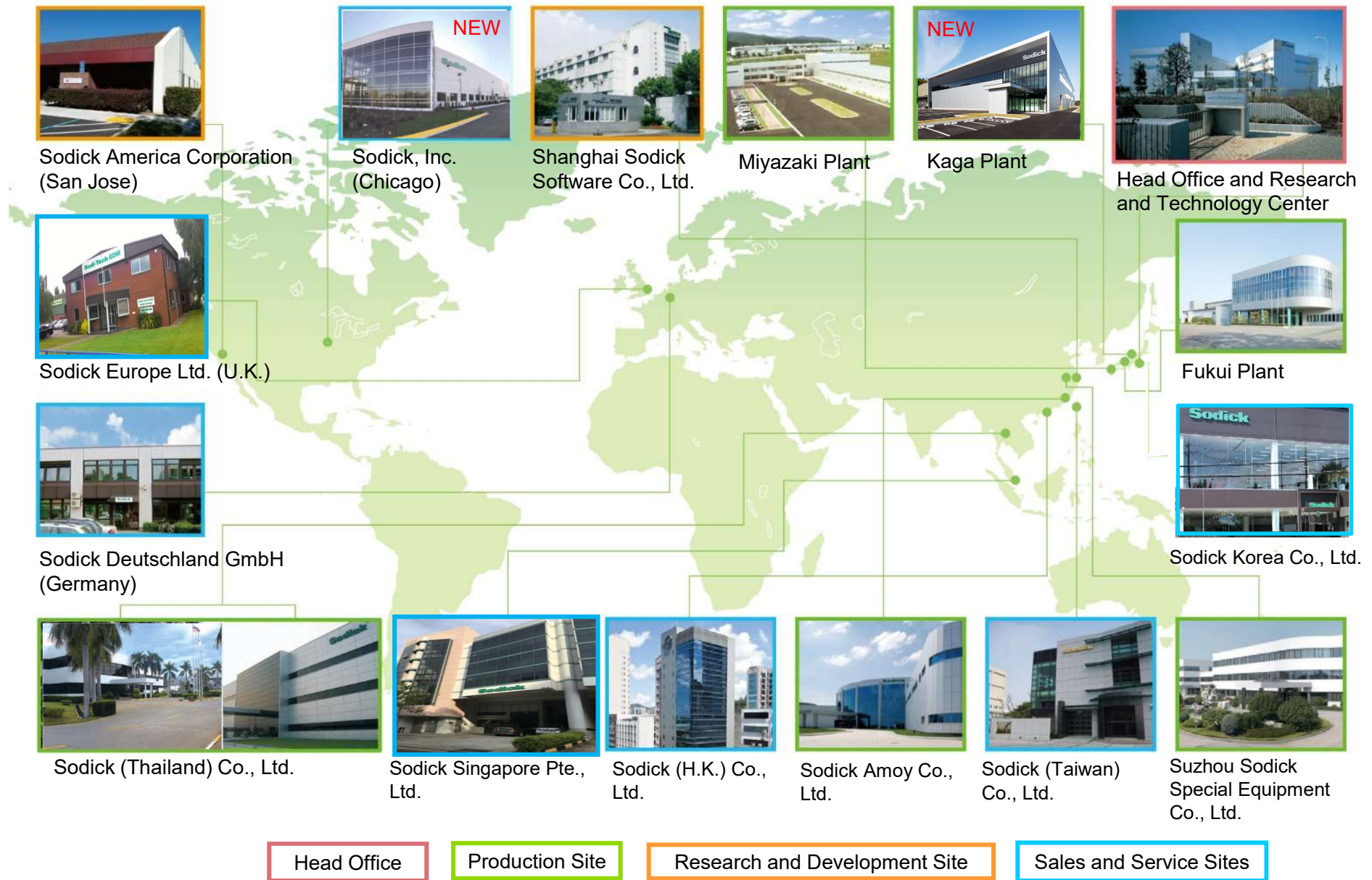
✓ Demand for high-quality noodle making equipment and equipment to make packaging materials for precooked rice is expected to remain strong. In addition, sales to food makers other than noodle manufacturers such as confectionery companies and manufacturers of packaging materials for precooked rice and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

Other segments

✓ While both the high-precision dies and mold business and external sales of ceramics are expected to remain strong, income margin is expected to decline owing to prior investment for medium- and long-term growth.

(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
May 8-11	Thailand	Bangkok	INTERMACH THAILAND	
May 14-16	U.S.	Massachusetts	EASTECH	Machine tools trade show in the eastern region in North America
May 20-23	U.S.	Michigan	Rapid	3D printer trade show
May 21-24	China	Guangzhou	Chinaplas 2019 (International Exhibition on 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)	
June 19-22	Thailand	Bangkok	Intermold/Interplus	
July 2-5	Vietnam	Ho Chi Minh	MTA Vietnam (International Precision Engineering, Machine Tools and Metalworking Exhibition & Conference)	
July 9-12	Japan	Tokyo	FOOMA JAPAN 2019 (International Food Machinery & Technology Exhibition)	Food machinery trade show
July 17-20	Indonesia	Surabaya	Manufacturing Surabaya 2019 (The 15 th International Manufacturing Machinery, Equipment, Materials and Services Exhibition)	
Sep. 16-21	Germany	Hannover	EMO2019	One of the world's largest machine tools trade shows
Sep. 24-29	U.S.	California	WESTEC	Machine tools trade show in the western region in North America
Oct.16-18	Vietnam	Hanoi	MTA Hanoi	
Oct.16-23	Germany	Dusseldorf	K 2019 (The World's No.1 Trade Fair for Plastics and Rubber)	First exhibition of our injection molding machines in Europe
Oct. 23-26	Japan	Nagoya	MECT2019 (Mechatronics Technology Japan 2019)	One of Japan's largest machine tools trade shows
Nov. 20-23	Thailand	Bangkok	METALEX THAILAND	
Dec. 5-8	Indonesia	Jakarta	Machine Tool Indonesia 2019	