



First Section of
TSE 6143

3Q FY19/12
Results Briefing

November 13, 2019

Sodick Co., Ltd.

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I. 3Q FY19/12 Financial Results Summary

Financial Results Highlights

- ✓ Owing mainly to the protracted US-China trade conflict, sales of EDMs plunged chiefly in China, our major customer market. As a result, net sales tumbled roughly 20%, year on year.
- ✓ On account of a lower plant utilization rate associated with a decrease in sales volume, an increase in fixed costs, etc., profits decreased sharply from the same period of the prior year.

	3Q FY18/12		3Q FY19/12		YoY change		FY19/12 Full-year projection (Revised on Aug 2)	
	Actual	Income margin	Actual	Income margin	Amount	Rate		
Net sales	62,577	—	49,707	—	-12,869	-20.6%	67,000	-
Gross profit	23,368	37.3%	16,480	33.2%	-6,887	-29.5%	-	-
Operating income	8,253	13.2%	2,746	5.5%	-5,507	-66.7%	3,400	5.1%
Ordinary income	8,088	12.9%	2,577	5.2%	-5,511	-68.1%	3,100	4.6%
Net income	5,632	9.0%	1,177	2.4%	-4,455	-79.1%	1,500	2.2%

	Ratio to net sales		Ratio to net sales			
Capital investment	5,552	8.9%	3,353	6.7%	4,500	6.7%
Depreciation	2,283	3.6%	2,542	5.1%	3,400	5.1%
R&D expenses	3,017	4.8%	2,870	5.8%	4,200	6.3%

Average exchange rate over the period	USD	109.60 yen		109.12 yen		0.48 yen up	108.50 円
	EUR	130.87 yen		122.62 yen		8.25 yen up	121.50 円
	CNY	16.84 yen		15.88 yen		0.96 yen up	15.70 円
	THB	3.41 yen		3.49 yen		0.08 yen down	3.50 円

*Reference information Exchange rate at end of Sep. 2019 USD: 107.92 yen EUR: 118.02 yen CNY: 15.13 yen THB: 3.53 yen
Exchange rate at end of Sep. 2018 USD: 113.57 yen EUR: 132.14 yen CNY: 16.50 yen THB: 3.50 yen

Financial Results Highlights (Quarterly)



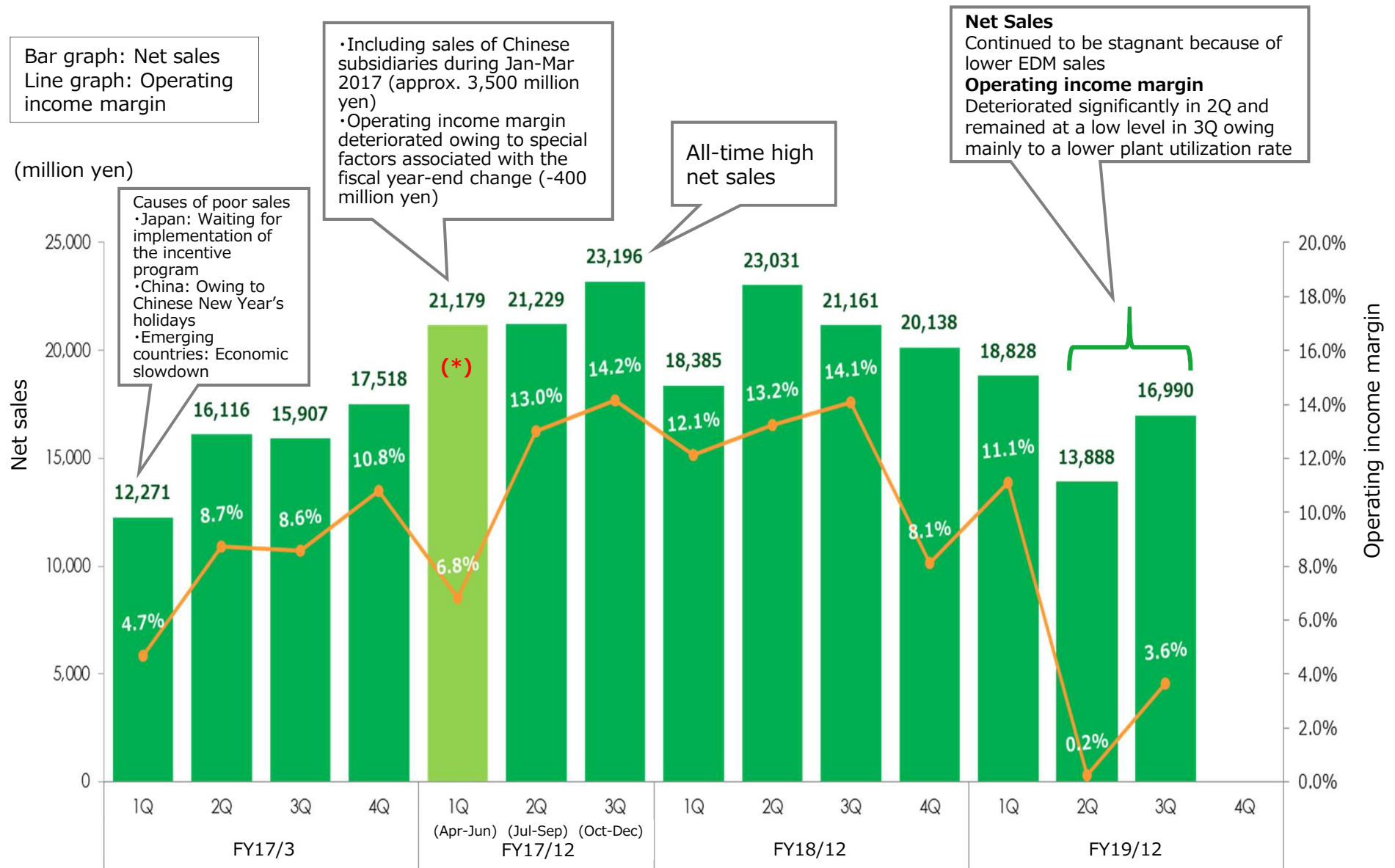
- ✓ Although net sales increased in 3Q, gross profit dropped owing to a lower plant utilization rate associated with a decrease in sales volume, and operating income margin remained at a low level in 3Q.

(million yen)

	FY19/12						QoQ change	
	1Q (Jan-Mar)	Income margin	2Q (Apr-Jun)	Income margin	3Q (Jul-Sep)	Income margin	Amount	Rate
Net sales	18,828	—	13,888	—	16,990	—	3,101	22.3%
Gross profit	6,645	35.3%	4,685	33.7%	5,148	30.3%	463	9.9%
Operating income	2,093	11.1%	33	0.2%	618	3.6%	575	1,738.2%
Ordinary income	2,168	11.5%	-94	—	503	3.0%	598	—
Net income	1,460	7.8%	-568	—	285	1.7%	853	—

Average exchange rate over the period	USD	110.22 yen		110.06 yen		109.12 yen	
	EUR	125.16 yen		124.32 yen		122.62 yen	
	CNY	16.32 yen		16.19 yen		15.88 yen	
	THB	3.49 yen		3.49 yen		3.49 yen	

Ratio of Operating Income to Net Sales (Quarterly)

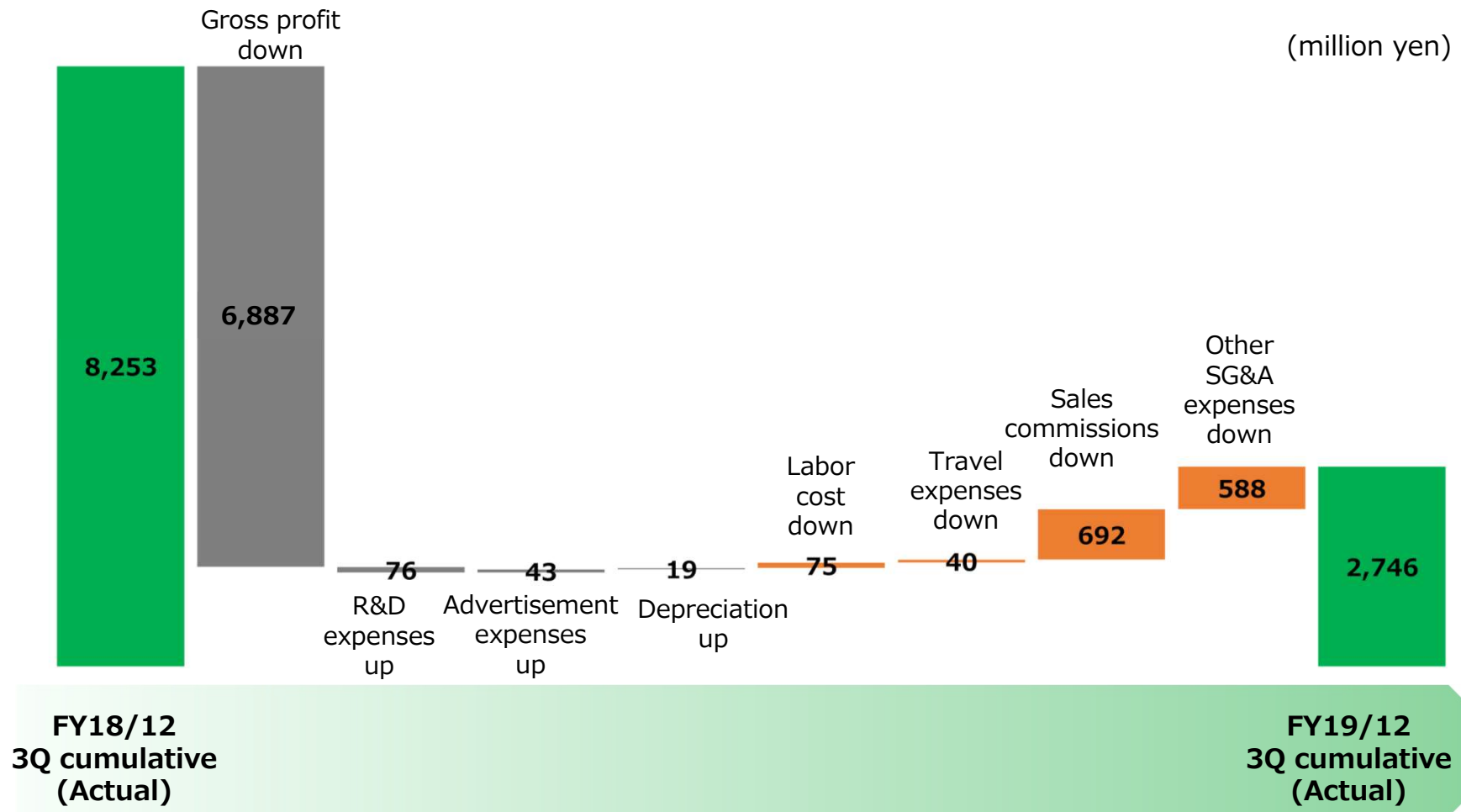


(*) Owing to irregular settlement of accounts resulting from the fiscal year-end change, figures for the Jan-Mar period for companies in China whose fiscal year ends on December 31 are included.

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 5,507 million yen, reflecting a significant drop in gross profit.



Financial Results by Segment



(million yen)

		3Q FY18/12 Actual	3Q FY19/12 Actual	YoY change	
				(Amount)	(Rate)
Net sales	● Machine tool segment	45,117	34,498	-10,618	-23.5%
	● Industrial machinery segment	7,736	7,242	-493	-6.4%
	● Food processing machinery segment	4,934	3,470	-1,464	-29.7%
	● Other segments	4,789	4,496	-292	-6.1%
		62,577	49,707	-12,869	-20.6%
Segment income	● Machine tool segment	8,033	3,564	-4,469	-55.6%
	● Industrial machinery segment	604	218	-386	-63.9%
	● Food processing machinery segment	618	369	-248	-40.2%
	● Other segments	931	236	-695	-74.6%
		10,189	4,389	-5,799	-56.9%
Adjustments, share retirement, etc.		-1,935	-1,643	292	—
Total operating income		8,253	2,746	-5,507	-66.7%

Machine tool segment

■ Overall

Demand from smartphone and electronic component manufacturers continued declining owing to the prolonged negative impact of the US-China trade conflict.

In addition, as demand from the auto-related industries did not recover, net sales plunged from the same period of the preceding year.

■ North America

Demand from the aerospace and medical equipment-related industries remained robust.

- ✓ Owing to a lower plant utilization rate associated with a decrease in sales volume, an increase in fixed costs, etc., profits fell significantly.

Industrial machinery segment

- ✓ Capital investments continued decreasing, hit by the US-China trade conflict.
- ✓ Demand from smartphone and electronic component manufacturers remained sluggish.
- ✓ Demand from the auto-related industries in Japan as well as that for optical lens forming and silicon molding machines and investments to respond to 5G in China and other Asian countries started to pick up.

Food processing machinery segment

- ✓ Demand for high-quality noodle-making equipment, packed cooked rice production systems and automation equipment continued to be strong.
- ✓ Sales were weak compared with the same period of the prior year.

Other segments

- ✓ Demand for ceramics continued falling.
- ✓ In precision mold and precision molding operations, profits decreased because of investments to achieve medium-to-long-term growth such as R&D investments in automatization and investments in enhancement of production facilities.

Financial Results by Segment (Quarterly)



(million yen)

		FY19/12			QoQ change	
		1Q (Jan-Mar) Actual	2Q (Apr-Jun) Actual	3Q (Jul-Sep) Actual	Amount	Rate
Net sales	● Machine tool segment	13,362	10,081	11,054	972	9.6%
	● Industrial machinery segment	2,320	1,892	3,029	1,136	60.1%
	● Food processing machinery segment	1,776	568	1,125	557	98.2%
	● Other segments	1,369	1,346	1,781	434	32.3%
		18,828	13,888	16,990	3,101	22.3%
Segment income	● Machine tool segment	2,191	671	701	29	4.4%
	● Industrial machinery segment	80	-83	222	305	-
	● Food processing machinery segment	336	-43	76	120	-
	● Other segments	-7	71	172	101	141.6%
		2,600	615	1,172	557	90.5%
Adjustments, share retirement, etc.		-507	-582	-554	27	-
Total operating income		2,093	33	618	584	1,738.2%

Machine tool segment

■ China

Sluggish performance continued owing to the prolonged negative impact of the US-China trade friction. However, sales increased from 2Q.

■ Japan

Capital investment started to recover, and thus sales increased from 2Q.

■ Europe

Despite lackluster demand from the auto-related industries, 3Q results were slightly better than the particularly poor 2Q results.

■ North America

Demand from the aerospace and medical equipment-related industries was solid, but that from the auto-related industries was stagnant.

■ Asia

Demand from auto-related manufacturers was strong in Vietnam. However, overall performance was poorer than in 2Q.

Industry machinery segment

- ✓ Capital investments continued decreasing, hit by the US-China trade friction.
- ✓ Demand from smartphone and electronic component manufacturers remained sluggish.
- ✓ Demand from the auto-related industries in Japan as well as that for optical lens forming and silicon molding machines and investments to respond to 5G in China and other Asian countries started to grow.
- ✓ Owing to elimination of order backlog, net sales soared from 2Q.

Food processing machinery segment

- ✓ Sales of noodle-making equipment increased from 2Q.

Other segments

- ✓ Demand for ceramics continued falling.
- ✓ In precision mold and precision molding operations, profits decreased because of investments to achieve medium-to-long-term growth such as R&D investments in automatization and investments in enhancement of production facilities.

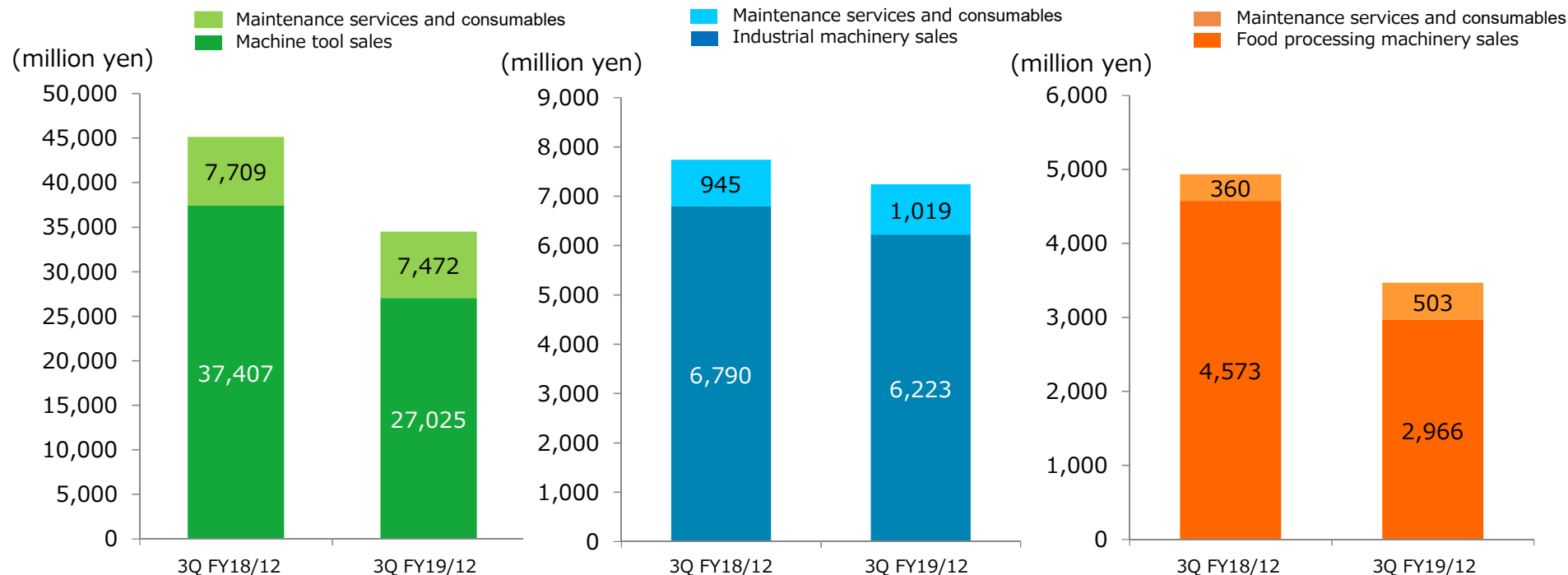
Net Sales by Segment



Machine tool segment

Industrial machinery segment

Food processing machinery segment



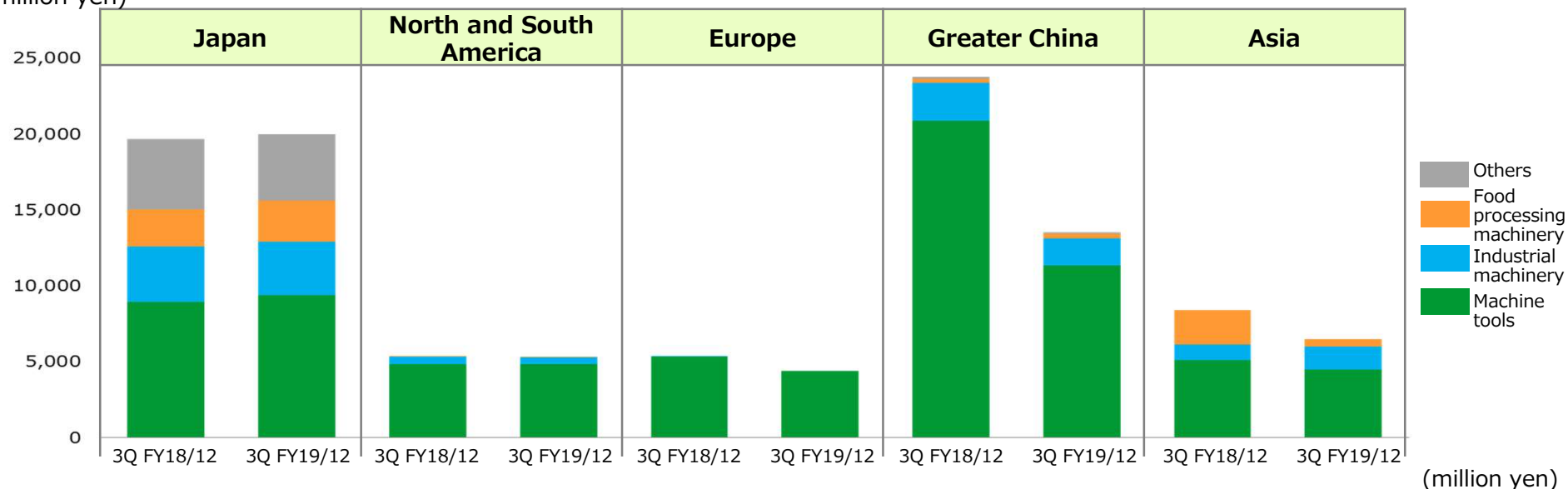
	Machine tool segment				Industrial machinery segment				Food processing machinery segment			
	3Q FY18/12		3Q FY19/12		3Q FY18/12		3Q FY19/12		3Q FY18/12		3Q FY19/12	
Machine tool sales	37,407	82.9%	27,025	78.3%	6,790	87.8%	6,223	85.9%	4,573	92.7%	2,966	85.5%
Maintenance services and consumables	7,709	17.1%	7,472	21.7%	945	12.2%	1,019	14.1%	360	7.3%	503	14.5%
Total	45,117	100.0%	34,498	100.0%	7,736	100.0%	7,242	100.0%	4,934	100.0%	3,470	100.0%

Overseas Sales Ratio by Segment



✓ Overseas sales ratio down to 59.8%, reflecting lower sales in China, Europe and Asia

(million yen)



3Q FY18/12	Japan		North and South America		Europe		Greater China		Asia		Total	
Machine tools	8,936	19.8%	4,840	10.7%	5,351	11.9%	20,878	46.3%	5,109	11.3%	45,117	72.1%
Industrial machinery	3,662	47.3%	493	6.4%	43	0.6%	2,498	32.3%	1,038	13.4%	7,736	12.4%
Food processing machinery	2,420	49.1%	9	0.2%	—	—	261	5.3%	2,242	45.4%	4,934	7.9%
Others	4,652	97.1%	—	—	—	—	137	2.9%	—	—	4,789	7.7%
By-region total	19,672	31.5%	5,343	8.5%	5,395	8.6%	23,775	38.0%	8,390	13.4%	62,577	100.0%

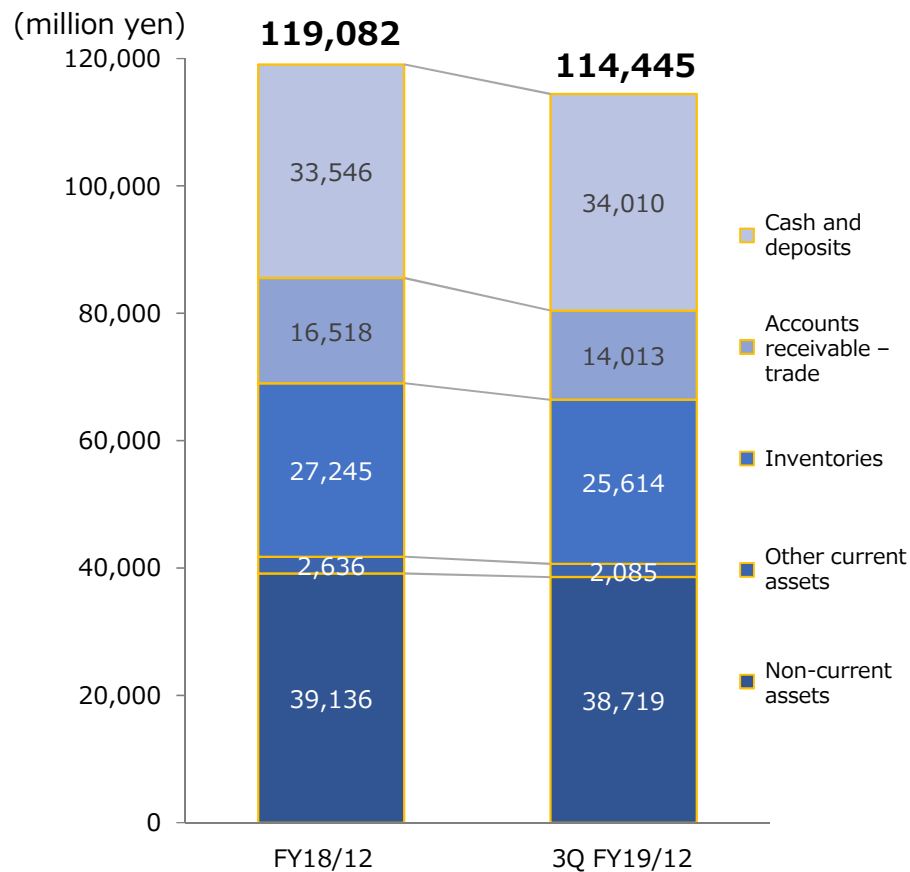
3Q FY19/12	Japan		North and South America		Europe		Greater China		Asia		Total	
Machine tools	9,408	27.3%	4,825	14.0%	4,400	12.8%	11,362	32.9%	4,501	13.0%	34,498	69.4%
Industrial machinery	3,509	48.4%	461	6.4%	—	—	1,764	24.4%	1,506	20.8%	7,242	14.6%
Food processing machinery	2,699	77.9%	12	0.3%	—	—	292	8.4%	465	13.4%	3,470	7.0%
Others	4,378	97.4%	—	—	—	—	118	2.6%	—	—	4,496	9.0%
By-region total	19,995	40.2%	5,299	10.7%	4,400	8.9%	13,538	27.2%	6,473	13.0%	49,707	100.0%

Effect of exchange rate	—	Around -20 million yen	Around -290 million yen	Around -750 million yen	Around -30 million yen	Around -1,100 million yen
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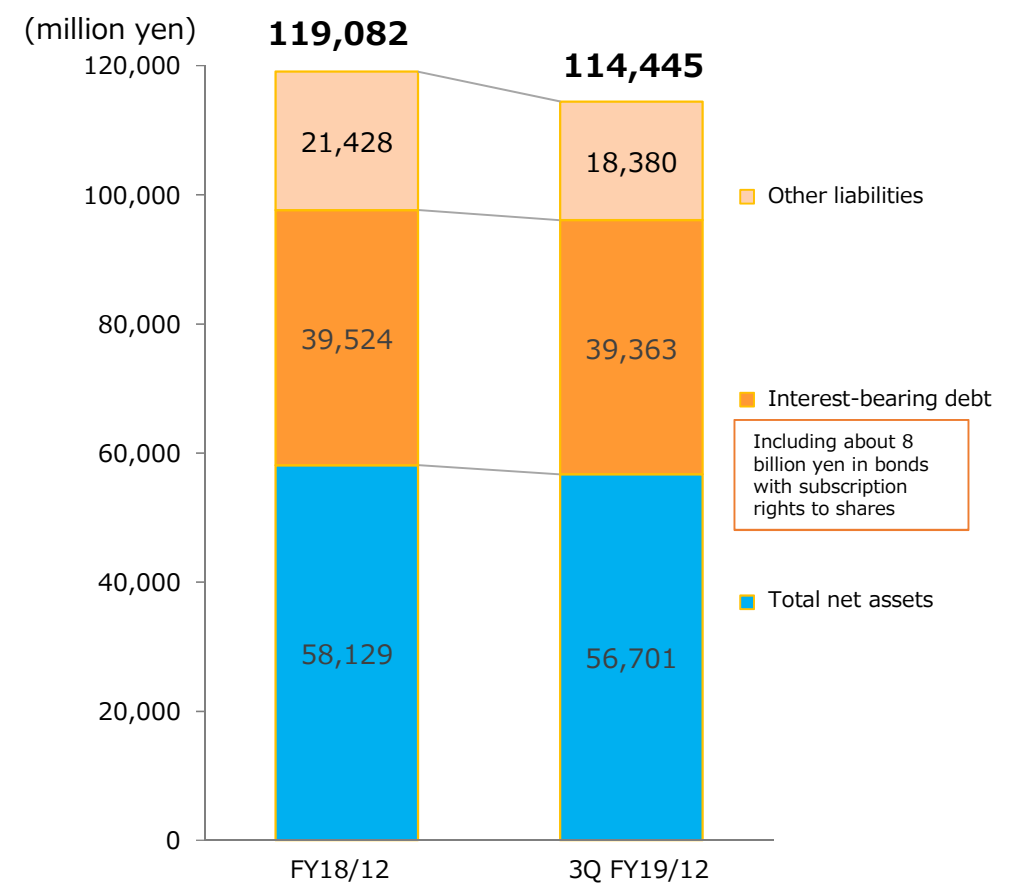
Balance Sheet

- ✓ Net interest-bearing debt totaled 5,352 million yen (down 625 million yen from the end of the previous fiscal year).
- ✓ Net assets decreased about 1,400 million yen, reflecting a reduction in the foreign currency translation adjustment resulting from the translation of capital and other items pertaining to foreign subsidiaries given the stronger yen compared with the level of the end of the prior year.

Assets



Liabilities and net assets



*Reference information	Exchange rate at end of Sep. 2019	USD: 107.92 yen	EUR: 118.02 yen	CNY: 15.13yen	THB: 3.53 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 The first in the industry! Development of Cooling Holding Bin that directly controls the temperature of granular bodies

We have developed Cooling Holding Bin for granular bodies, the first in the industry, that rapidly and uniformly cools granular materials such as wheat, buckwheat and rice flour, thereby improving the quality control of dough used to make noodles, bread and sweets. The product has received a patent.



▲ Cooling Holding Bin

2 Development of a linear motor-driven large sized die-sinker EDM AG200L

As an addition to the AG Series, the bestselling linear motor-driven die-sinker EDMs, we have developed the AG200L, a high-speed high-performance die-sinker EDM with the largest stroke axis and suitable for large-scale works.

Large molds, such as those for bumpers, front grilles and door panels of automobiles, have become larger and more complex to accommodate growing demand for self-driving cars equipped with various sensing functions, highly functional and complex automotive modules, such as headlamps, with integral structure and more stylish and intelligent cars. The AG200L is a die-sinker EDM designed to meet the needs for rapid and simple processing of these large automotive molds.



▲ AG200L

*For details of the product, please see the press release on the following website:
URL: https://www.sodick.co.jp/pdf/191111115137_AG200L_Pressrelease_sodick_20190930_en.pdf

3 Participation in FOOMA JAPAN 2019 (International Exhibition of Equipment and Technology for the Food Industry)

We participated in FOOMA JAPAN, an international exhibition of food processing machinery, held at Tokyo Big Sight. Amid mounting concern over food safety and security at home and abroad, we showcased a range of Sodick's cutting-edge food processing machinery, including noodle-making equipment.

Sodick's exhibition booth displayed a new product, Cooling Holding Bin, for the first time, advertised Sodick's ability to offer total support for every step of the noodle-making process, and attracted a large number of visitors.

Outline of FOOMA JAPAN 2019

Place: Tokyo Big Sight

Time: July 9 to 12, 2019 (four days)

Exhibition models: Cooling system for granular bodies, LED food inspection conveyor, CIP mixer, pressure device, tray feeder, etc.

No. of visitors: 100,680 (including 5,134 visitors from abroad)



▲ Sodick's exhibition booth

4 Participation in EMO 2019 (International Machine Tool Trade Show)

We participated in EMO 2019, the largest international machine tool trade show, held in Hannover, Germany. We showcased state-of-the-art models such as the linear motor-driven high-speed wire-cut EDM ALC400P and metal 3D printer OPM250L in addition to the electric horizontal injection molding machine MS100 equipped with the V-LINE® system, which was displayed for the first time in Europe.

Sodick's exhibition booth attracted many visitors from around the world and received a lot of inquiries.

Outline of EMO 2019

Place: Hannover, Germany

Time: September 16 to 21, 2019 (six days)

Exhibition models: Wire-cut EDMs ALC400P and ALC800G, metal 3D printer OPM250L, die-sinker EDMs AG60L and AG80L, precision machining center UH650L and injection molding machine MS100

No. of visitors: 128,966



▲ Sodick's exhibition booth

3Q FY19/12 Topics (Establishment of New Tech Center and Sales Company)



5 Opening Ceremony of Tech Center in the U.K.

We have established the Tech Center as part of a U.K. sales subsidiary Sodick Europe Ltd., our major operating base in Europe, and held an opening ceremony on site on July 10. The establishment of the Tech Center is expected to further accelerate our business expansion in Europe, increase our market share among customers in the automotive, aerospace and medical equipment industries, and contribute to improving Sodick's brand image there.



▲ Tech Center

[Outline]

Company name: Sodick Europe Ltd.
Address: Agincourt Road, Warwick, CV34 6XZ, United Kingdom
Floor area: About 4,180 m²
Main facilities: EDMs, machining centers, metal 3D printers, injection molding machines, etc.
Total investments: 8.6 million euros



◀ Opening ceremony

6 Establishment of Sales Company of Food Processing Machinery in Shanghai, China

A new sales company of food processing machinery, Sodick Tom Food-Machines (Shanghai) Co., Ltd., was established in Shanghai, China in July and started full-scale operation in September. With the establishment of a sales company in China, we aim to spread and develop Japanese food culture in China and ASEAN countries, thereby improving Sodick's brand image and making a social contribution, and to promote our food-processing machinery business in those regions. Having not only a sales function but also an engineering function, the sales company provides total support for customers, covering design, construction, installation and maintenance.

[Outline]

Company name: Sodick Tom Food-Machines (Shanghai) Co., Ltd.
Address: Lane 436 Zhu Guang Road, Xujing, Qingpu Area, Shanghai, China (within Sodick Electromechanical (Shanghai) Co., Ltd.)
Capital: 700,000 US dollars (about 75 million yen) *Exchange rate: 1 USD=107 yen
Business lineup: Sale, maintenance (including installation), engineering, software provision (licensing) and international trade (import and export) of food processing machinery and related equipment

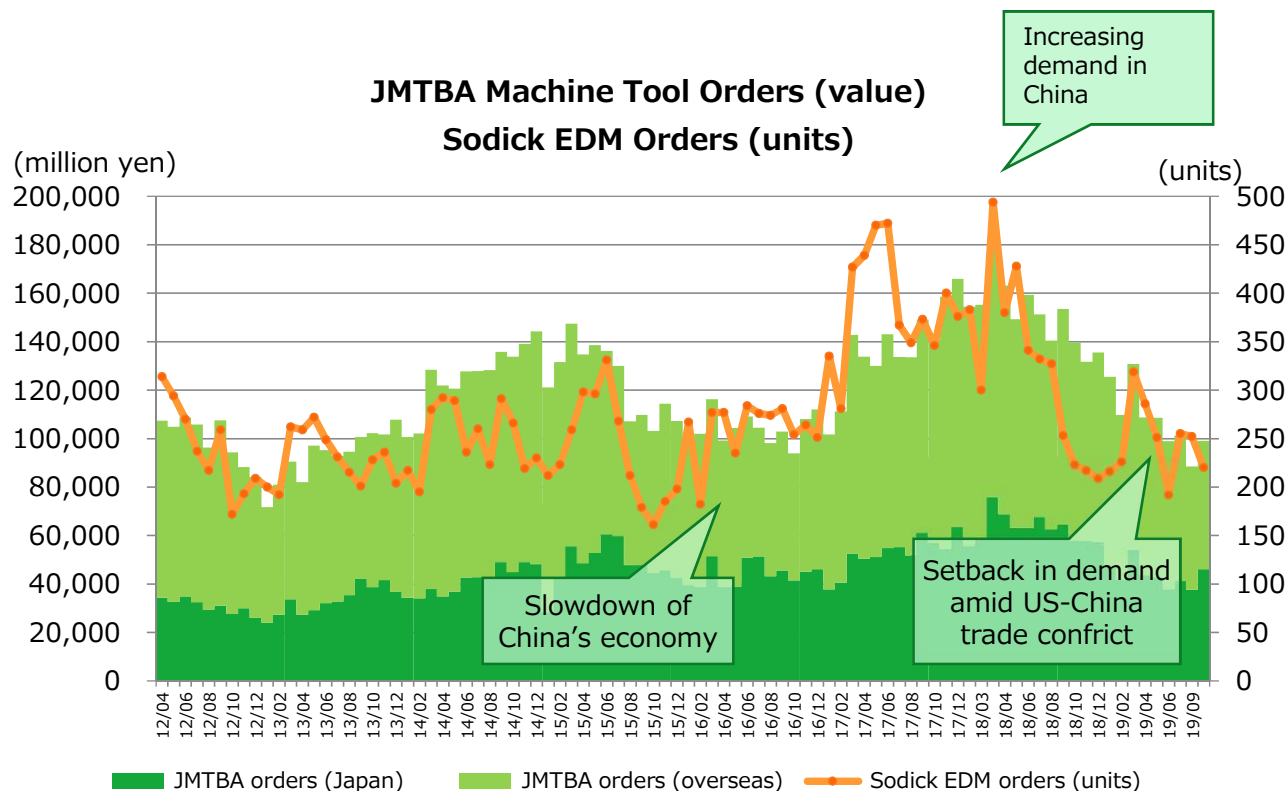


▲ Sodick's automatic noodle boiling machine (example)

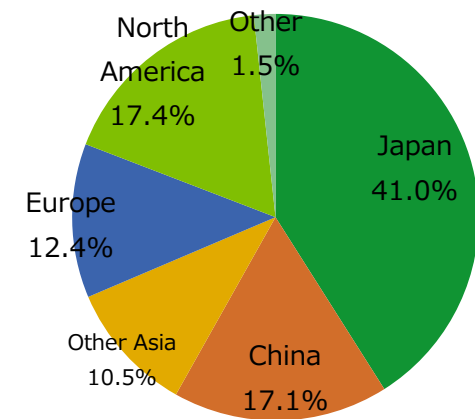
II. FY19/12 Financial Results Projections

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: Although economic conditions differ from region to region, the demand outlook remains cloudy amid China's economic slowdown.



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



Source: JMTBA

Source: JMTBA

FY19/12 Financial Results Projections (Comparison with the projections revised on August)



- ✓ Thanks mainly to solid performance of the machine tool segment and the other segments, net sales for the 1Q-3Q period grew steadily in line with the previously revised projection. Full-year net sales are expected to slightly exceed the previous projection.
- ✓ Profits are forecast to fall short of the previously revised projection, owing to a deterioration in the cost to sales ratio resulting from a lower plant utilization rate and increased fixed costs such as depreciation.

(million yen)

	FY19/12 Full-year		FY19/12 Full-year		Increase/Decrease	
	Revised projection (announced on Aug 2)	Income margin	Revised Projection (announced on Nov 13)	Income margin	Amount	Rate
Net sales	66,200	-	67,000	-	800	1.2%
Operating income	3,800	5.7%	3,400	5.1%	△400	△10.5%
Ordinary income	3,600	5.4%	3,100	4.6%	△500	△13.9%
Net income	2,000	3.0%	1,500	2.2%	△500	△25.0%

Average exchange rate over the period	USD	107.5 yen		108.50 yen		
	EUR	122.2 yen		121.50 yen		
	CNY	15.9 yen		15.70 yen		
	THB	3.5 yen		3.50 yen		

FY19/12 Financial Results Projections (Progress)



(million yen)

	FY19/12 3Q		FY19/12 Full-year		Progress toward projection
	Actual	Income margin	Revised projection (announced on Nov 13)	Income margin	
Net sales	49,707	—	67,000	—	74.2%
Operating income	2,746	5.5%	3,400	5.1%	80.8%
Ordinary income	2,577	5.2%	3,100	4.6%	83.1%
Net income	1,177	2.4%	1,500	2.2%	78.5%

FY18/12 Full-year	
Actual	Income margin
82,716	—
9,888	12.0%
9,619	11.6%
6,462	7.8%

		Ratio to net sales		Ratio to net sales
Capital investment	3,353	6.7%	4,500	6.7%
Depreciation	2,542	5.1%	3,400	5.1%
R&D expenses	2,870	5.8%	4,200	6.3%

8,576	10.4%
3,085	3.7%
3,902	4.7%

Average exchange rate over the period	USD	109.12 yen		108.50 yen	
	EUR	122.62 yen		121.50 yen	
CNY	15.88 yen		15.70 yen		
THB	3.49 yen		3.50 yen		

110.44 yen
130.35 yen
16.71 yen
3.42 yen

FY19/12 Financial Results Projections by Segment



(million yen)

		FY19/12			FY18/12
		3Q Actual	Full-year projection (announced on Nov 13)	Progress toward projection	Full-year Actual
Net sales	Machine tool segment	34,498	44,500	77.5%	58,607
	Industrial machinery segment	7,242	10,100	71.7%	11,155
	Food processing machinery segment	3,470	6,400	54.2%	6,560
	Other segments	4,496	6,000	74.9%	6,392
		49,707	67,000	74.2%	82,716
Segment income	Machine tool segment	3,564	4,200	84.9%	9,988
	Industrial machinery segment	218	400	54.7%	802
	Food processing machinery segment	369	650	56.9%	674
	Other segments	236	350	67.6%	1,030
		4,389	5,600	78.4%	12,496
Adjustments		△ 1,643	△ 2,200	74.7%	-2,607
Total operating income		2,746	3,400	80.8%	9,888

Machine tool segment

- ✓ The business environment is expected to remain cutthroat in each region due primarily to the prolonged negative impact of the US-China trade friction.

Industrial machinery segment

- ✓ Despite weak demand from the smartphone and electronic component-related industries and the negative impact of the US-China trade friction, demand for optical lens forming and silicon molding machines and for investments to respond to 5G in China and other Asian counties is expected to recover.

Food processing machinery segment

- ✓ Acceptance inspections of major projects on noodle-making machines and cooked rice production systems are concentrated in 4Q. Although cumulative results at the end of 3Q were poorer compared with the projection, both net sales and segment income for full-FY19/12 are likely to be roughly in line with the projection.

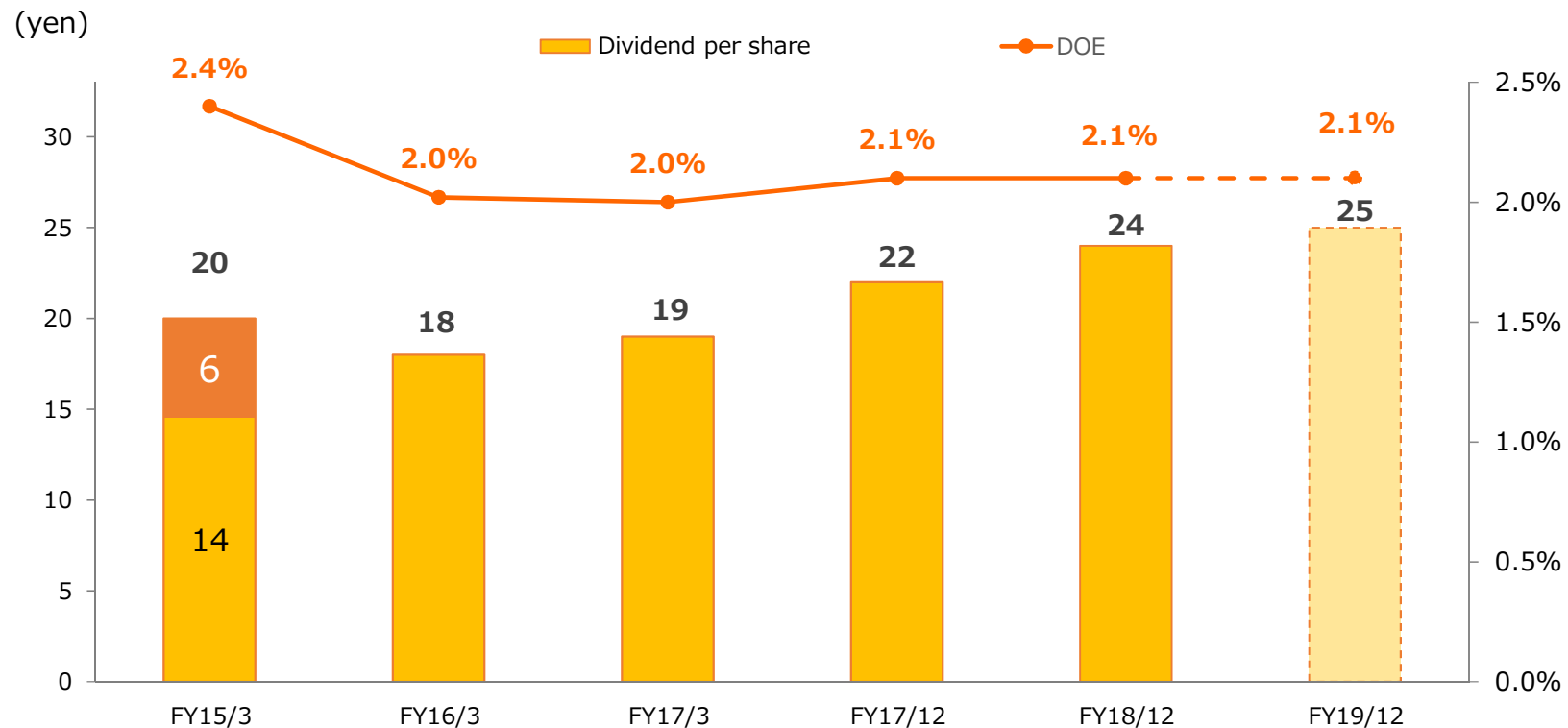
Other segments

- ✓ Precision mold and precision molding operations and international sales of ceramics are forecast to continue struggling.

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)



Inclusive of 6 yen commemorative dividend for the TSE 1st Section listing

(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
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. 15-18	Japan	Osaka	Intermold 2020 Osaka	
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