



First Section of
TSE 6143

2Q FY19/12

Results Briefing

August 16, 2019

Sodick Co., Ltd.



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I. 2Q FY19/12 Financial Results Summary

Financial Results Highlights



- ✓ Net sales down 21.0% year on year, reflecting a significant setback in sales of EDMs caused by investment decisions being postponed amid the US-China trade disputes.
- ✓ Profit dropped significantly, reflecting lower plant utilization rate associated with lower unit sales and heavy fixed costs.

(million yen)

	2Q FY18/12		2Q FY19/12		Increase/Decrease		FY 19/12 Full-year Projection (Revised on Aug.2)
	Actual	Income margin	Actual	Income margin	Amount	Rate	
Net sales	41,416	—	32,717	—	-8,699	-21.0%	66,200
Gross profit	15,290	36.9%	11,331	34.6%	-3,959	-25.9%	—
Operating income	5,277	12.7%	2,127	6.5%	-3,150	-59.7%	3,800
Ordinary income	5,185	12.5%	2,073	6.3%	-3,111	-60.0%	3,600
Net income	3,677	8.9%	892	2.7%	-2,785	-75.7%	2,000

	Ratio to net sales		Ratio to net sales		
Facility investment	4,679	11.3%	2,760	8.4%	4,500
Depreciation	1,508	3.6%	1,667	5.1%	3,400
R&D expenses	2,078	5.0%	1,911	5.8%	4,200

Average exchange rate over the period	USD	108.67 yen		110.06 yen		1.39 yen down	107.5 yen
	EUR	131.55 yen		124.32 yen		7.23 yen up	122.2 yen
	CNY	17.09 yen		16.19 yen		0.90 yen up	15.9 yen
	THB	3.43 yen		3.49 yen		0.06 yen down	3.5 yen

* Reference information

Exchange rate as of June 30, 2019	USD: 107.79 yen	EUR: 122.49 yen	CNY: 15.69 yen	THB: 3.50 yen
Exchange rate as of June 30, 2018	USD: 110.54 yen	EUR: 127.91 yen	CNY: 16.66 yen	THB: 3.33 yen

Financial Results Highlights (Quarterly)



- ✓ Sales increased in the first quarter, reflecting big auto-related deals in Japan and strong sales of EDMs in China. Sales in the second quarter suffered a decrease, reflecting a setback in demand for smartphones and electronic component products, weak demand from auto-related industries and investment decisions being postponed amid the US-China trade disputes.
- ✓ Operating income in the second quarter dropped significantly, primarily due to the lower plant utilization rate caused by lower sales.

Ordinary profit fell into the negative territory, reflecting a currency fluctuation loss amid the stronger yen.

Deferred tax asset has been reduced in the wake of poor business results. Accordingly, 500 million yen has been added to the income tax provisions, sending net profit into the negative territory.

(million yen)

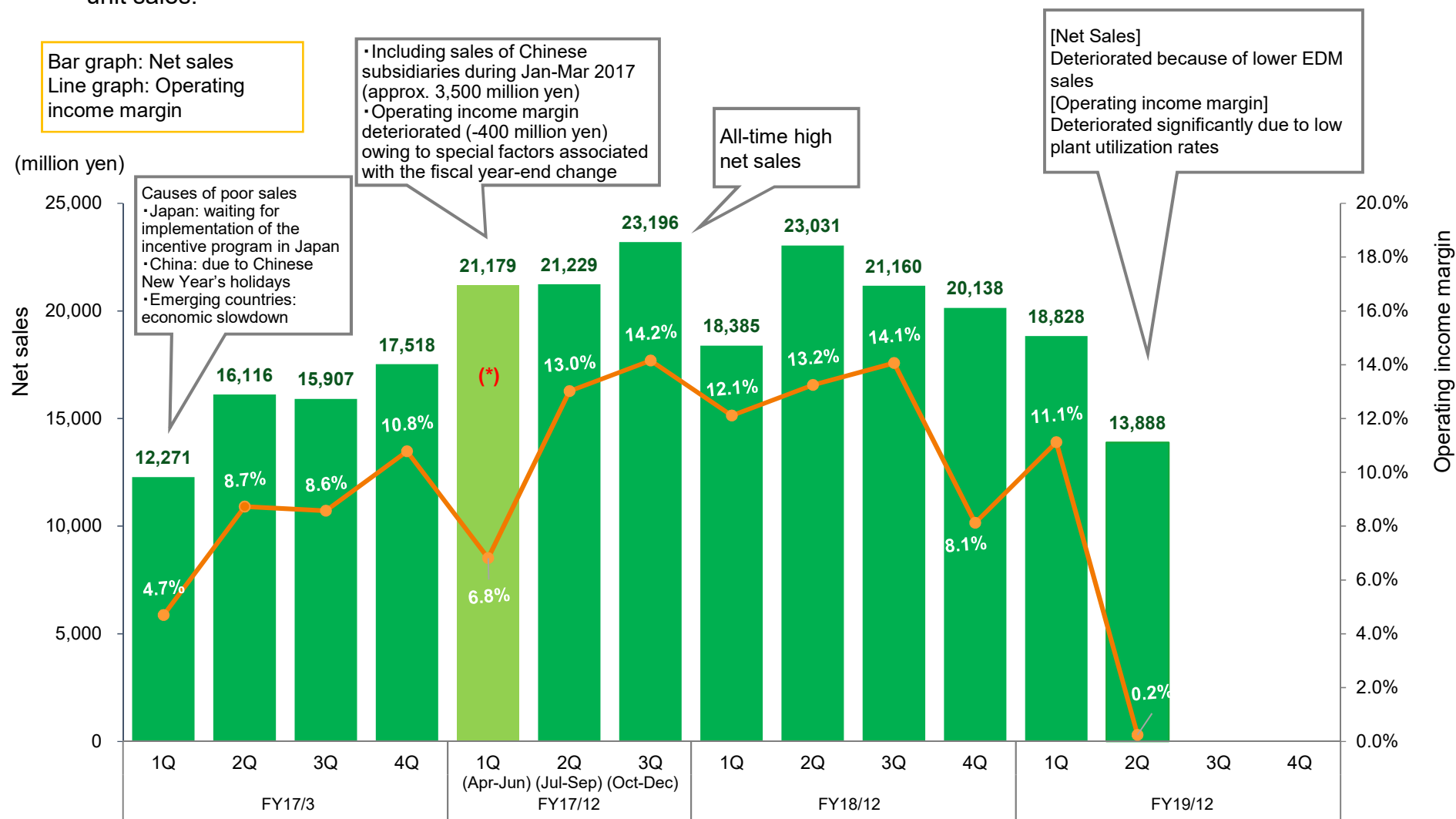
	FY 19/12				Increase/Decrease	
	1Q (Jan-Mar)	Income margin	2Q (Apr-Jun)	Income margin	Amount	Rate
Net sales	18,828	—	13,888	—	-4,940	-26.2%
Gross profit	6,645	35.3%	4,685	33.7%	-1,960	-29.5%
Operating income	2,093	11.1%	33	0.2%	-2,060	-98.4%
Ordinary income	2,168	11.5%	-94	-0.7%	-2,263	-
Net income	1,460	7.8%	-568	-4.1%	-2,028	-

Average exchange rate over the period	USD	110.22 yen		110.06 yen		
	EUR	125.16 yen		124.32 yen		
	CNY	16.32 yen		16.19 yen		
	THB	3.49 yen		3.49 yen		

Ratio of Operating Income to Net Sales (Quarterly)



- ✓ 2Q sales totaled 13.8 billion yen, reflecting lower sales of EDMs caused by the investment decisions being postponed in the wake of the US-China trade disputes.
- ✓ Operating income margin was down significantly to 0.2%, reflecting lower plant utilization rates associated with the lower unit sales.

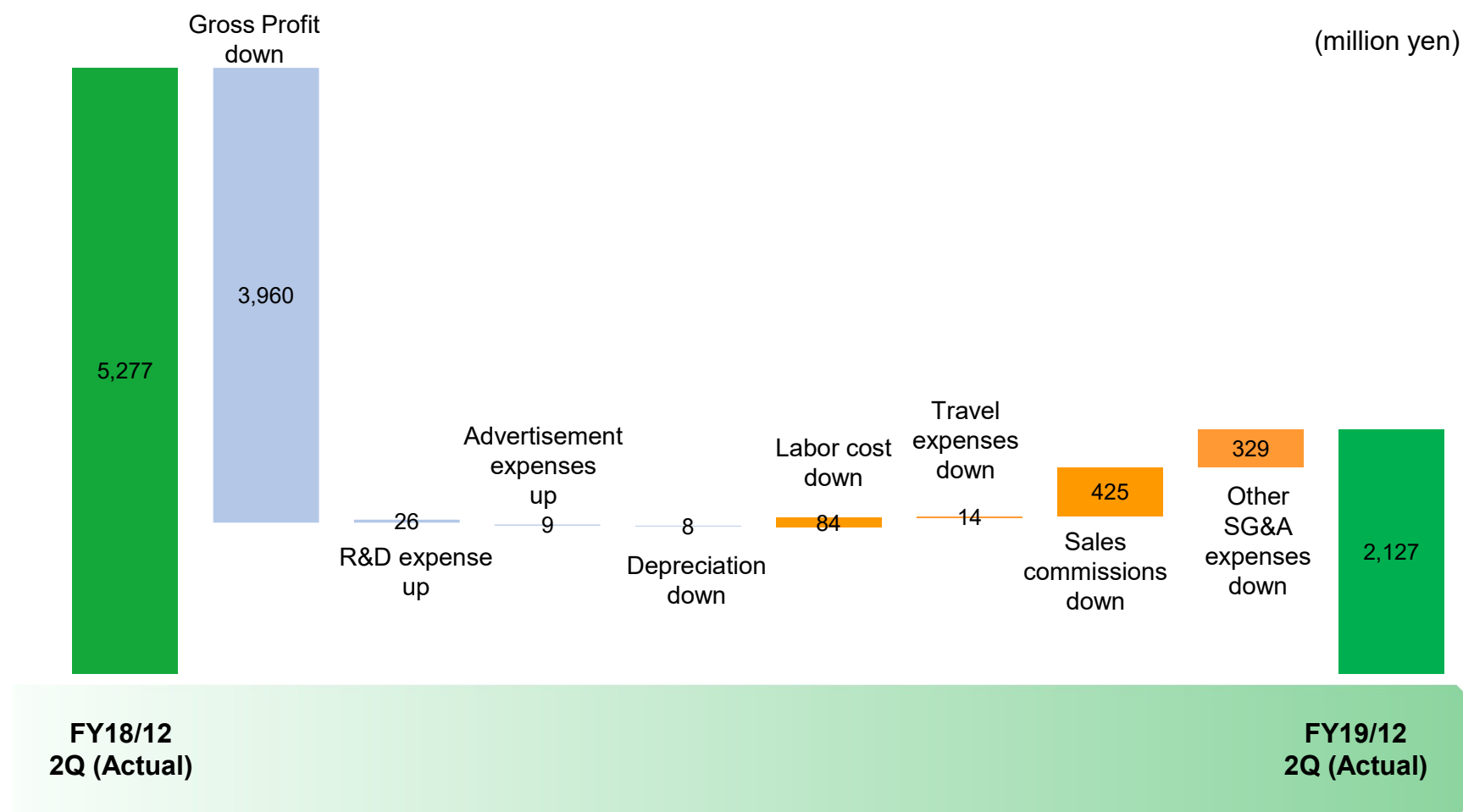


(*) Owing to irregular settlement of accounts resulting from the fiscal year-end change, figures for the Jan-Mar period for companies in China whose fiscal year ends on December 31 are included.

Details of Changes in Operating Income



- ✓ R&D expenses, advertisement expenses and some other expenses were up, while SG&A expenses were down. Meanwhile, operating income decreased by 3,150 million yen, reflecting a significant reduction in gross margin.



Financial Results by Segment



(million yen)

		2Q FY18/12	2Q FY19/12	Year-on-year chg.	
		Actual	Actual	(Amount)	(Rate)
Net sales	● Machine tool segment	29,980	23,444	-6,536	-21.8%
	● Industrial machinery segment	4,981	4,213	-767	-15.4%
	● Food processing machinery segment	3,151	2,344	-807	-25.6%
	● Other segments	3,303	2,715	-587	-17.8%
		41,416	32,717	-8,699	-21.0%
Segment income	● Machine tool segment	5,179	2,862	-2,316	-44.7%
	● Industrial machinery segment	302	-3	-305	—
	● Food processing machinery segment	424	293	-131	-31.0%
	● Other segments	695	64	-631	-90.8%
		6,602	3,216	-3,386	-51.3%
Adjustments, share retirement, etc.		-1,324	-1,089	—	—
Total operating income		5,277	2,127	-3,150	-59.7%

Machine tool segment

[China, Japan, Europe]

Sales dropped significantly in the second quarter, reflecting lower demand for smartphones and electronic component products along with weak demand from auto-related industries amid the US-China trade disputes.

[North America] Demand from aerospace and medical equipment industries remained firm.

[Asia] Auto-related demand remained firm in Thailand, India and Vietnam.

- ✓ Operating income dropped, reflecting lower plant utilization rates associated with lower unit sales and higher fixed costs.

Industrial machinery segment

- ✓ A setback in capital spending has become apparent in the wake of the US-China trade disputes, while sales of auto-related products (connectors, sensor components, etc.) remained solid primarily in Japan.
- ✓ Growth in demand from smartphones and electronic components manufacturers seems to have tapered off. China and Asian markets see demand for molding machines to make optical lenses and silicone, and 5G-related investment demand.
- ✓ Higher R&D expenses squeezed profit.

Food processing machinery segment

- ✓ Continue to enjoy demand for noodle-making equipment for quality enhancement, packaging machines for precooked rice products, and automated facilities.
- ✓ Sales and profit both suffered a setback in growth because some orders will not be received until after the second half.

Other segments

- ✓ Precision metal mold business for auto-related customers continues to face a lull.
- ✓ Profit decreased because of the accelerated investments for medium to long-term growth, including R&D initiatives for developing automated products.

Financial Results by Segment (Quarterly)



(million yen)

		FY19/12		Increase/Decrease	
		1Q (Jan-Mar) Actual	2Q (Apr-Jun) Actual	Amount	Rate
Net sales	● Machine tool segment	13,362	10,081	-3,280	-24.5%
	● Industrial machinery segment	2,320	1,892	-428	-18.5%
	● Food processing machinery segment	1,776	568	-1,208	-68.0%
	● Other segments	1,369	1,346	-23	-1.7%
		18,828	13,888	-4,940	-26.2%
Segment income	● Machine tool segment	2,191	671	-1,519	-69.3%
	● Industrial machinery segment	80	-83	-164	—
	● Food processing machinery segment	336	-43	-380	—
	● Other segments	-7	71	78	—
		2,600	615	-1,985	-76.3%
Adjustments, share retirement, etc.		-507	-582	—	—
Total operating income		2,093	33	- 2,060	-98.4%

Machine tool segment

- ✓ Sales increased from 1Q in North and South America. Sales dropped in other regions.
- [China] 2Q sales dropped due to investment decisions being postponed amid the US-China trade disputes.
- [Japan] Sales dropped, reflecting a reactionary plunge demand following the big auto-related orders received in 1Q and a setback in demand amid the US-China trade disputes.
- [Europe] Sales dropped slightly from 1Q, reflecting sluggish demand from auto-related industries.
- [North America] Demand remained firm in aerospace and medical equipment industries.
- [Asia] Overall, sales dropped slightly from 1Q despite strong demand from auto-related customers in Thailand, India and Vietnam.
- ✓ Profit dropped, primarily due to the lower plant operating rate.

Industrial machinery segment

- ✓ A setback in capital spending has become apparent amid the US-China trade disputes, while sales of auto-related products (connectors, sensor components, etc.) remained solid primarily in Japan.
- ✓ It seems that the growth in demand for smartphones and electronic components has run its course. We continue to enjoy demand for 5G network equipment, as well as equipment to make optical lenses and silicone in China and other Asian countries.
- ✓ An 83 million yen loss incurred in relation to the heavy R&D expenses in 2Q.

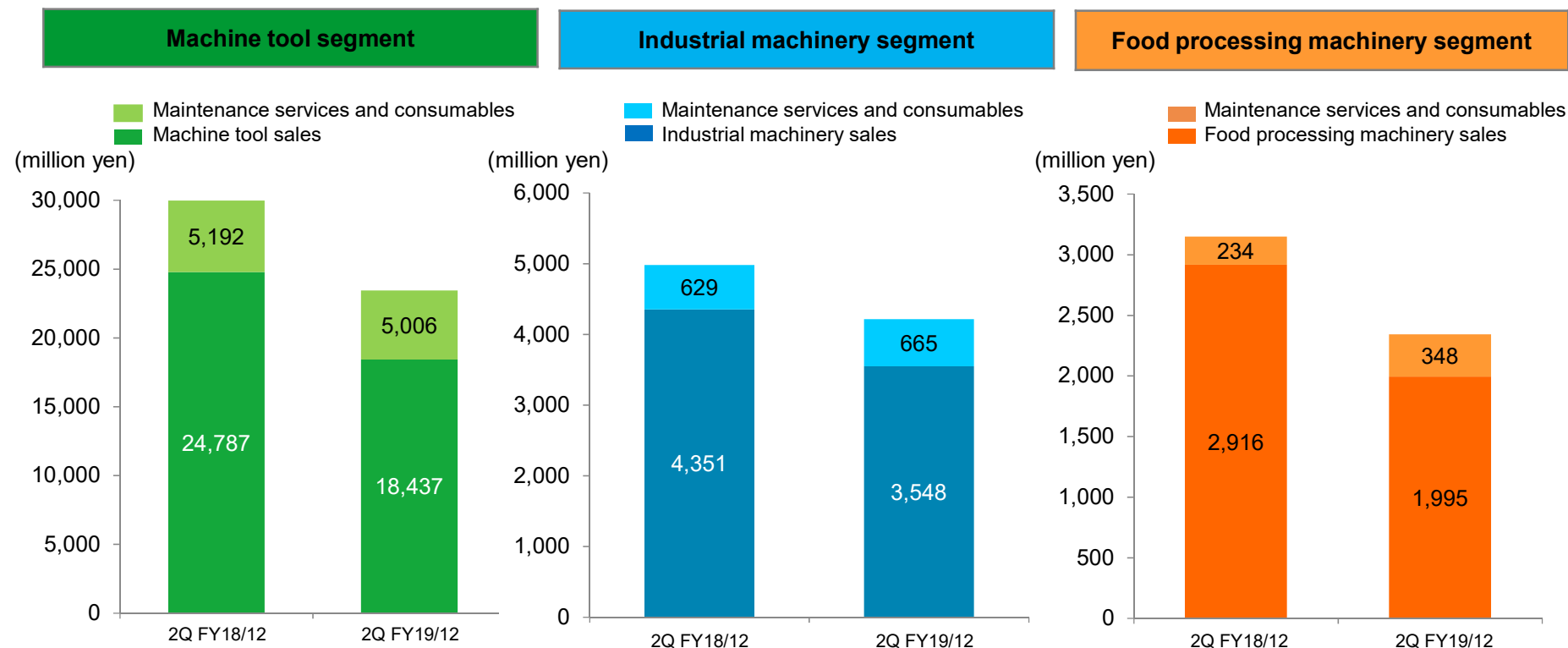
Food processing machinery segment

- ✓ Sales and profits both remained high in 1Q, helped by the sales of noodle-making equipment with high added-value in Japan. It is expected that there will be a setback in growth in 2Q because no big deals are expected for noodle-making equipment and packaging machines for precooked rice products.

Other segments

- ✓ Demand for precision metal molds and molding from auto-related industries still seems to have lost initial momentum, with sales remaining unchanged.
- ✓ R&D initiatives and other investments in response to automation requirements have accelerated for medium to long-term growth, sending profit down.

Net Sales by Segment

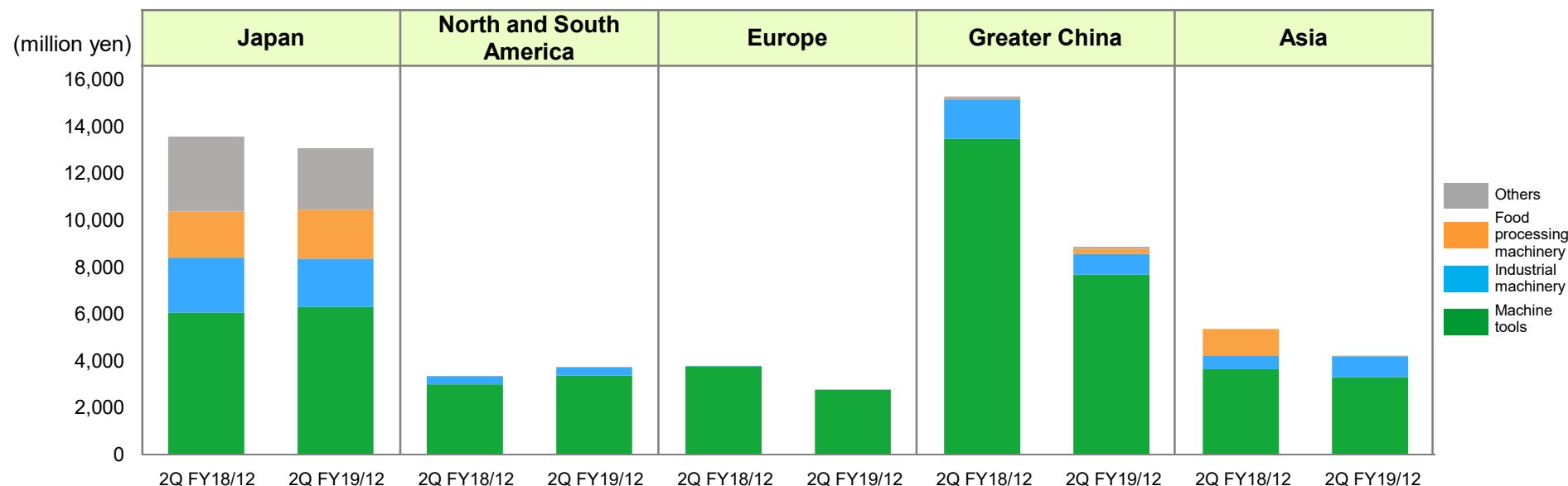


	Machine tool segment				Industrial machinery segment				Food processing machinery segment			
	2Q FY18/12		2Q FY19/12		2Q FY18/12		2Q FY19/12		2Q FY18/12		2Q FY19/12	
Machine tool sales	24,787	82.7%	18,437	78.6%	4,351	87.4%	3,548	84.2%	2,916	92.5%	1,995	85.1%
Maintenance services and consumables	5,192	17.3%	5,006	21.4%	629	12.6%	665	15.8%	234	7.5%	348	14.9%
Total	29,980		23,444		4,981		4,213		3,151		2,344	

Overseas Sales Ratio by Segment



✓ Overseas sales ratio down to 60%, reflecting lower sales in China, Europe and Asia



(million yen)

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%

2Q FY19/12	Japan		North and South America		Europe		Greater China		Asia		Total	
Machine tools	6,312	26.9%	3,370	14.4%	2,770	11.8%	7,691	32.8%	3,300	14.1%	23,444	71.6%
Industrial machinery	2,061	48.9%	368	8.7%	—	—	879	20.9%	904	21.5%	4,213	12.9%
Food processing machinery	2,087	89.1%	10	0.4%	—	—	224	9.6%	22	0.9%	2,344	7.2%
Others	2,631	96.9%	—	—	—	—	84	3.1%	—	—	2,715	8.3%
By-region total	13,091	40.0%	3,749	11.5%	2,770	8.5%	8,879	27.1%	4,226	12.9%	32,717	100.0%

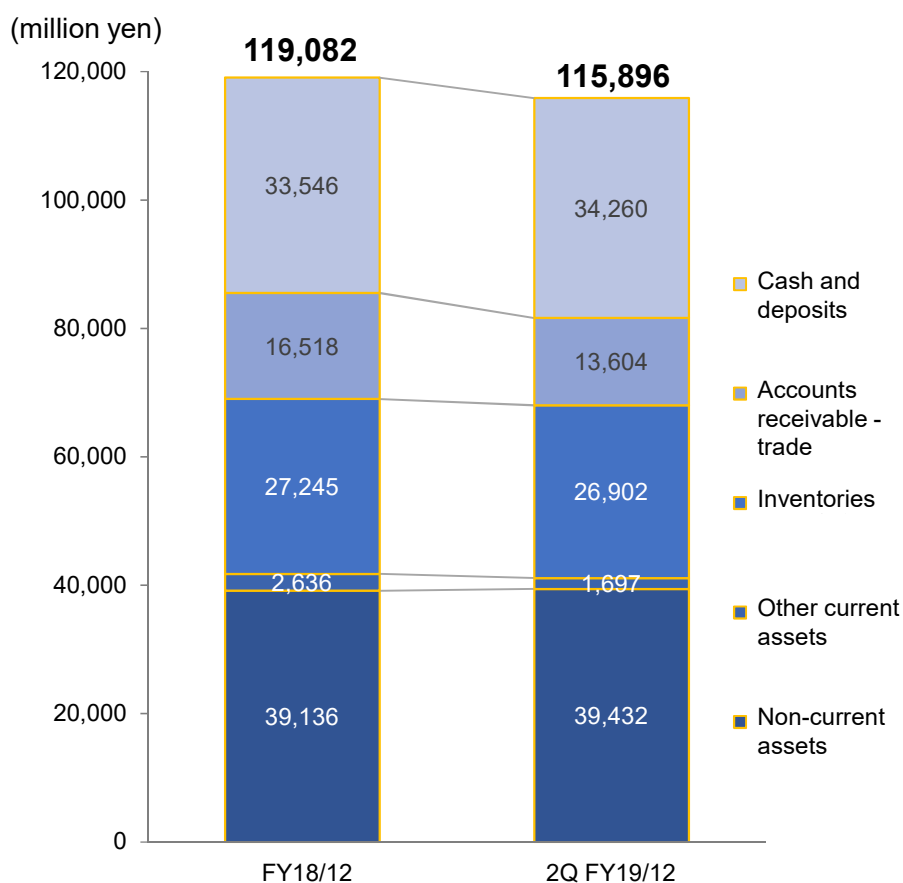
Effect of exchange rates	—	Around 40 million yen	Around -160 million yen	Around -460 million yen	Around 0 million yen	Around -580 million yen
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Balance Sheet

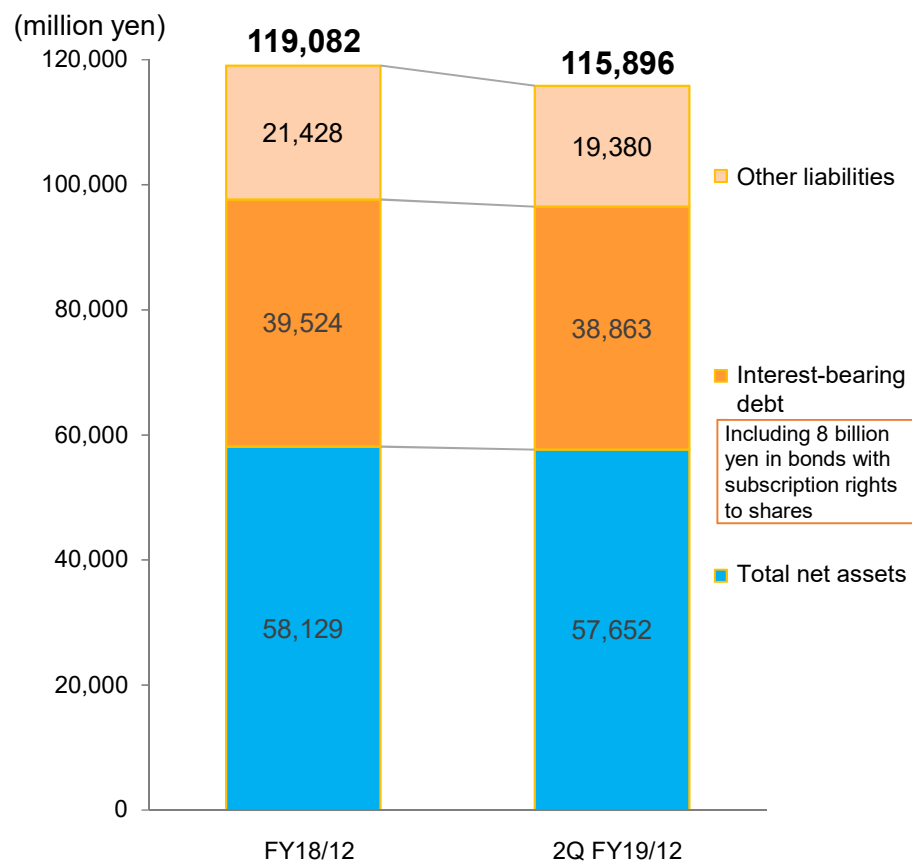


- ✓ Total assets down 3.2 billion yen year on year reflecting a decrease in trade receivables and inventories, partially offset by an increase in non-current assets related to the new sales offices built in Europe and the expansion of the Miyazaki Plant (high-precision dies and mold business)
- ✓ Net assets decreased slightly, reflecting a reduction in foreign exchange adjustments resulting from the translation of capital and other items pertaining to foreign subsidiaries given the stronger yen compared with a year earlier

Assets



Liabilities and net assets



* Reference information

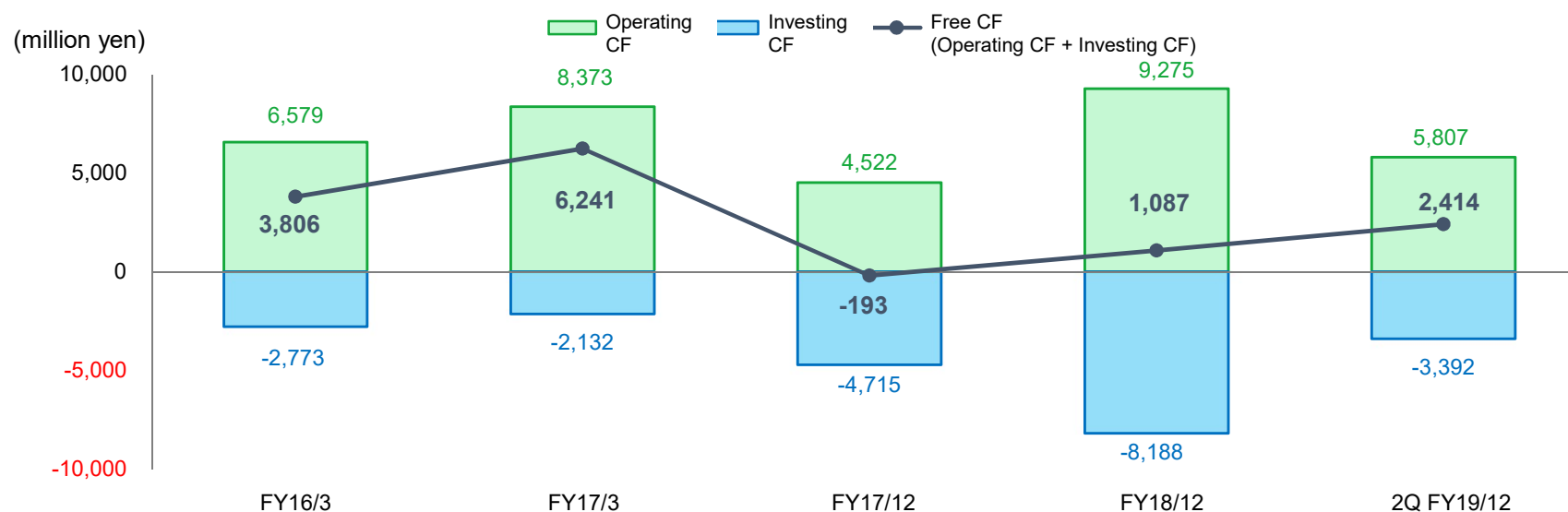
Exchange rate at end of June 2019	USD: 107.79 yen	EUR: 122.49 yen	CNY: 15.69 yen	THB: 3.50 yen
Exchange rate at end of December 2018	USD: 111.00 yen	EUR: 127.00 yen	CNY: 16.16 yen	THB: 3.41 yen

Cash Flows

- ✓ Cash flows from operating activities dropped significantly, primarily due to a decrease in pre-tax profit and trade receivables
Investing activities use was reduced due to limited capital spending at home and abroad. Free cash flow was in the positive territory at 2,414 million yen

(million yen)

	FY18/12 2Q	FY18/12	FY19/12 2Q	Primary changes
Cash flows from operating activities	8,376	9,275	5,807	A decrease in accounts receivable trade (Around ¥2.7 billion)
Cash flows from investing activities	-3,957	-8,188	-3,392	Purchase of property, plant and equipment (Around -¥3.3 billion)
Cash flows from financing activities	-3,420	-3,485	-1,335	Repayment of long-term loans payable
Cash and cash equivalents at the end of current period	36,356	32,650	33,295	



1 CIMIT2019 (16th China International Machine Tool Show)

Sodick participated in CIMIT2019 held in Beijing, China. At our booth, we made a presentation on the processing image integrating cutting-edge machine tools with robot technology and gave a demonstration of high-speed molding with the use of metal 3D printer LPM325 to showcase our cutting-edge technologies, undertaking aggressive marketing activities to expand sales in China.

Outline of CIMIT2019

Venue: China International Exhibition Center (Beijing)

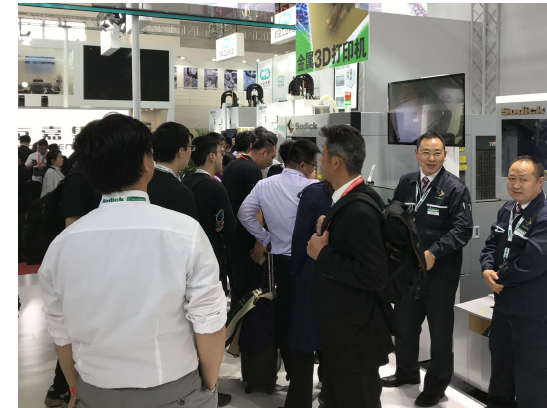
Dates: April 15-20, 2019 (6 days)

Products exhibited: High-speed metal 3D printer LPM325

Linear motor drive high speed and high-performance die-sinker EDM AG40LP

Linear motor drive high-precision wire-cut EDM AP250Ls

No. of visitors: Approximately 319,000



▲ View of the site

2 INTERMOLD2019 (The 30th Japan Die & Mold Manufacturing Technology Exhibition)/Die & Mold Asia 2019

Sodick participated in INTERMOLD2019 held at Tokyo Big Sight. At our booth, we gave a demonstration of high-precision and high-quality processing with the use of cutting-edge machine tools and high-speed molding with the use of the 3D printer to showcase our cutting-edge technologies under the theme of Delivering Cutting-edge Solutions to Support Metal Mold Production with Integrated and Automated Process. Our presentation was successful in attracting many visitors.

Outline of INTERMOLD2019

Venue: Tokyo Big Sight

Dates: April 17-20, 2019 (4 days)

Products exhibited: Linear motor drive high-speed and high performance wire-cut EDM ALN600G

Linear motor drive ultra-high speed milling center UH430L

High-speed molding metal 3D printer LPM325

No. of visitors: Approximately 42,000



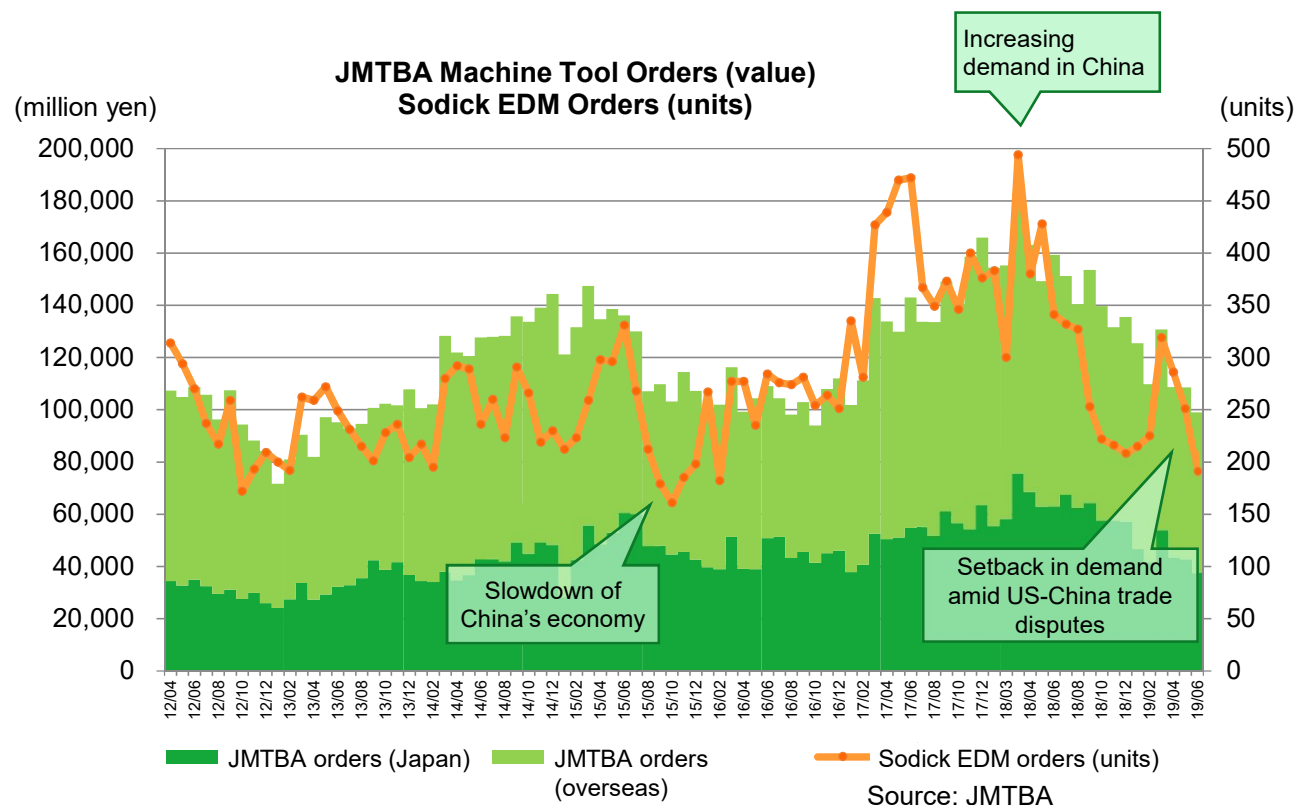
▲ View of the site

II. FY19/12 Financial Results Projections

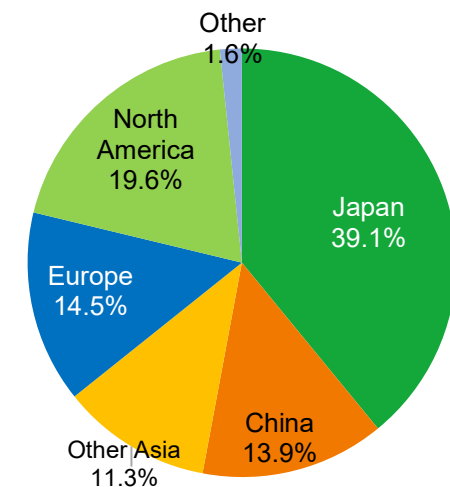
Market Environment



- ✓ Japan: While customers remain cautious about capital spending amid the US-China trade disputes, we expect sustained demand due to the government subsidy programs and replacement demand.
- ✓ North America: Although there is a lull in demand in the automotive industry, capital investment demand will increase mainly in the aerospace and medical equipment industries.
- ✓ Europe: Amid the uncertain outlook caused by the Brexit turmoil along with the economic slowdown in China, capital investment demand will decrease.
- ✓ 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, it has become apparent that customers postpone investment decisions amid trade conflicts with the US.
- ✓ Asia: Demand mainly from the auto-related industries is expected to continue picking up in Thailand, India and Vietnam, with uncertain outlook amid the economic slowdown in China.



**JMTBA Machine Tool Orders by Region
(cumulative for Jan-Jun 2019)**



Source: JMTBA

FY19/12 Financial Results Projections (comparison with initial projections)



- ✓ The full-year forecast has been revised downward, reflecting significant underperformance of the financial results for the first half against initial estimates and the challenging business environment expected to remain unchanged over the second half in view of the current situation, given the significant plunge in sales of EDMs amid the slowdown in investment demand caused by the US-China trade disputes

(million yen)

	FY19/12 Full-year		FY19/12 Full-year		Increase/Decrease	
	Initial projection (announced on Feb 14)	Income margin	Revised Projection (announced on Aug 2)	Income margin	Amount	Rate
Net sales	76,800	—	66,200	—	-10,600	-13.8%
Operating income	6,900	9.0%	3,800	5.7%	-3,100	-44.9%
Ordinary income	6,400	8.3%	3,600	5.4%	-2,800	-43.8%
Net income	4,700	6.1%	2,000	3.0%	-2,700	-57.4%

		First half		Second half	Full-year	
Average exchange rate over the period	USD	105.00 yen		110.06 yen	105.00 yen	107.5 yen
	EUR	120.00 yen		124.32 yen	120.00 yen	122.2 yen
	CNY	15.50 yen		16.19 yen	15.50 yen	15.9 yen
	THB	3.40 yen		3.49 yen	3.50 yen	3.5 yen

* Full-year forecasts for FY19/12 have been revised.

FY19/12 Financial Results Projections (Progress)



- ✓ The full-year forecast has been revised downward, reflecting significant underperformance of the financial results for the first half against initial estimates and the challenging business environment expected to remain unchanged over the second half in view of the current situation, given the significant plunge in sales of EDMs amid the slowdown in investment demand caused by the US-China trade disputes

(million yen)

		FY19/12 2Q		FY19/12 Full-year		Progress toward projection	FY18/12 Full-year
		Actual	Income margin	Revised projection (announced on Aug 2)	Income margin		Actual
Net sales		32,717	—	66,200	—	49.4%	82,716
Operating income		2,127	6.5%	3,800	5.7%	56.0%	9,888
Ordinary income		2,073	6.3%	3,600	5.4%	57.6%	9,619
Net income		892	2.7%	2,000	3.0%	44.6%	6,462
Ratio to net sales				Ratio to net sales			
Facilities investment		2,760	8.4%	4,500	6.7%	8,576	
Depreciation		1,667	5.1%	3,400	5.0%	3,085	
R&D expenses		1,911	5.8%	4,200	6.2%	3,902	
Average exchange rate over the period	USD	110.06 yen		107.5 yen			110.44 yen
	EUR	124.32 yen		122.2 yen			130.35 yen
	CNY	16.19 yen		15.9 yen			16.71 yen
	THB	3.49 yen		3.5 yen			3.42 yen

* Full-year forecasts for FY19/12 have been revised.

FY19/12 Financial Results Projections by Segment (Progress)



		FY19/12			(million yen)
		2Q Actual	Second half projection	Full-year projection (announced on Aug 2)	FY18/12 Full-year
Net sales	● Machine tool segment	23,444	20,455	43,900	Actual
	● Industrial machinery segment	4,213	5,886	10,100	
	● Food processing machinery segment	2,344	4,155	6,500	
	● Other segments	2,715	2,984	5,700	
		32,717	33,482	66,200	
Segment income	● Machine tool segment	2,862	1,737	4,600	
	● Industrial machinery segment	-3	403	400	
	● Food processing machinery segment	293	406	700	
	● Other segments	64	235	300	
		3,216	2,783	6,000	
Adjustments		-1,089	-1,110	-2,200	
Total operating income		2,127	1,672	3,800	

Machine tool segment

- ✓ It has become apparent among customers that they postpone investment decisions amid the US-China trade disputes. The situation will remain tough in many geographical areas for the second half of the current fiscal year. Accordingly, sales and profit have been both revised downward.

Industrial machinery segment

- ✓ Despite a decline in global shipments of smartphones and electronic component products along with the negative impact of the US-China trade disputes, the Chinese and other Asian markets have seen solid demands for injection molding machines that are used to make optical lenses and silicone products as well as firm investment demands for the 5G-related network, leaving a chance of slight recovery in the second half.

Food processing machinery segment

- ✓ Some deals will not be recognized in revenue until after next fiscal year, resulting in a downward revision for the second half.
- ✓ Sales and profit are both expected to recover over the second half with customer sign-offs for noodle-making equipment and equipment to make packaging materials for precooked rice.

Other segments

- ✓ Sales of high-precision dies and molding along with external sales of ceramics are expected to remain sluggish.

* Full-year projections by segment have been partially adjusted along with the revision made to the overall business results estimates.

1 To enhance sales activities in every business hub

- ✓ Addressing China's market shift from quantity to quality
 - ⇒ To build higher-quality marketing structure and promote further enhancement in customer support with the expansion of sales personnel and skills in response to increasingly sophisticated requirements of the manufacturing industry customers
- ✓ Expanding market share with enhanced customer support services, leveraging new technology centers opened in America, Europe and Singapore
 - ⇒ To achieve optimal sales balance by geographical area by reducing dependency on the Chinese market

2 Optimization of manufacturing structure

- ✓ To achieve an optimal manufacturing structure with single plants capable of producing multiple products
- ✓ To achieve cost reductions by sharing components among manufacturing plants and promoting overseas production



3

Updating human resource management system to promote effective use of manpower

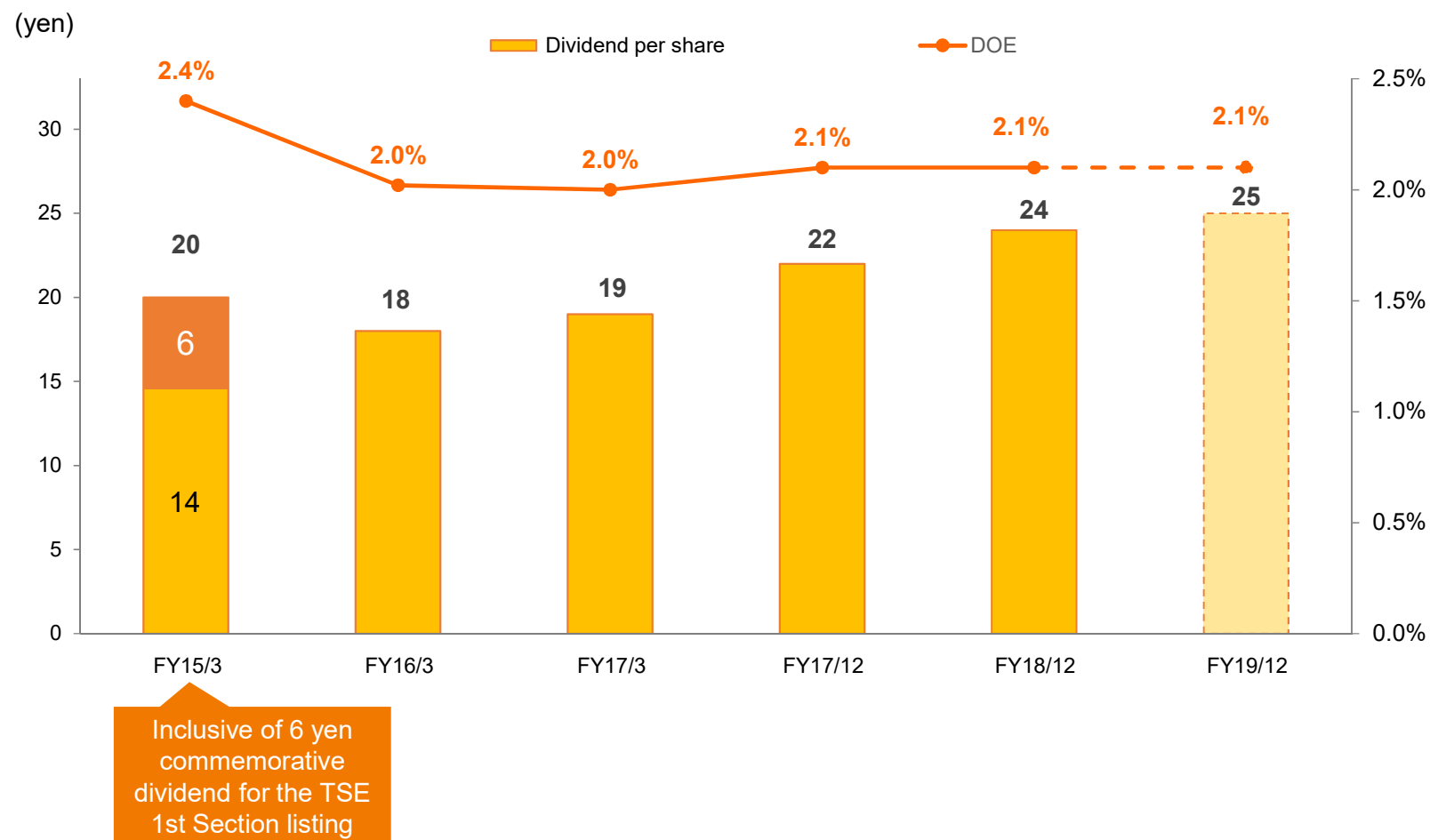
- ✓ Implementing a comprehensive update to the personnel management system as part of the working style reform initiatives
 - Promotion of company management embracing diversity in terms of women's empowerment, senior employment and opening doors to foreign workers
 - Promoting flexible work arrangements such as shorter work hours, teleworking, and encouraging to take childcare leave⇒ Enhancement of initiatives making the working environment more employee friendly
- ✓ Enhancement of extensive development initiatives for human resources, including new employee training programs, stratified training, overseas training and foreign trainee programs
- ✓ Introduction of stock-based compensation with transfer-restricted shares and its application to more executive officers and employees



Shareholder Return Policy and Dividend Projections



- ✓ Dividend policy: Aims to achieve 2% or higher dividend on equity (DOE) ratio
- ✓ Annual dividend is forecast to be 25 yen per share for FY19/12 (interim: 12 yen; year-end: 13 yen)



(Reference Information) Domestic and Overseas Sites



(Reference Information) Participation in Major Exhibitions

- ✓ The Company will participate in both domestic and international exhibitions, thereby engaging in proactive marketing

Date	Location		Exhibition	Notes
Sep. 16-21	Germany	Hanover	EMO2019	One of the world's largest machine tool trade shows
Sep. 24-29	U.S.	California	WESTEC	Machine tool trade show in the western region in North America
Oct. 16-18	Vietnam	Hanoi	MTA Hanoi	
Oct. 16-23	Germany	Dusseldorf	K 2019 (International 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 tool trade shows
Nov. 20-23	Thailand	Bangkok	METALEX THAILAND	
Dec. 5-8	Indonesia	Jakarta	Machine Tool Indonesia 2019	
2020				
Mar. 10-13	Germany	Dusseldorf	METAV (International Exhibition for Metalworking Technologies)	
Apr. 20-23	U.K.	Birmingham	MACH 2020	
Apr. 21-24	China	Shanghai	ChinaPlas 2020 (International Trade Fair for Plastics and Rubber)	
Apr. 22-25	India	Mumbai	Die&Mold India International Exhibition	
May 13-16	Thailand	Bangkok	INTERMACH 2020	
May 18-22	China	Beijing	CIMES (China International Machine Tools & Tools Exhibition)	
Jul. 2-5	Vietnam	Ho Chi Minh City	MTA Vietnam 2020 (International Precision Engineering, Machine Tools and Metalworking Exhibition & Conference)	
Sep. 14-19	U.S.	Chicago	IMTS2018	One of the world's largest machine tool trade shows
Oct. 6-10	Japan	Makuhari	IPF Japan 2020 (International Plastics Fair)	Our injection molding machines will be presented
Dec. 7-12	Japan	Tokyo	JIMTOF2020	One of the world's largest machine tool trade shows