



TSE 1st Section, 6143

**FY19/12**

# **Results Briefing**

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**February 21, 2020**

**Sodick Co., Ltd.**

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**I. FY19/12 Financial Results Summary**

II. FY19/12 Financial Results Projections

III. Shareholder Return

IV. Med-term Plan

(Reference Materials)

# Financial Results Highlights



- ✓ Due mainly to the protracted U.S.-China trade conflict, sales volume of EDMs decreased worldwide, chiefly in China, our major customer market. As a result, net sales tumbled 18%, year on year.
- ✓ On account of a lower plant-utilization rate associated with a decrease in production volume, an increase in fixed costs such as depreciation, etc., profits declined sharply from the prior year.

(million yen)

	FY18/12		FY19/12		YoY change		FY19/12 Full-year projection (Revised on Nov. 13)	
	Actual	Income margin	Actual	Income margin	Amount	Rate	Amount	Income margin
<b>Net sales</b>	82,716	-	<b>67,591</b>	-	-15,124	-18.3%	<b>67,000</b>	-
<b>Gross profit</b>	30,227	36.5%	<b>22,169</b>	<b>32.8%</b>	-8,057	-26.7%	-	-
<b>Operating income</b>	9,888	12.0%	<b>3,422</b>	<b>5.1%</b>	-6,466	-65.4%	<b>3,400</b>	5.1%
<b>Ordinary income</b>	9,619	11.6%	<b>3,558</b>	<b>5.3%</b>	-6,060	-63.0%	<b>3,100</b>	4.6%
<b>Net income</b>	6,462	7.8%	<b>2,002</b>	<b>3.0%</b>	-4,460	-69.0%	<b>1,500</b>	2.2%
	Ratio to sales		Ratio to sales					
<b>Capital investment</b>	8,576	10.4%	6,561	9.7%			4,500	6.7%
<b>Depreciation</b>	3,085	3.7%	3,664	5.4%			3,400	5.1%
<b>R&amp;D expenses</b>	3,902	4.7%	3,483	5.2%			4,200	6.3%
Average exchange rate over the period	USD EUR CNY THB	110.44 yen 130.35 yen 16.71 yen 3.42 yen	109.03 yen 122.03 yen 15.77 yen 3.52 yen		1.41 yen up 8.32 yen up 0.94 yen up 0.1 yen down		108.50 yen 121.50 yen 15.70 yen 3.50 yen	

\*Reference information Exchange rate at end of Dec. 2019 USD: 109.56 yen EUR: 122.54 yen CNY: 15.67 yen THB: 3.63 yen  
Exchange rate at end of Dec. 2018 USD: 111.00 yen EUR: 127.00 yen CNY: 16.16 yen THB: 3.41 yen

# Financial Results Highlights (Quarterly)



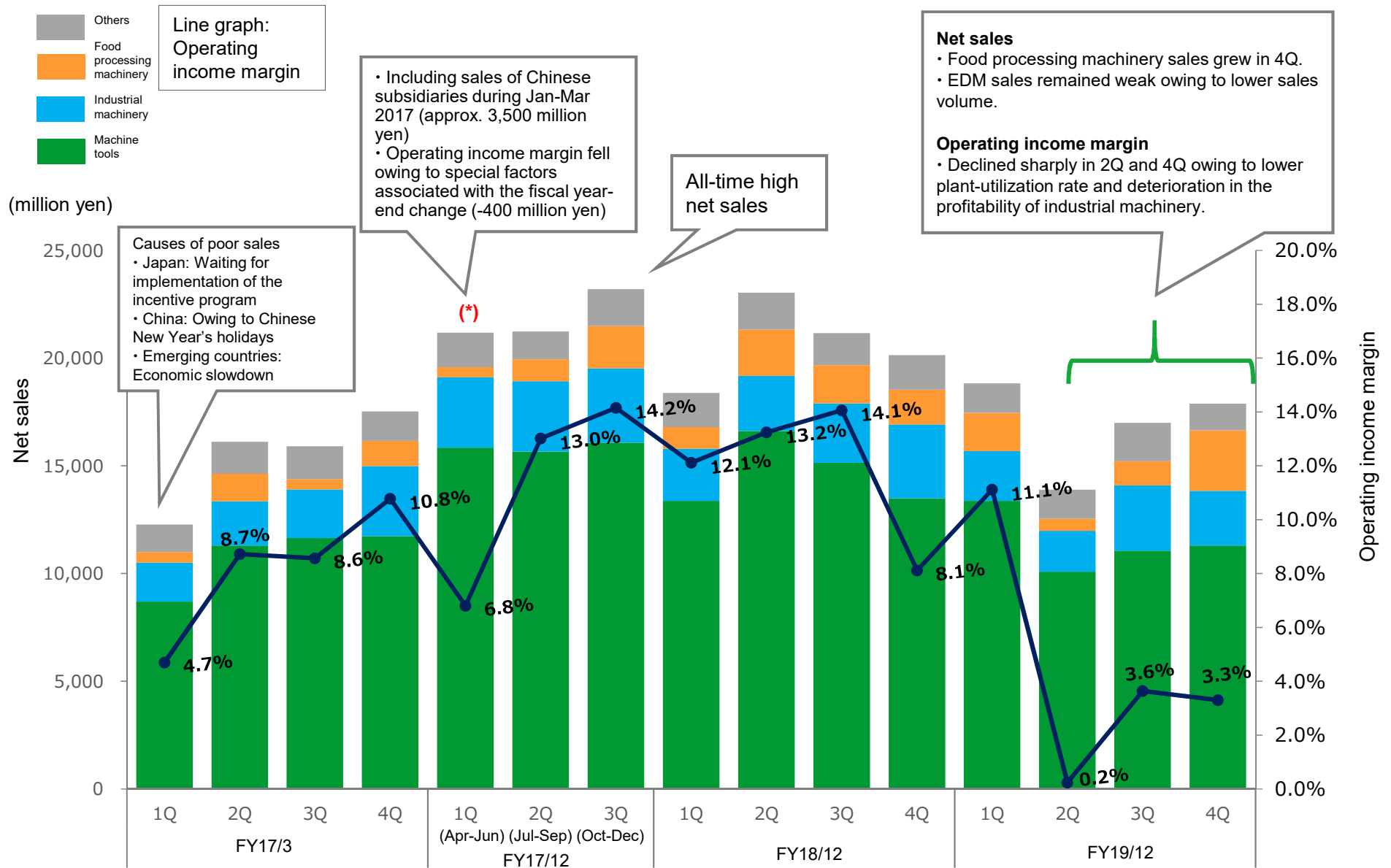
- ✓ Food processing machinery sales grew in 4Q, driving overall net sales. Gross profit margin increased 1.5 points.

(million yen)

	FY19/12							
	1Q (Jan-Mar)	Income margin	2Q (Apr-Jun)	Income margin	3Q (Jul-Sep)	Income margin	4Q (Oct-Dec)	Income margin
<b>Net sales</b>	18,828	-	13,888	-	16,990	-	17,884	-
<b>Gross profit</b>	6,645	35.3%	4,685	33.7%	5,148	30.3%	5,689	31.8%
<b>Operating income</b>	2,093	11.1%	33	0.2%	618	3.6%	676	3.8%
<b>Ordinary income</b>	2,168	11.5%	-94	-	503	3.0%	981	5.5%
<b>Net income</b>	1,460	7.8%	-568	-	285	1.7%	825	4.6%

Average exchange rate over the period	USD	110.22 yen		110.06 yen		109.12 yen		109.03 yen	
	EUR	125.16 yen		124.32 yen		122.62 yen		122.03 yen	
	CNY	16.32 yen		16.19 yen		15.88 yen		15.77 yen	
	THB	3.49 yen		3.49 yen		3.49 yen		3.52 yen	

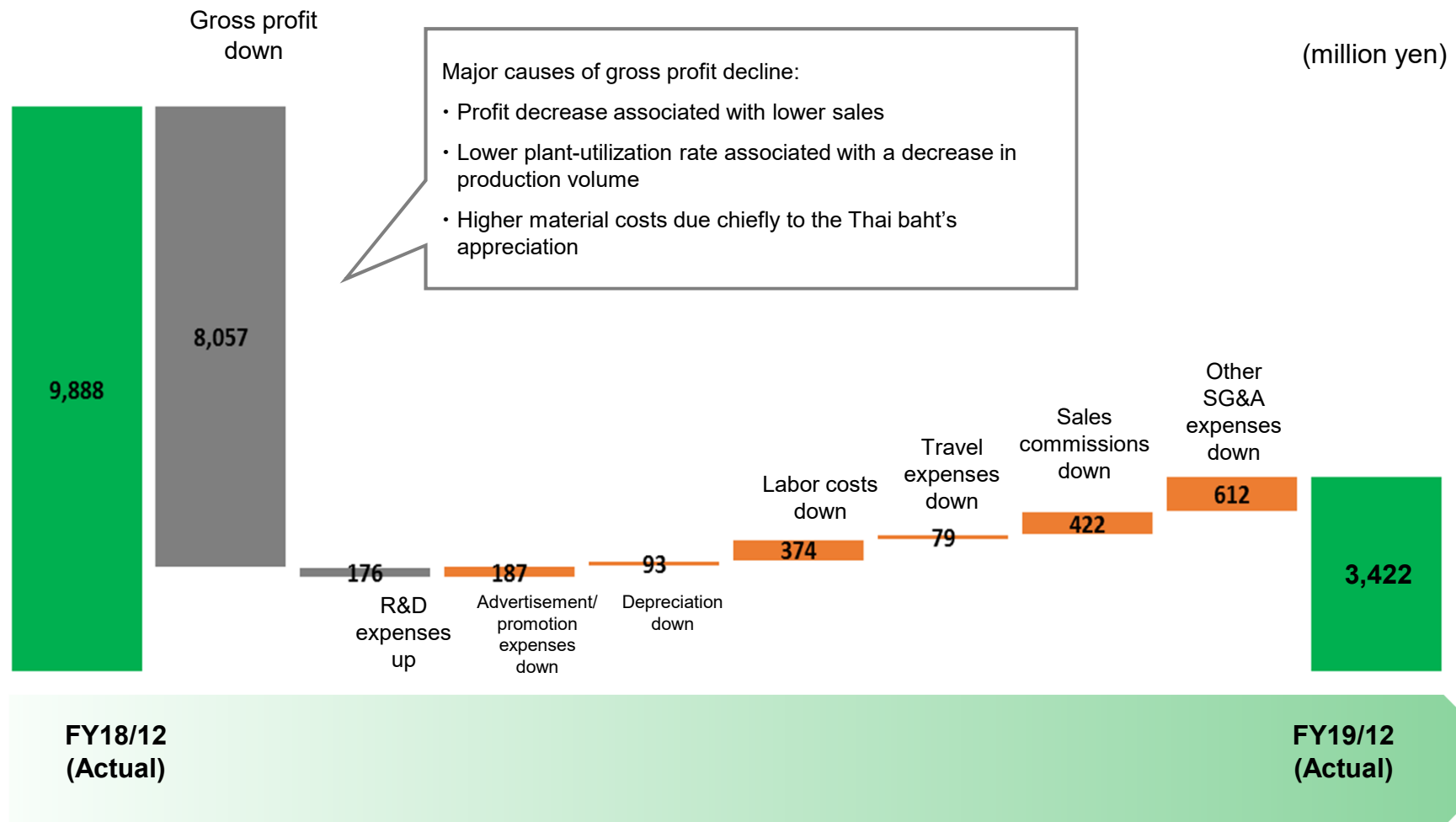
# Ratio of Operating Income to Net Sales (Quarterly)



(\*) Owing to irregular settlement of accounts resulting from the fiscal year-end change, figures for the Jan-Mar period of 2017 for companies in China whose fiscal year ends on December 31 are included.

# Details of Changes in Operating Income

- ✓ Although SG&A expenses declined thanks largely to decreases in sales commissions and labor costs, operating income shrank by about 6,600 million yen from the previous year because of a sharp drop in gross profit stemming mainly from lower sales.



# Financial Results by Segment



(million yen)

		FY18/12	FY19/12	YoY chg.		FY19/12 Full-year projection (Revised on Nov. 13)
		Actual	Actual	(Amount)	(Rate)	
Net sales	● Machine tool segment	58,607	45,797	-12,810	-21.9%	44,500
	● Industrial machinery segment	11,155	9,773	-1,382	-12.4%	10,100
	● Food processing machinery segment	6,560	6,283	-276	-4.2%	6,400
	● Other segments	6,392	5,737	-655	-10.3%	6,000
		82,716	67,591	-15,124	-18.3%	67,000
Segment income	● Machine tool segment	9,988	4,621	-5,367	-53.7%	4,200
	● Industrial machinery segment	802	165	-637	-79.4%	400
	● Food processing machinery segment	674	625	-48	-7.2%	650
	● Other segments	1,030	311	-718	-69.8%	350
		12,496	5,723	-6,773	-54.2%	5,600
Adjustment amounts		-2,607	△ 2,301	306	—	-2,200
Total operating income		9,888	3,422	△ 6,466	△ 65.4%	3,400



# Financial Results by Segment



(million yen)

## Machine Tool Segment

### Net sales

- Not only China's economy but also the entire world economy slowed down owing largely to the protracted U.S.-China trade conflict.
- A wide range of industries from the automotive industry to the smartphone and electronic component industries tended to delay their capital investment. As a result, sales volume of EDMs sharply decreased.
- In North America, demand from the aerospace and medical equipment industries remained robust.

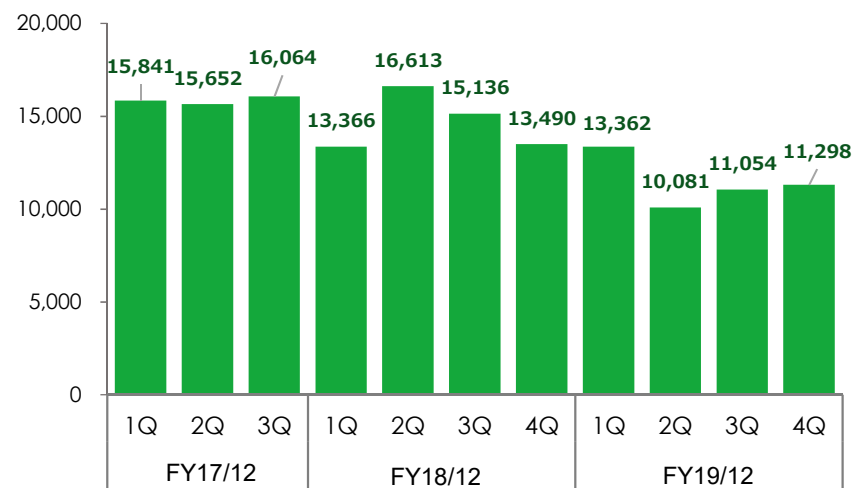
### Segment income

- Segment income decreased roughly 50% from the prior year, chiefly on account of a lower plant-utilization rate associated with a decrease in sales volume as well as an increase in fixed costs.

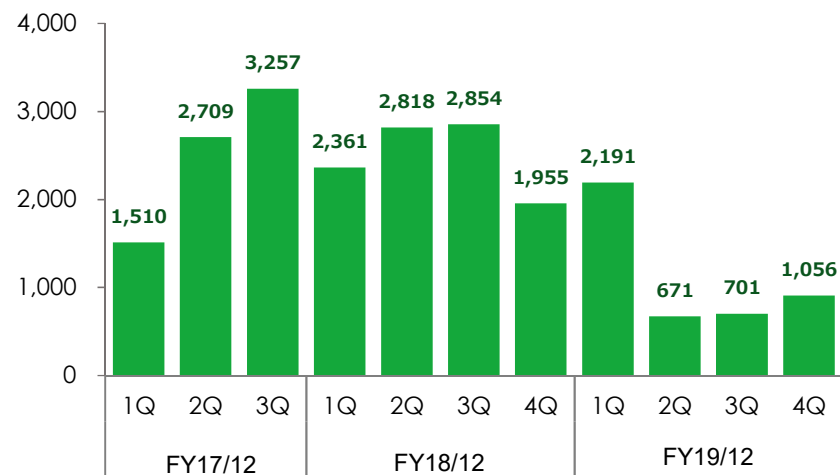
(million yen)

	FY18/12	FY19/12	YoY chg.	
			Amount	Rate
Net sales	58,607	<b>45,797</b>	-12,810	-21.9%
Segment income	9,988	<b>4,621</b>	-5,367	-53.7%

### Net sales (Quarterly)



### Segment income (Quarterly)



# Financial Results by Segment



(million yen)

## ■ Industrial Machinery Segment

### Net sales

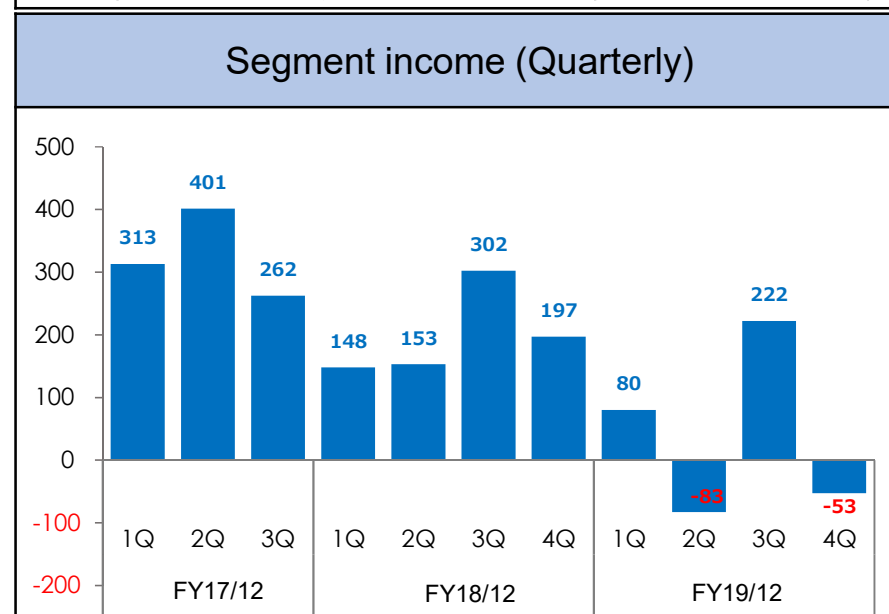
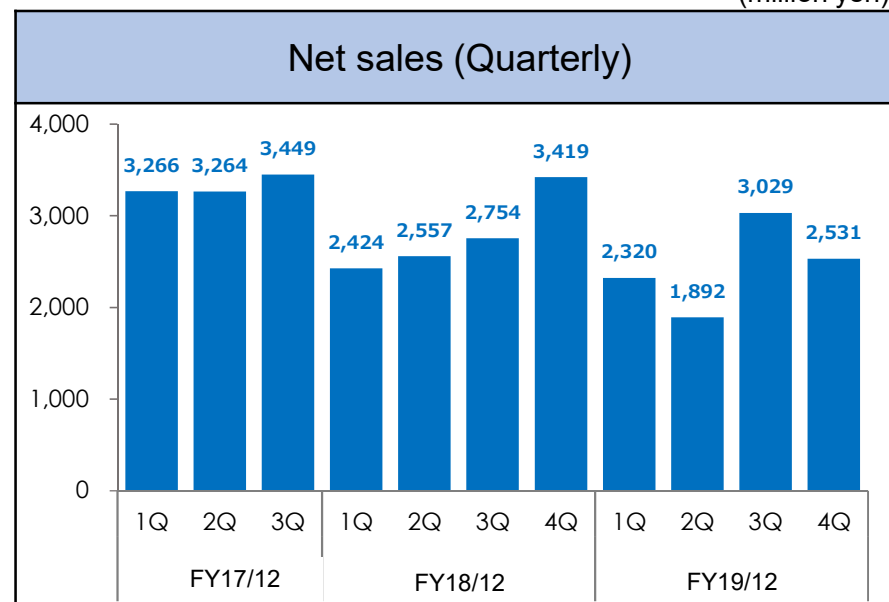
- Capital investment tended to be delayed at home and abroad owing to the U.S.-China trade conflict.
- Demand from the smartphone and electronic component-related industries in Japan, China and other regions and countries in Asia remained sluggish. As a result, sales volume declined.
- Demand from the auto-related industries in Japan as well as that for optical lens molding machines and infrastructure development to respond to 5G started to pick up.

### Segment income

- In 4Q of FY19/12, segment loss of 53 million yen was recorded owing to an increase in R&D expenses and expenses related to the participation in a trade show temporarily.

(million yen)

	FY18/12	FY19/12	YoY chg.	
			Amount	Rate
Net sales	11,155	<b>9,773</b>	-1,382	-12.4%
Segment income	802	<b>165</b>	-637	-79.4%



# Financial Results by Segment



(million yen)

## Food Processing Machinery Segment

### Net sales

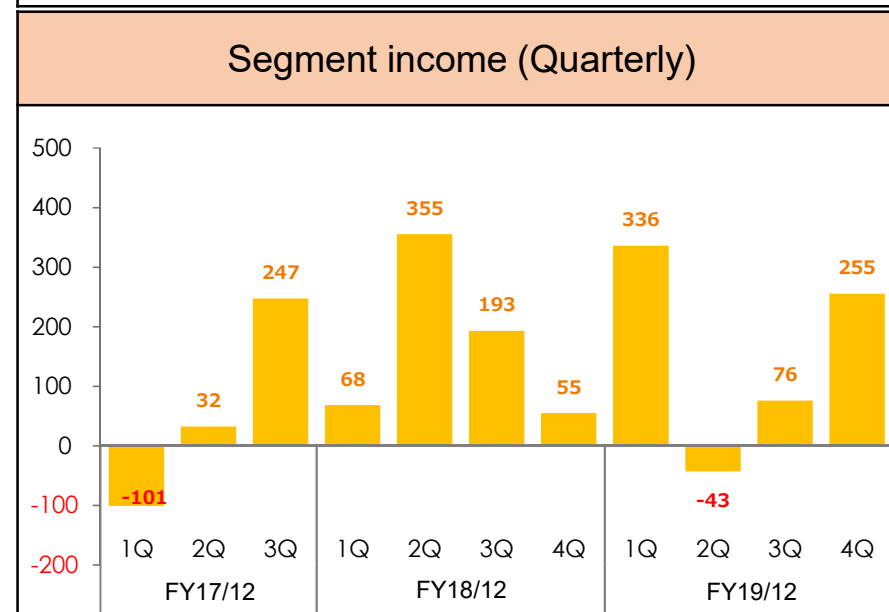
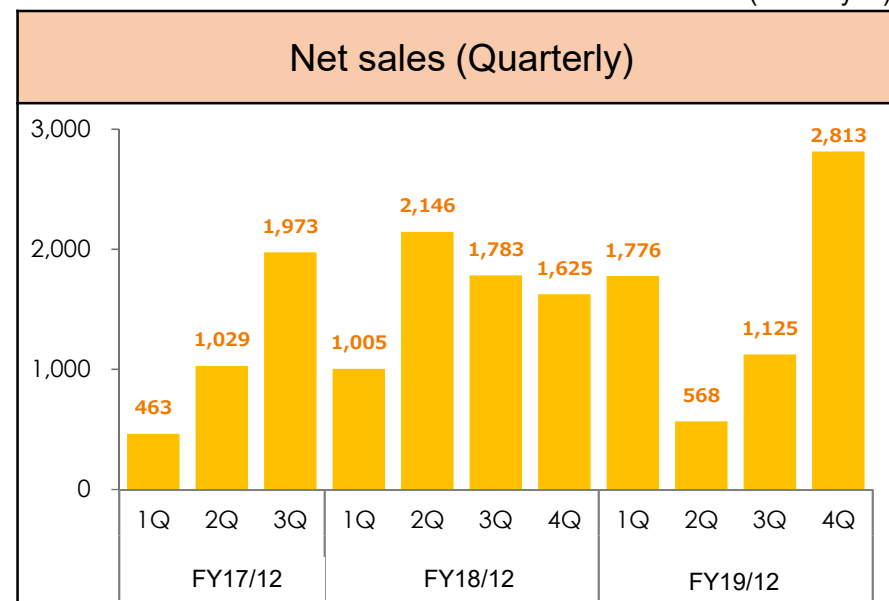
- Demand for high-quality noodle-making equipment was robust.
- There was a rising demand for sterile-packed cooked rice production systems both in Japan and abroad.
- Demand for automation equipment for the purpose of hygiene control and labor saving also expanded.
- Net sales dropped slightly from the preceding year, primarily because of the postponement of investment decisions stemming from the global economic slowdown.

### Segment income

- In 4Q of FY19/12, segment income increased in line with net sales growth.

(million yen)

	FY18/12	FY19/12	YoY chg.	
			Amount	Rate
Net sales	6,560	<b>6,283</b>	-276	-4.2%
Segment income	674	<b>625</b>	-48	-7.2%



# Financial Results by Segment



## ■ Other Segments

### Net sales

- Demand for precision mold and precision molding operations started recovering.
- Sales of ceramics were weak owing to a reduced demand.

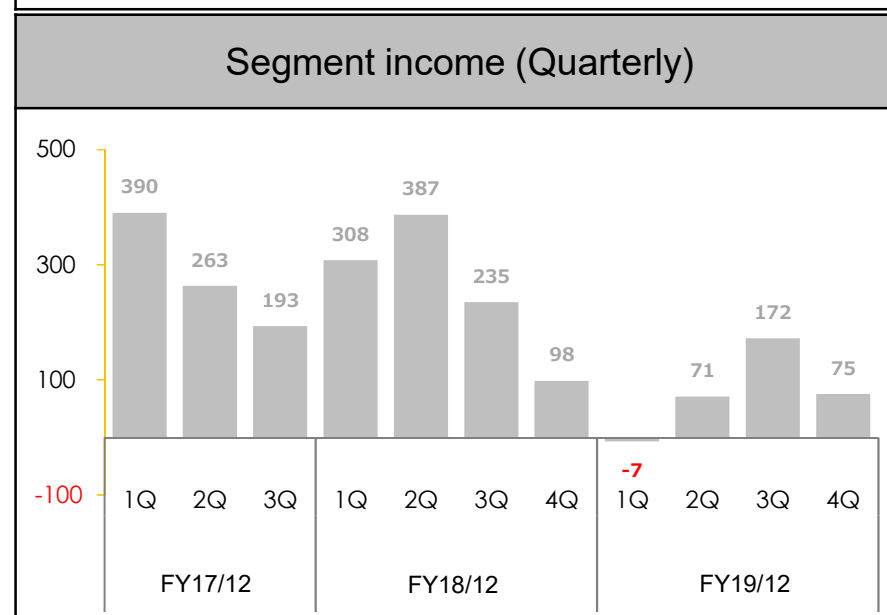
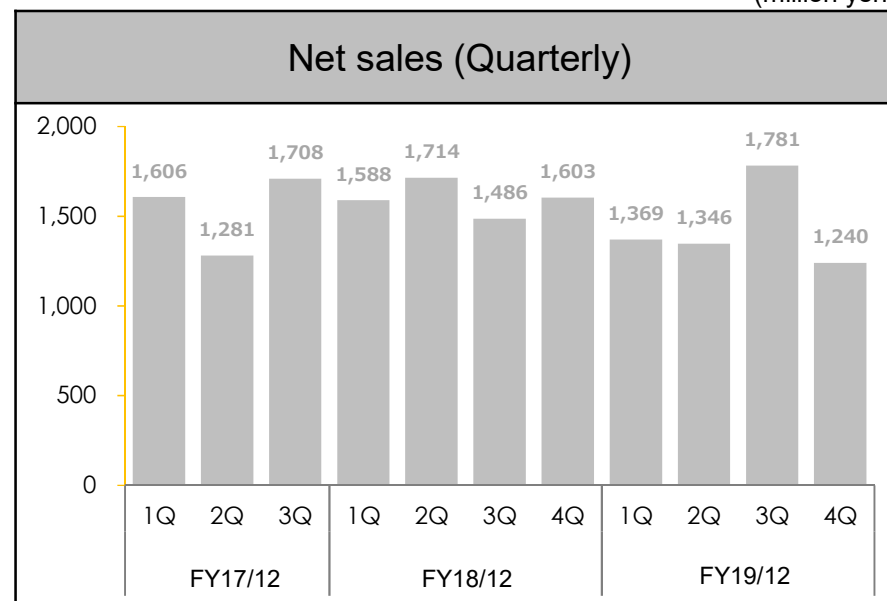
### Segment income

- Profitability of these segments has yet to recover attributable to the reinforcement of the capability of production facilities for medium- to long-term business expansion and R&D investments in automatization.

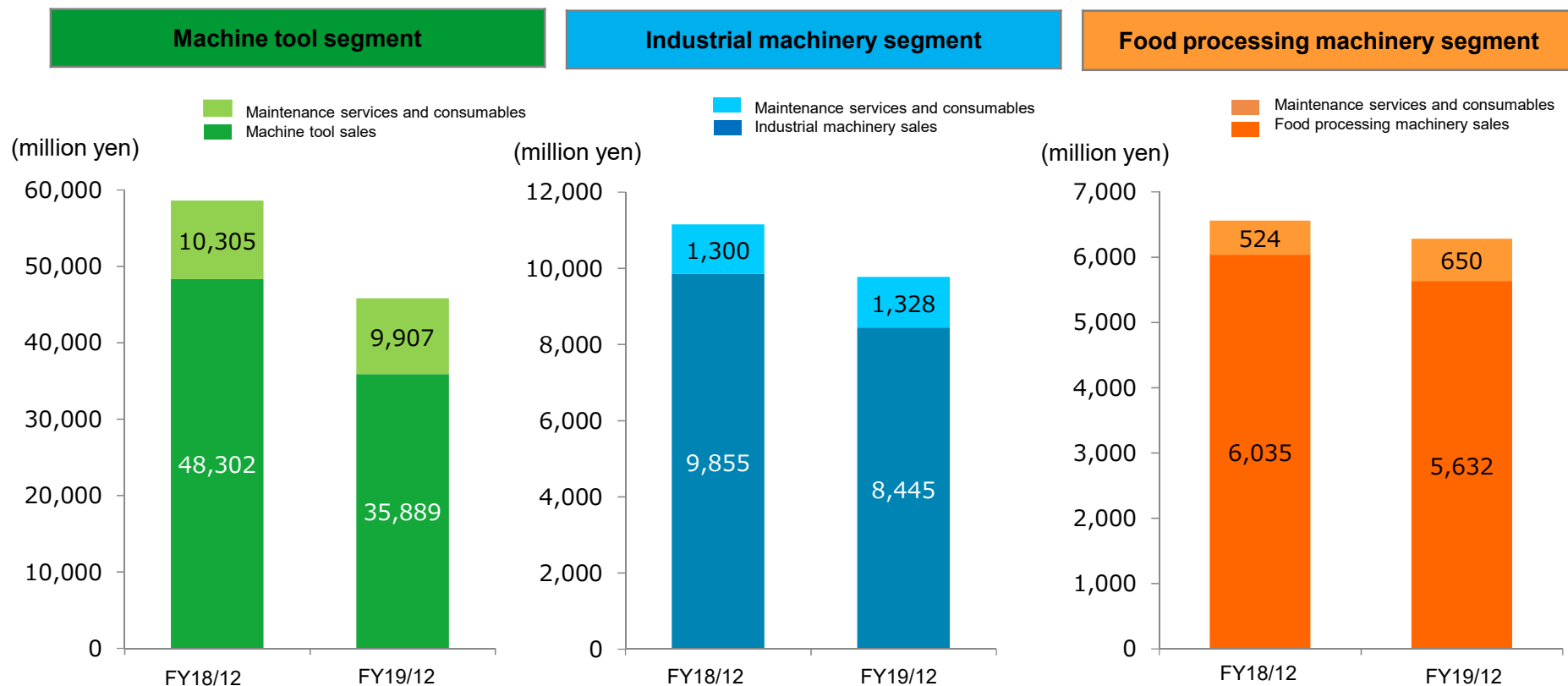
(million yen)

	FY18/12	FY19/12	YoY chg.	
			Amount	Rate
Net sales	6,392	<b>5,737</b>	-655	-10.3%
Segment income	1,030	<b>311</b>	-718	-69.8%

(million yen)



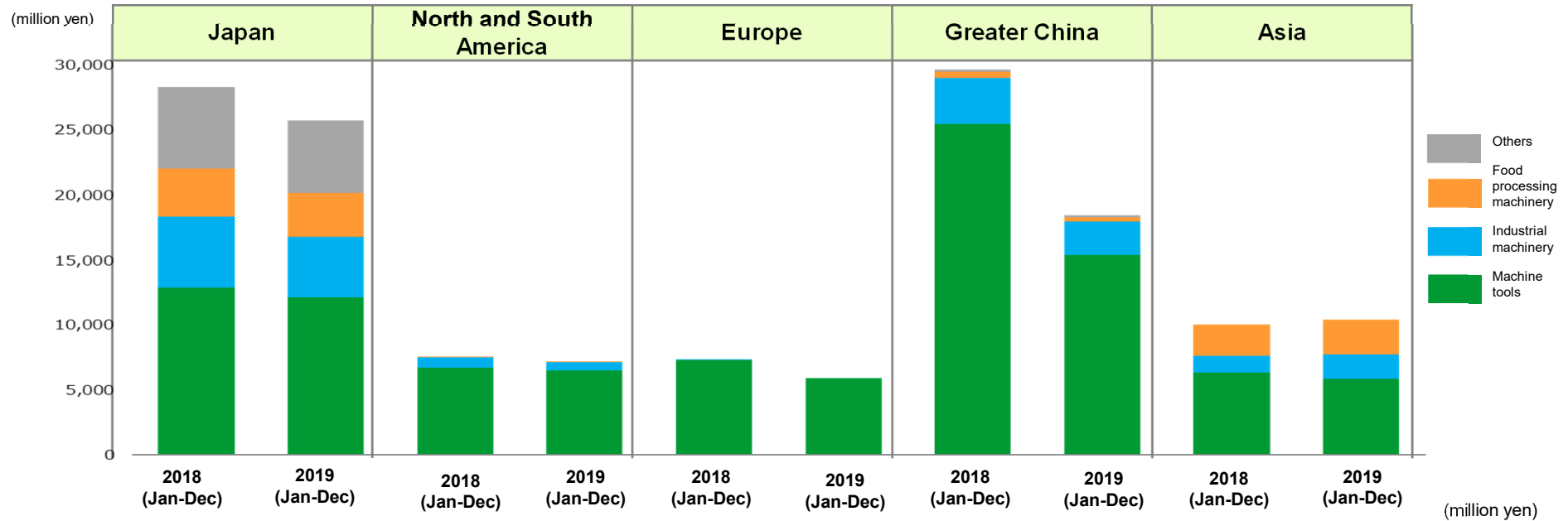
# Net Sales by Segment



	Machine tool segment				Industrial machinery segment				Food processing machinery segment			
	FY18/12		FY19/12		FY18/12		FY19/12		FY18/12		FY19/12	
Machine sales	48,302	82.4%	35,889	78.4%	9,855	88.3%	8,445	86.4%	6,035	92.0%	5,632	89.6%
Maintenance services and consumables	10,305	17.6%	9,907	21.6%	1,300	11.7%	1,328	13.6%	524	8.0%	650	10.4%
<b>Total</b>	<b>58,607</b>		<b>45,797</b>		<b>11,155</b>		<b>9,773</b>		<b>6,560</b>		<b>6,283</b>	

# Overseas Sales Ratio by Segment

✓ Overseas sales ratio down to 62%, reflecting lower sales in Japan, Europe and China



FY18/12	Japan		North and South America		Europe		Greater China		Asia		Total	
Machine tools	12,824	21.9%	6,692	11.4%	7,282	12.4%	25,483	43.5%	6,324	10.8%	58,607	70.9%
Industrial machinery	5,511	49.4%	790	7.1%	44	0.4%	3,503	31.4%	1,306	11.7%	11,155	13.5%
Food processing machinery	3,712	56.6%	14	0.2%	-	-	456	7.0%	2,376	36.2%	6,560	7.9%
Others	6,218	97.3%	-	-	-	-	174	2.7%	-	-	6,392	7.7%
By region - Total	28,266	34.2%	7,496	9.1%	7,326	8.8%	29,617	35.8%	10,008	12.1%	82,716	100.0%

FY19/12	Japan		North and South America		Europe		Greater China		Asia		Total	
Machine tools	12,100	26.4%	6,504	14.2%	5,910	12.9%	15,421	33.7%	5,860	12.8%	45,797	67.7%
Industrial machinery	4,693	48.0%	635	6.5%	-	-	2,567	26.3%	1,876	19.2%	9,773	14.5%
Food processing machinery	3,347	53.3%	21	0.3%	-	-	290	4.6%	2,624	41.8%	6,283	9.3%
Others	5,566	97.0%	-	-	-	-	170	3.0%	-	-	5,737	8.5%
By region - Total	25,707	38.0%	7,162	10.6%	5,910	8.8%	18,450	27.3%	10,360	15.3%	67,591	100.0%

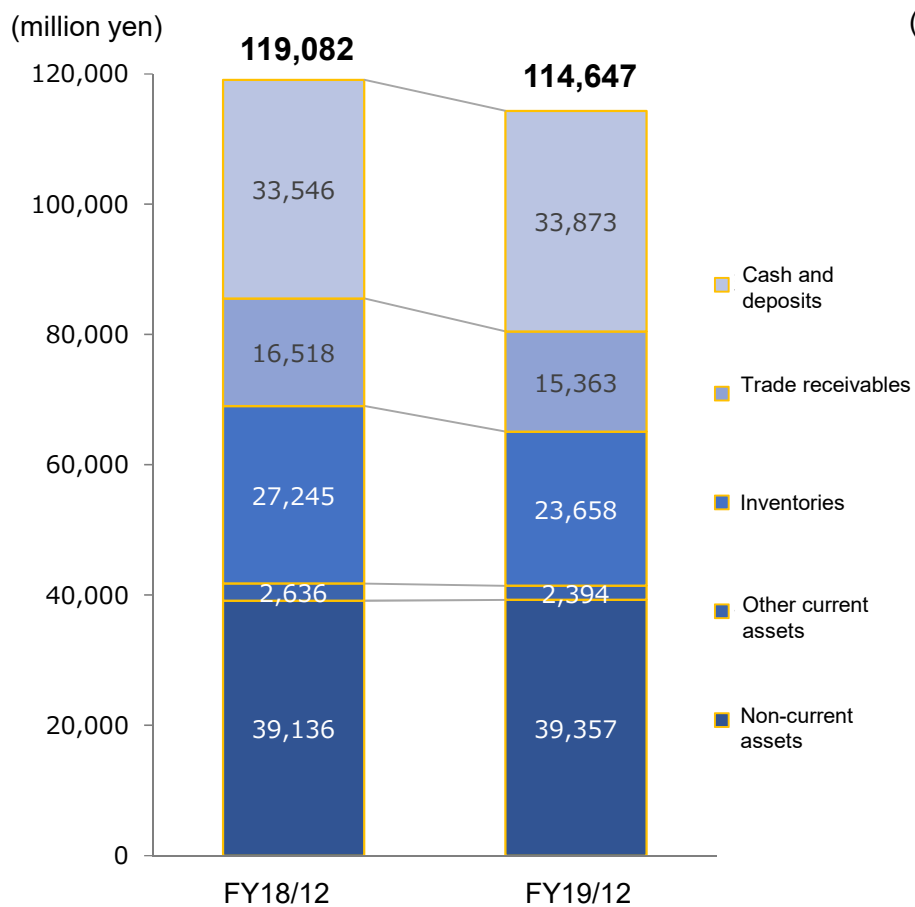
Effect of exchange rate	-	Around -80 million yen	Around -400 million yen	Around -1,000 million yen	Around -50 million yen	Around -1,540 million yen
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# Balance Sheet

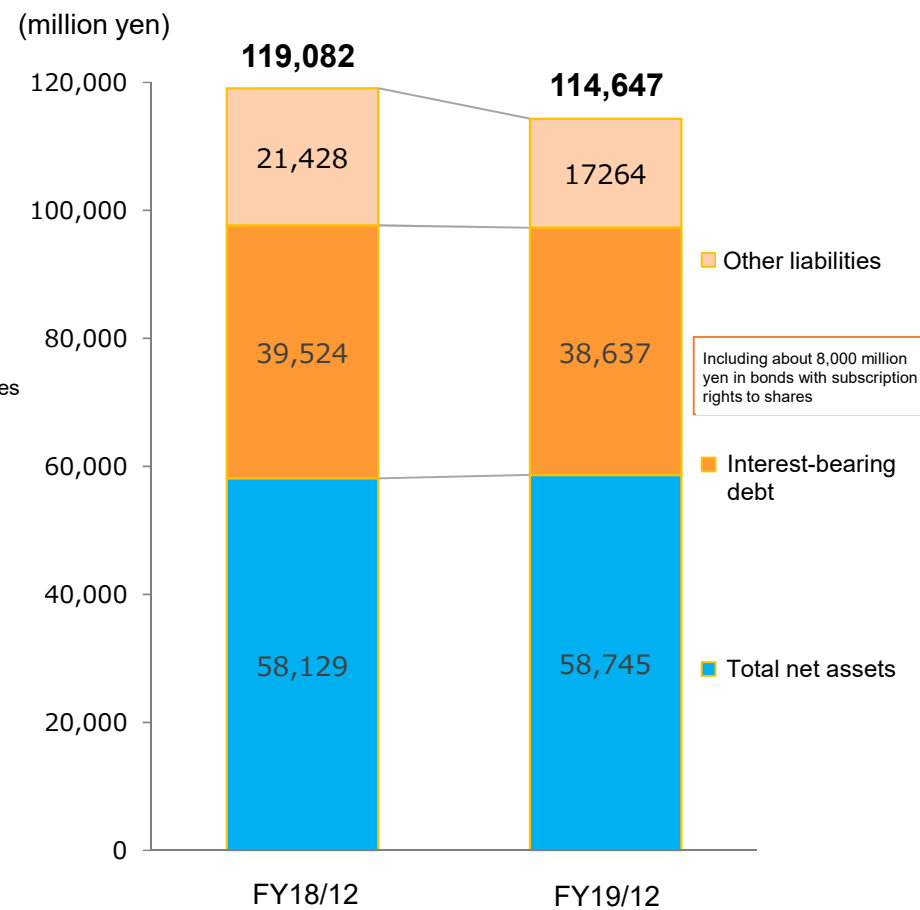


- ✓ Net interest-bearing debt totaled 4,763 million yen (down 1,214 million yen from the end of the previous fiscal year).
- ✓ Total assets shrank attributable chiefly to decreased inventories and trade receivables.

## Assets

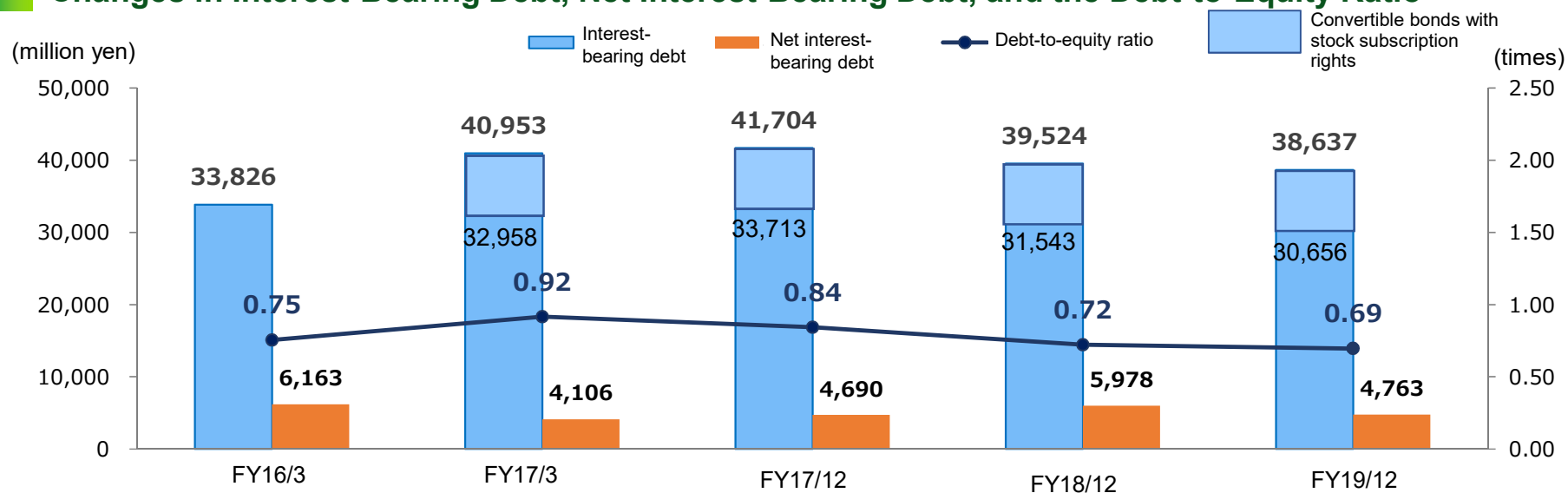


## Liabilities and net assets

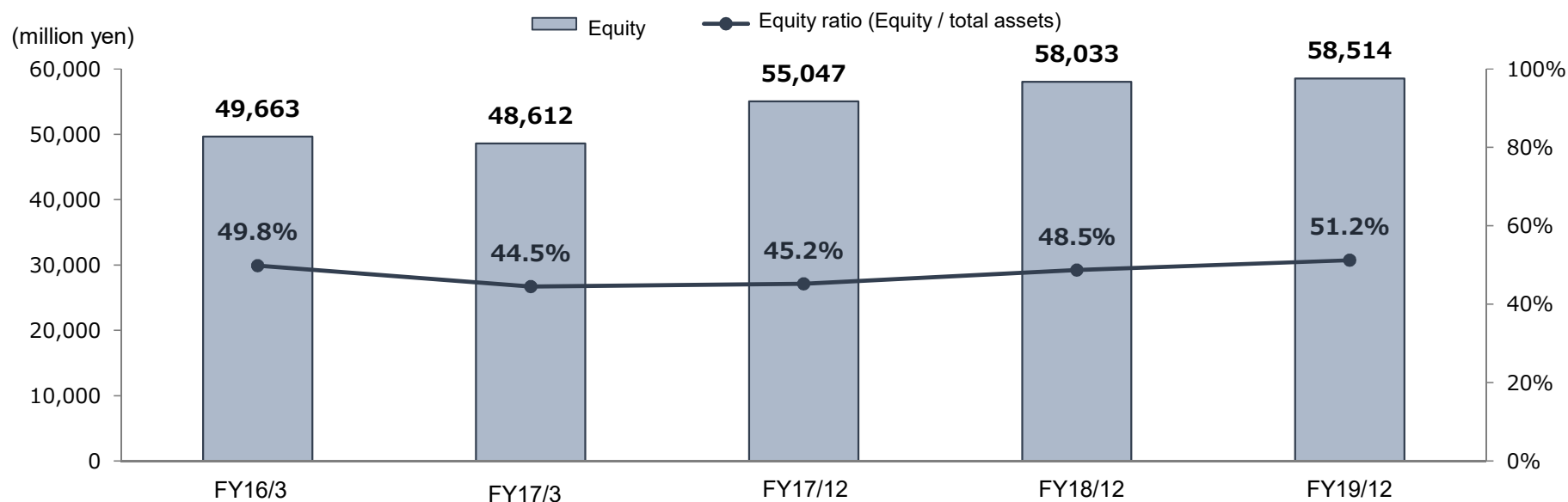


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## Changes in Interest-Bearing Debt, Net Interest-Bearing Debt, and the Debt-to-Equity Ratio



## Changes in Equity and Equity Ratio





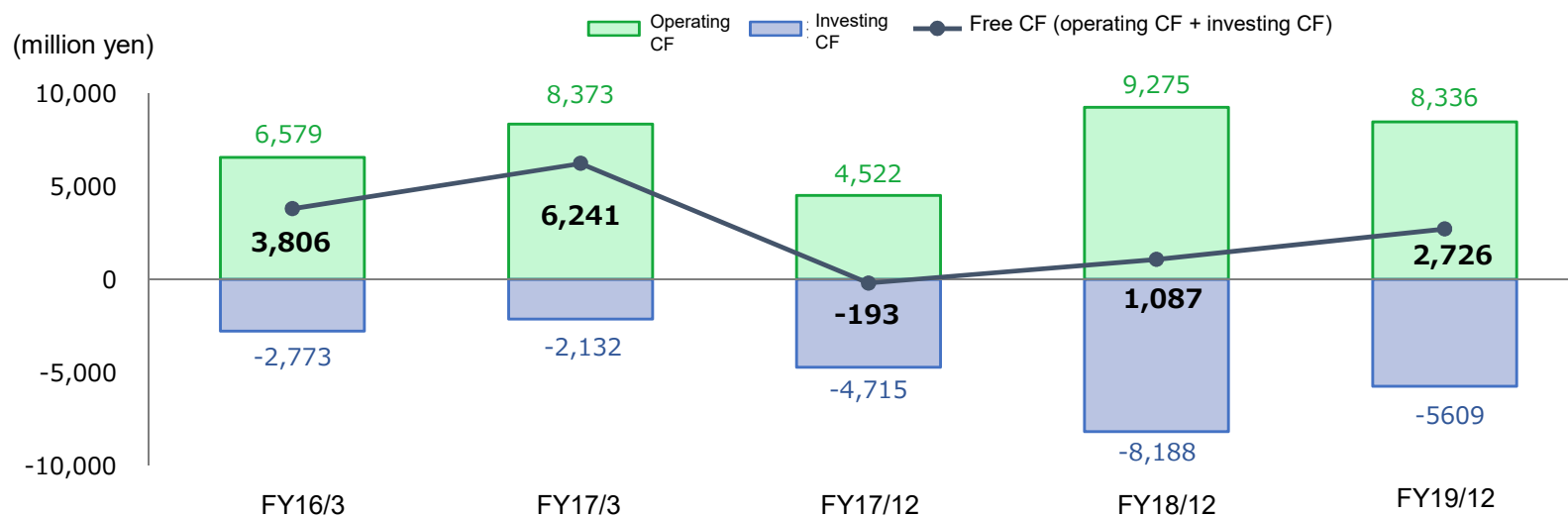
# Cash Flows



- ✓ Cash flows from operating activities totaled 8,336 million yen due mainly to decreases in trade receivables and inventories, despite a decline in profit before income taxes. Cash flows from investing activities decreased on account of lower capital investment in Japan and abroad. Consequently, free cash flow remained positive at 2,726 million yen.

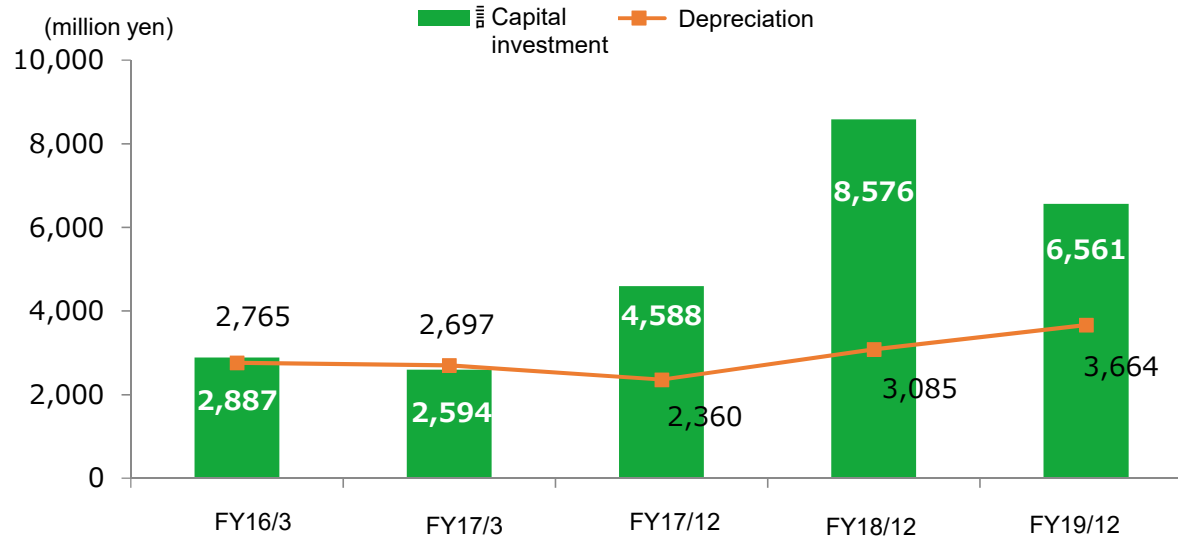
(million yen)

	FY18/12	FY19/12	Major factors for increase and decrease
Cash flows from operating activities	9,275	8,336	Decrease in trade receivables: Approx. 1 billion yen Decrease in inventories: Approx. 3 billion yen
Cash flows from investing activities	-8,188	-5,609	Purchase of property, plant and equipment: Approx. 5.7 billion yen
Cash flows from financing activities	-3,485	-2,228	
Cash and cash equivalent at end of the period	32,650	32,890	



# Capital Investment / Depreciation

## Changes in Capital Investment / Depreciation



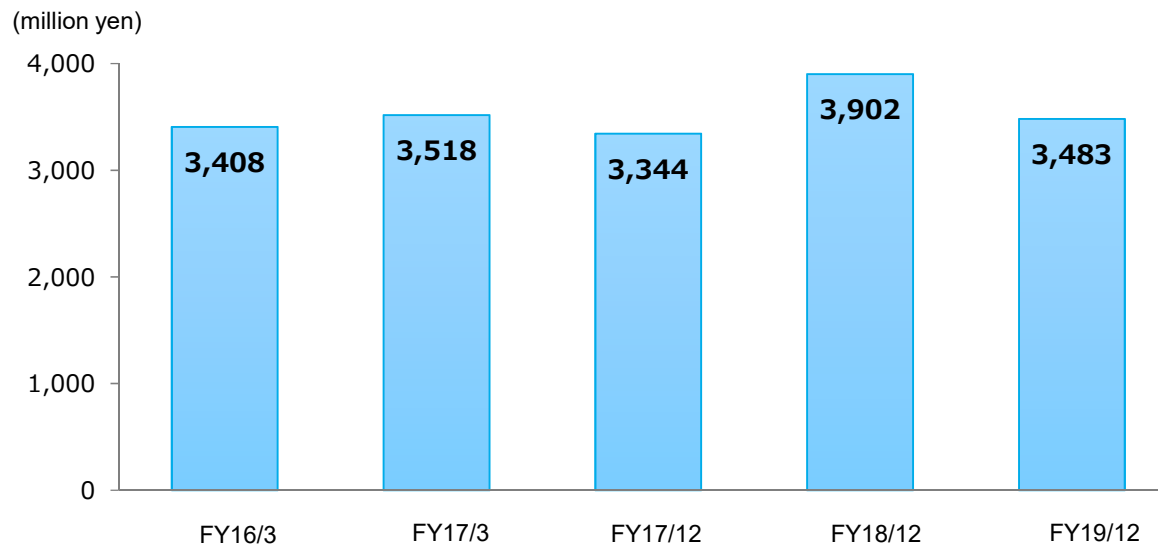
### Major capital investment (FY19/12)

- ✓ New Tech Center at the U.K. operating base
- ✓ Reinforcement of production facilities for precision mold and precision molding operations
- ✓ Strengthening of ceramics production capacity
- ✓ Refurbishment of Sodick's company dormitory and canteen.

### Depreciation

- ✓ Increased in line with expanding capital investment from FY17/12 onwards

## Changes in R&D Expenses

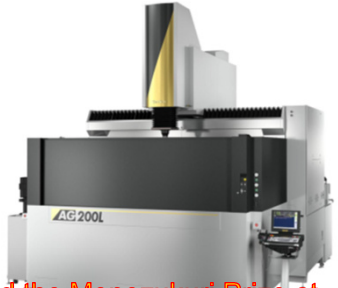




### R&D expenses (FY19/12)

- ✓ Continued metal 3D printer-related R&D and other basic research




# Major New Products Released in FY19/12



Segment	Machine tools		
<b>Product name</b>	<p>Large Die-sinker EDM <b>AG200L</b></p>  <p>Received the Monozukuri Prize at 2019 Best 10 New Product Awards</p>	<p>Die-sinker EDM <b>AL40G/AL60G</b></p> 	<p>High-precision Wire-cut EDM <b>AP350L (Oil)</b></p> 
<b>Sales markets</b>	<p>Aerospace, energy, automobiles, medical equipment, electrical and electronic equipment</p>	<p>Precision, electrical and electronic equipment, automobiles</p>	<p>Aerospace, energy, automobiles, medical equipment, precision, electronic and electrical equipment</p>
<b>Main features</b>	<ul style="list-style-type: none"> <li>• High-speed high-performance die-sinker EDM with the largest stroke axis and suitable for large-scale works.</li> <li>• Address an automotive industry need for larger and more complex molds.</li> <li>• Meet the needs for rapid and simple processing.</li> </ul>	<ul style="list-style-type: none"> <li>• Suitable for processing of precision molds and precision components typically used in smartphones, tablet-type devices, automotive parts, etc.</li> <li>• New-generation precision die-sinker EDM that combines linear motor control technology, cutting-edge discharge control technology, AI function, IoT platform, temperature control system, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Oil machining specification linear motor drive high-precision wire-cut EDM.</li> <li>• Suitable for processing of motor core molds which are installed in electric vehicles and hybrid vehicles and for which a fine processing technique is required.</li> <li>• Realized an axial configuration which provides a square machining area that supports motor core molds by equalizing the travels of the X-axis and Y-axis.</li> </ul>

# Major New Products Released in FY19/12



Segment	Industrial machinery	Food processing machinery	Food processing machinery
<b>Product name</b>	<p>V-LINE® Vertical-type Single-action Injection Molding Machine <b>VT50</b></p> 	<p>Cooling Holding Bin for Granular Bodies</p> 	<p>Conveyor Belt for Food Inspection</p> 
<b>Sales markets</b>	<p>Precision, electrical and electronic equipment, automobiles</p>	<p>Major food manufacturers in Japan and abroad, etc.</p>	<p>Major food manufacturers in Japan and abroad, etc.</p>
<b>Main features</b>	<ul style="list-style-type: none"> <li>• Further improvement in the productivity of precision molded products realized by stability of the V-LINE®.</li> <li>• Vertical-type single-action injection molding machine with a mold clamping force of 490 kN (50 tons).</li> <li>• Contribute to improvement in productivity of producing narrow pitch, low profile precision connectors for which demand from industries related to autonomous driving, sensing, and 5G communication, etc. is expected to grow.</li> <li>• Developed a new hybrid toggle mechanism with a high-speed mold open/close mechanism and control function, targeting insert molding. Realized a cycle reduction of 20% compared to existing models.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The product has received a patent.</li> </ul>	<ul style="list-style-type: none"> <li>• An LED light is exposed directly below the inspection conveyor, which makes it easy to distinguish foreign matter.</li> <li>• Contribute to the prevention of contamination, a problem in food production.</li> <li>• Used in visual inspection of food for processing (such as vegetables).</li> </ul>

## 1 Opening Ceremony of Sodick Singapore Techno Centre

On February 26 2019, we held at our sales company in Singapore, Sodick Singapore Pte., LTD., an opening ceremony of Sodick Singapore Techno Centre Pte., Ltd. which was set up in collaboration with the Singapore Government. Engaged in commissioned processing of molds utilizing state-of-the-art metal 3D printer-based technology and providing consulting, sales support and maintenance services, Sodick Singapore Techno Centre Pte., Ltd. will promote the spread of advanced metal 3D printer-based manufacturing in Singapore.

### Outline

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

Address: 2 JTC Launchpad @ Jurong Innovation District

Main facilities: OPM250L, LPM325, CADCAM, AL400G, AG40L, UH430L, MS100, GL30, etc.

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



▲ Ribbon-cutting ceremony

## 2 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 2019. 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.

### Outline

Company name: Sodick Europe Ltd.

Address: Agincourt Road, Warwick, CV34 6XZ, United Kingdom

Floor area: About 4,180 m<sup>2</sup>

Main facilities: EDMs, machining centers, metal 3D printers, injection molding machines, etc.

Total investments: 8.6 million euros



▲ Tech Center



◀ Opening ceremony

\*For details, please see the press release on the following site:

URL: <https://www.sodick.org/news/sodick-europe-new-european-hq.html>



### 3 Establishment of Sales Company of Food Processing Machinery in Shanghai, China

A new sales company for 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)

### 4 Die-Sinker EDM, AG200L, Received Monozukuri Prize at 2019 (62nd) Best 10 New Product Awards

A linear motor-driven high-speed high-performance large-sized die-sinker EDM, the AG200L, received the Monozukuri Prize at the Nikkan Kogyo Shimbun's 2019 (62nd) Best 10 New Product Awards.

This award is granted to sensational products of unique invention, products of world-class quality and products that may contribute to the development of Japanese manufacturing and strengthening of international competitive capabilities.

The AG200L, whose X-axis travel was extended to 2,000mm, 1.7 times compared to existing models and suitable for large-scale works, attains a processing accuracy as high as that of medium-sized models. The product is also characterized by a compact design as well as the adoption of an in-house developed slide method for the Y-axis and LN2A2 power supply used only in the AG200L. Its groundbreaking performance that places it at the forefront of manufacturing was highly praised and awarded the prize.



▲ Award presentation ceremony

I. FY19/12 Financial Results Summary

**II. FY19/12 Financial Results Projections**

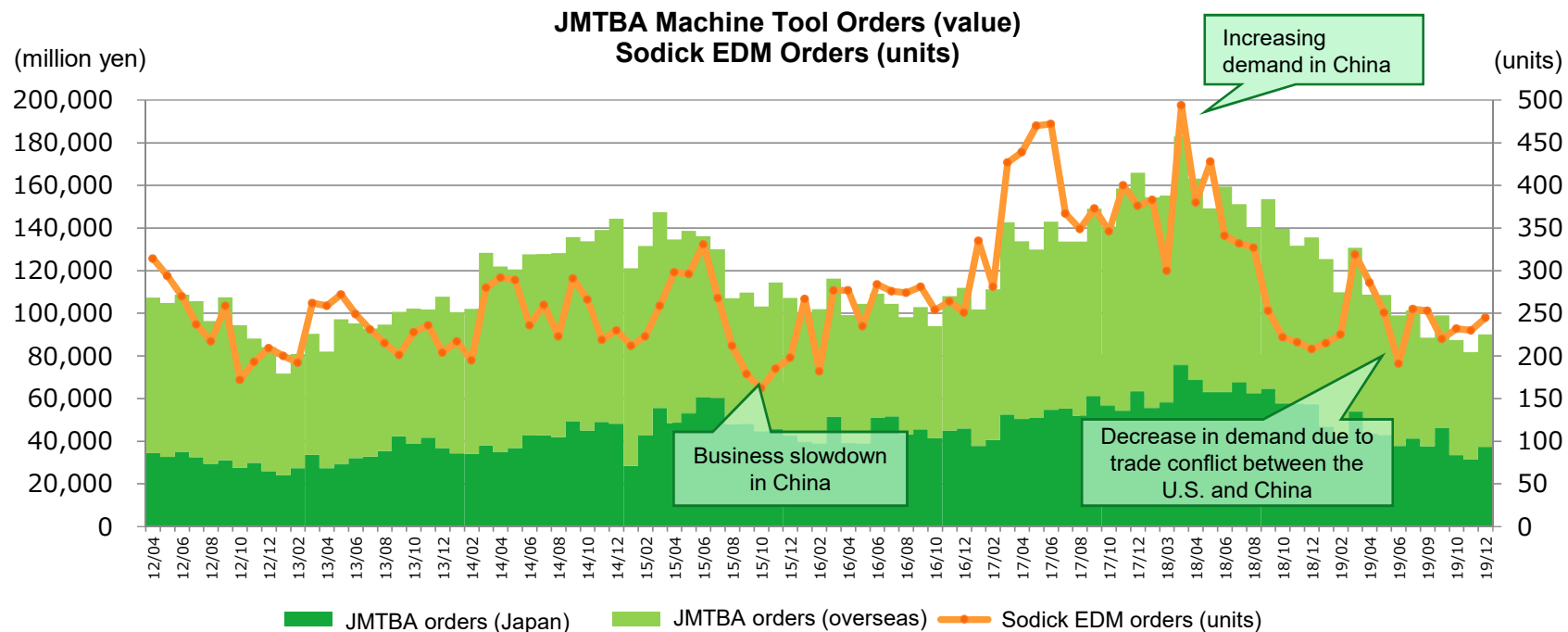
III. Shareholder Return

IV. Med-term Plan

(Reference Materials)

# Market Environment

- ✓ Japan: Despite a cautious attitude toward capital investment among manufacturers due to the U.S.-China trade conflict, the government subsidy program and demand for the replacement of aging facilities are expected to be sustained.
- ✓ North America: Capital investment demand is expected to grow mainly in the aerospace and medical equipment industries, although that in the automotive-related industries appears to be declining.
- ✓ Europe: Owing to uncertainty over the future course of Brexit and China's economic slowdown, capital investment demand will decrease.
- ✓ China: It is expected that there will be a continuous demand for high-precision machinery in the medium to long term owing primarily to an increasing need for automation against a background of sophisticated manufacturing and soaring personnel expenses. However, the trade conflict between China and the U.S. and spread of the novel coronavirus pneumonia could have a negative impact on the economy.
- ✓ Asia: Although economic conditions differ from region to region, the demand outlook remains cloudy amid China's economic slowdown.





## FY20/12 Financial Results Projections

- ✓ Capital investment demand is expected to remain lackluster amid a prolonged trade conflict between the U.S. and China. Net sales are forecast to increase slightly from FY19/12 to 67,800 million yen.
- ✓ The effect of the spread of the novel coronavirus pneumonia, still unknown, is not factored into the projections.

(million yen)

	FY19/12		FY20/12		Increase or decrease	
	Actual	Income margin	Planned	Income margin	Amount	Rate
<b>Net sales</b>	67,591	-	<b>67,800</b>	-	208	0.3%
<b>Operating income</b>	3,422	5.1%	<b>3,800</b>	5.6%	377	11.0%
<b>Ordinary income</b>	3,558	5.3%	<b>3,800</b>	5.6%	241	6.8%
<b>Net income</b>	2,002	3.0%	<b>3,100</b>	4.6%	1,097	54.8%

Average exchange rate over the period	USD	109.03 yen		106.00 yen			
	EUR	122.03 yen		118.00 yen			
	CNY	15.77 yen		15.40 yen			
	THB	3.52 yen		3.60 yen			

# FY20/12 Financial Results Projections (by Segment)



(million yen)

		FY19/12	FY20/12	Increase or decrease	
		Actual	Planned	Amount	Rate
Net sales	● Machine tool segment	45,797	45,400	-397	-0.9%
	● Industrial machinery segment	9,773	9,700	-73	-0.8%
	● Food processing machinery segment	6,283	6,300	16	0.3%
	● Other segments	5,737	6,400	662	10.4%
		67,591	67,800	208	0.3%
Segment income	● Machine tool segment	4,621	5,300	678	14.7%
	● Industrial machinery segment	165	350	184	112.1%
	● Food processing machinery segment	625	350	-275	-44.1%
	● Other segments	311	300	-11	-3.7%
		5,723	6,300	576	10.1%
Adjustment amounts		-2,301	-2,500	-198	8.6%
Total operating income		3,422	3,800	377	11.0%

## Machine tool segment / Industrial machinery segment

- ✓ These segments will see potential demand mainly in China for high-precision models in the field of automotive and other products in parallel with the growth in manufacturing technologies. However, owing to the global economic slowdown hit by a prolonged trade conflict between the U.S. and China, demand is likely to remain slack.

## Food processing machinery segment

- ✓ Demand for both noodle-making equipment and cooked-rice production systems is forecast to remain robust.
- ✓ We will make efforts to expand into other fields such as confectionary production and prepared food.

## Other segments

- ✓ Both precision mold and precision molding operations and external sales of ceramics are expected to see recovery in demand.

\*The effect of the spread of the new coronavirus is not factored into the above projections.

# Projections for Capital Investment / Depreciation / R&D Expenses



✓ For FY20/12, we have projections for the following items:

<b>Capital investment</b>	<p>Capital investment is expected to be approx. 4,500 million yen (down 2,000 million yen YoY).</p> <ul style="list-style-type: none"><li>• Precision mold and precision molding operations: Response to production automation and streamlining</li><li>• Amoy Plant: Strengthening of production capacity</li><li>• Kaga Plant: Introduction and renewal of production facilities to improve productivity</li></ul>
<b>Depreciation</b>	<p>Depreciation is expected to be approx. 3,800 million yen (up approx. 100 million yen YoY).</p>
<b>R&amp;D expenses</b>	<p>R&amp;D expenses are expected to be approx. 3,400 million yen (to remain flat from the previous year).</p> <ul style="list-style-type: none"><li>• Development of element technologies such as new electrical discharge power units and next-generation CNCs, as well as next-generation machine tools</li><li>• Metal 3D-printer-related R&amp;D</li></ul>

I. FY19/12 Financial Results Summary

II. FY19/12 Financial Results Projections

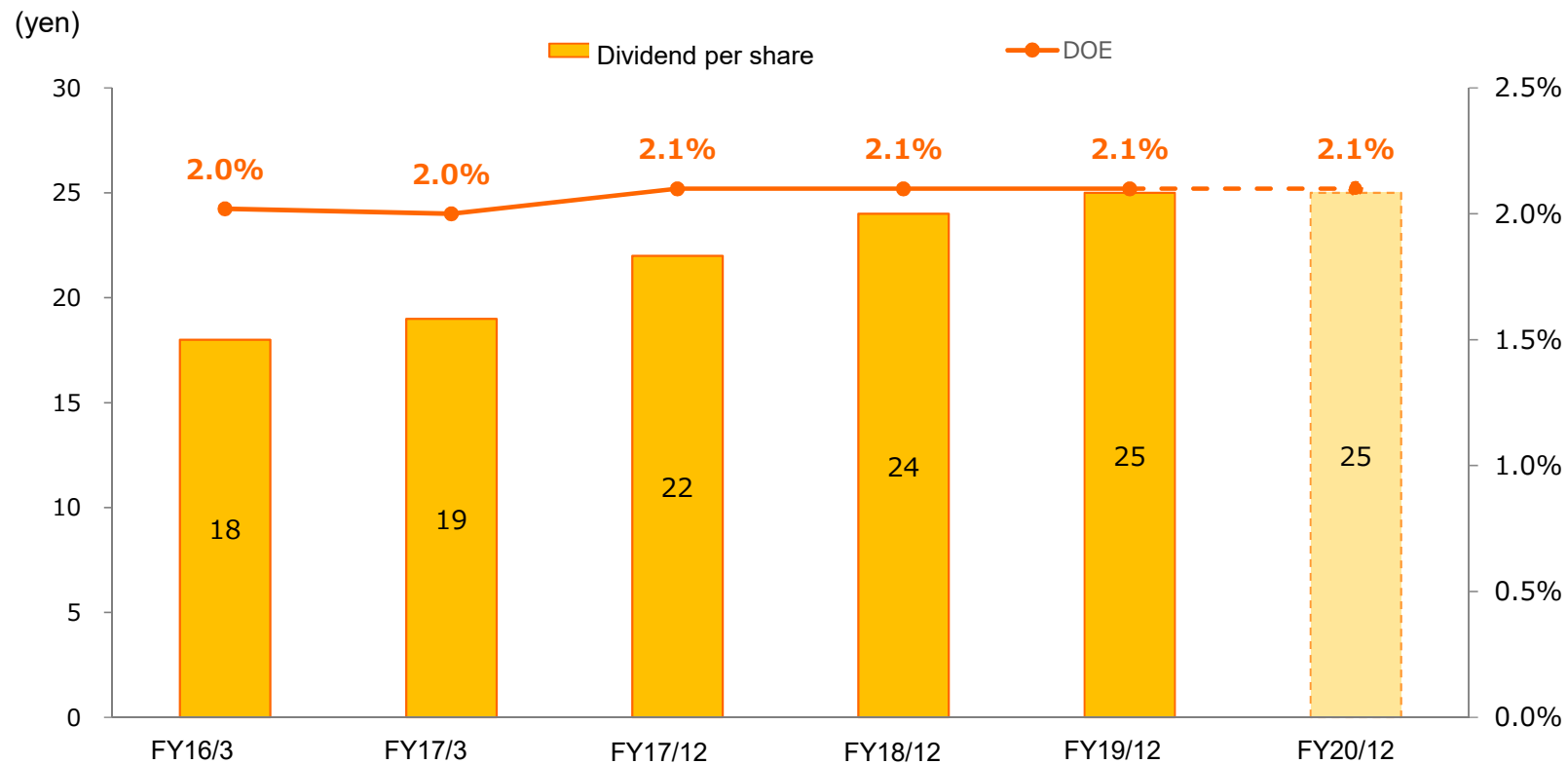
**III. Shareholder Return**

IV. Med-term Plan

(Reference Materials)

# Policies for Shareholder Returns and Dividend Projections

- ✓ As a dividend policy, we aim at a dividend yield on shareholders' equity (DOE) of at least 2%.
- ✓ For FY19/12, we are planning an annual dividend of 25 yen per share (interim dividend of 12 yen and fiscal year-end dividend of 13 yen).
- ✓ For FY20/12, we are planning an annual dividend of 25 yen per share (interim dividend of 12 yen and fiscal year-end dividend of 13 yen).



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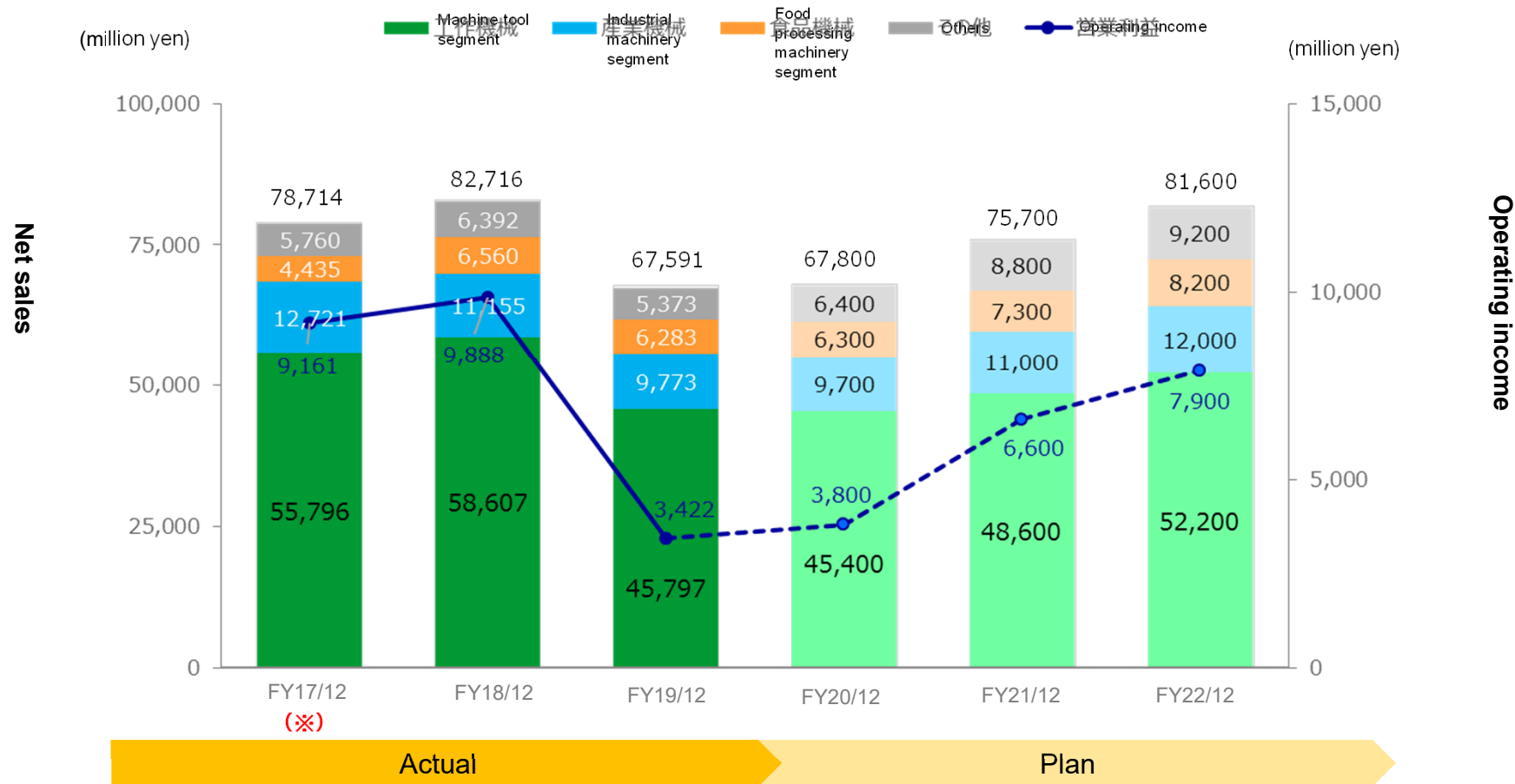
**IV. Med-term Plan**

(Reference Materials)

# Medium-term Management Plan



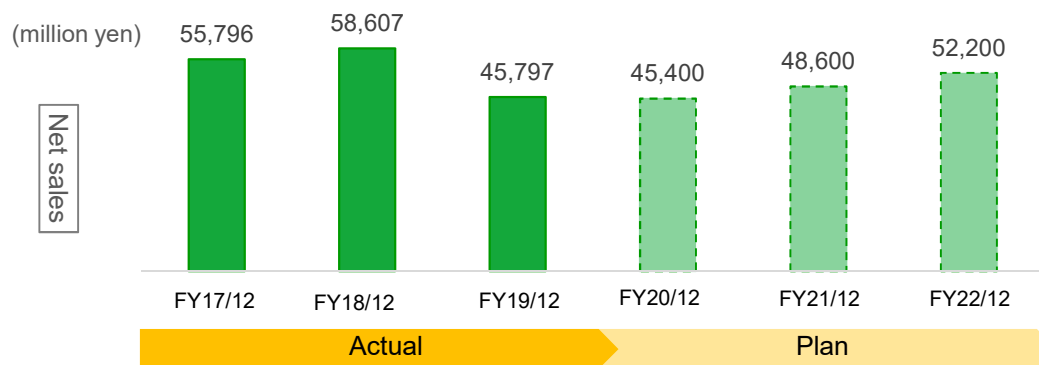
Targeting net sales of 81,600 million yen with operating income of 7,900 million yen by FY22/12



\* Figures for FY17/12 are group-wide results for the period of January-December 2017 provided for the purpose of comparison.  
 \* The effect of the spread of the novel coronavirus pneumonia is not factored into the projections for FY20/12 onwards.

## Machine Tool Segment

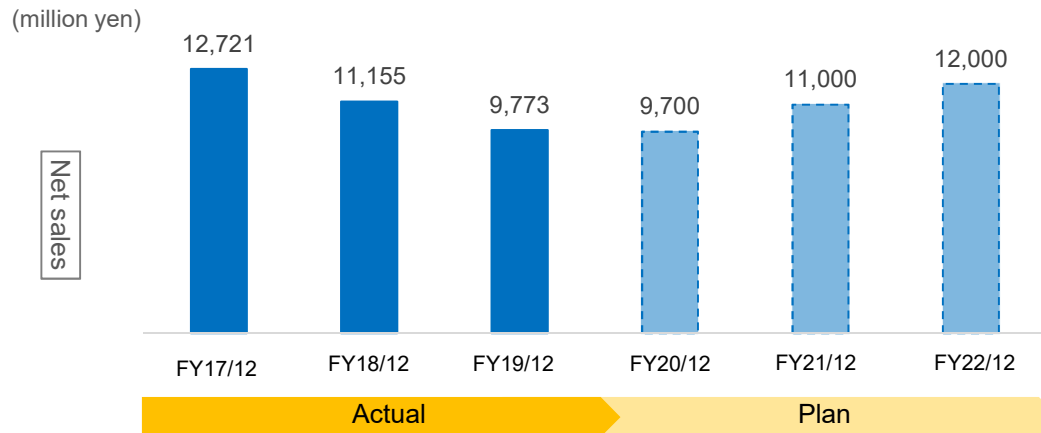
- **Further strengthen product competitiveness of EDMs → Maintain absolute advantage in producing EDMs**  
**Strengthen sales systems in growth markets**
  - ⇒ Strengthen sales systems in emerging markets (India, Mexico, etc.)
  - ⇒ Increase market share in Europe and the U.S. (Focus more on the automotive and aerospace industries)
- **Meet high value-added processing needs by strengthening sales of precision machining centers**
- **Accelerate sales and R&D of metal 3D printers**
  - ⇒ With regard to molds and parts processing, expand application, enhance processing know-how and increase metal powder production
  - ⇒ Promote self-manufacture of core technology, thereby increasing cost competitiveness
- **Put more effort into cultivating engineers**
  - ⇒ Promote nurturing of engineers who are to contribute to product development and design, manufacturing technology, processing technology, etc.
- **Increase production efficiency by optimizing production systems and using IoT and AI at our own plants**
- **Strengthening of response to the automatization of production processes at plants**





## Industrial Machinery Segment

- **Target overseas sales ratio of 70% or higher**
  - ⇒ Strengthen sales systems in growth markets such as those in Europe and India
  - ⇒ Reorganize sales structure (Increase the number and skills of sales staff mainly in China and other countries and regions in Asia)
  - ⇒ Review product lineup
- **Increase sales of light metal injection molding machines (magnesium and aluminum injection molding machines)**
  - ⇒ Achieve steady molding, increase maintainability, expand application, and aim to start mass production as early as possible
- **Enhance preventive maintenance skills, monitoring skills and other problem-solving skills by using automatic production system ICF-V, IoT and AI**
- **Reduce costs by increasing overseas production ratio, using common parts, etc. to improve cost competitiveness**



# Management Strategies

## Food Processing Machinery Segment

### ● Expand product lineup

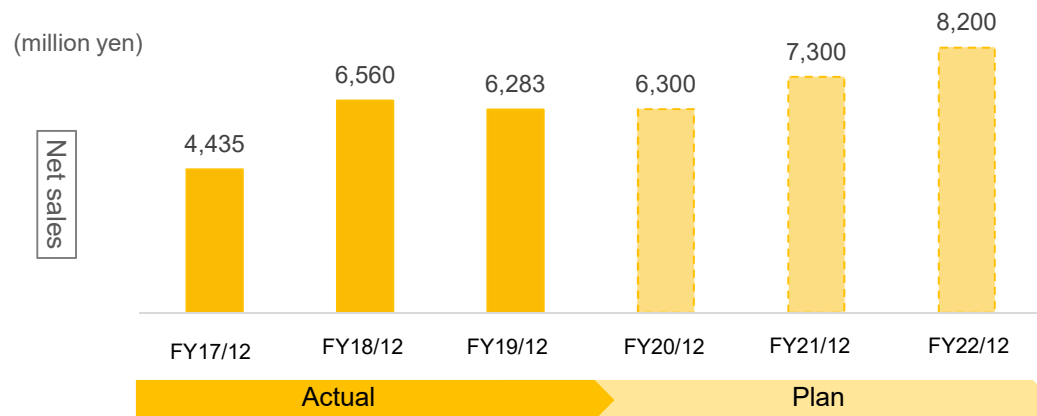
- ⇒ Promote development of products other than noodle-making equipment and cooked-rice production system targeting the confectionery, bread and home meal replacement industries
- ⇒ Introduce automation and labor-saving production equipment

### ● Strengthen production and development systems

- ⇒ Promote production equipment automatization and product standardization to reduce costs
- ⇒ Strengthen hygiene control in pursuit of food safety and security
- ⇒ Increase production capacity of overseas plants and establish supply systems for markets in China and other countries and regions in Asia

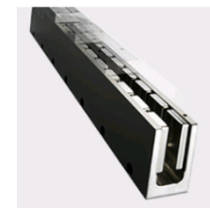
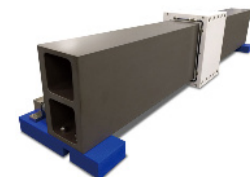
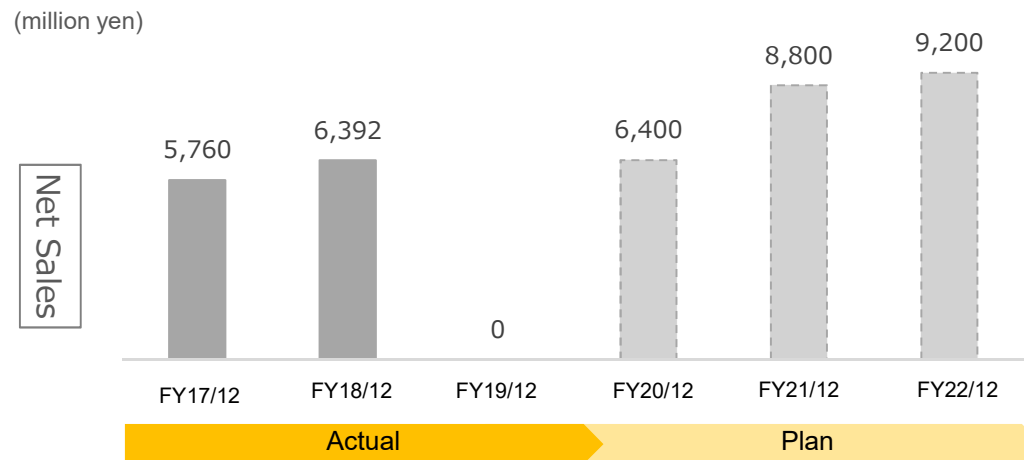
### ● Increase overseas sales ratio

- ⇒ Cultivate new demand for high-value-added products in China and other countries and regions in Asia
- ⇒ Meet new and replacement demands from major food manufacturers
- ⇒ Strengthen sales activities through the food processing machinery sales company newly established in Shanghai



## Others

- **Increase profitability of precision mold and precision molding operations**
  - ⇒ Develop and operate cell production system utilizing metal 3D printers and dedicated injection molding machine MR30
  - ⇒ Establish product development system to accommodate molding demands from next-generation automotive parts manufacturers
- **Strengthen production and sales of ceramic parts**
  - ⇒ Strengthen sales of ceramic parts for semiconductor manufacturing equipment
  - ⇒ Expand into high-value-added product markets
- **Increase productivity through introduction of automation system**



## Reinforcement of management bases

- **Promote work-style reform**

- Create a better working environment by improving the personnel system

- ⇒ Promote diverse management by supporting and encouraging more women in the workplace and increasing the employment of older and foreign workers

- ⇒ Promote short-hours work and stay-at-home work and encourage employees to take parental leave

- **Recruit good workers and establish people development system**

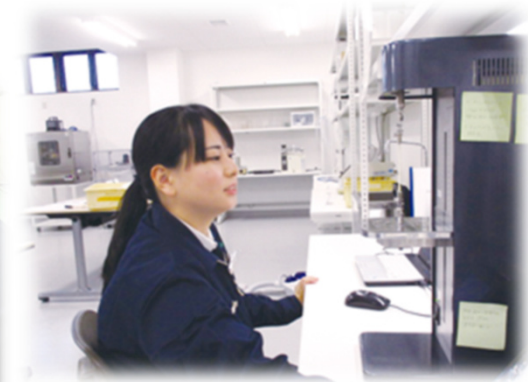
- ⇒ Take a variety of approaches to nurturing excellent engineers as well as personnel with good management skills, including new employee training, stratified education training, overseas training, and acceptance of foreign technical interns

- **Rebuild development, production and sales systems**

- ⇒ Establish production and sales systems to accommodate changes in the Chinese market

- ⇒ Strengthen sales and service systems in ASEAN regions

- **Develop high-speed advanced systems**



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**(Reference Materials)**



# Reference Materials: Domestic and Overseas Sites



# Reference Materials: Participation in Major Exhibitions



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

Period	Location		Exhibition	Notes
2020				
Feb. 26-28	Japan	Makuhari	Next Generation 3D Printer Exhibition	
Mar. 10-13	Germany	Dusseldorf	METAV (International Exhibition for Metalworking Technologies)	
(Mar. 30-Apr. 2)	China	Shenzhen	SIMM 2020 (Shenzhen International Industrial Manufacturing Technology Exhibition)	Postponed owing to the outbreak of novel coronavirus
Mar. 31-Apr. 4	Korea	Goyang	SIMTOS 2020 (Seoul International Manufacturing Technology Show)	
Apr. 15-18	Japan	Osaka	INTERMOLD2020 Osaka	
Apr. 20-23	U.K.	Birmingham	MACH 2020	
(Apr. 21-24)	China	Shanghai	ChinaPlas 2020 (International Exhibition on Plastics and Rubber Industries)	Postponed owing to the outbreak of novel coronavirus
May 13-16	Thailand	Bangkok	INTERMACH 2020	
May 18-22	China	Beijing	CIMES (China International Machine Tools & Tools Exhibition)	
Jun. 10-14	China	Shanghai	Die & Mold China	
Jun. 23-26	Japan	Tokyo	FOOMA JAPAN 2020	Food machinery and technology exhibition
Jun. 24-27	Thailand	Bangkok	INTERMOLD THAI	
Sep. 14-19	U.S.A.	Chicago	IMTS2020	One of the world's largest machine tool fairs
Oct. 6-10	Japan	Makuhari	IPF Japan 2020 (International Plastics Fair)	Showcased injection molding machine units
Oct. 8-10	Vietnam	Ho Chi Minh City	Metalex Vietnam	
Nov. 18-21	Thailand	Bangkok	Metalex Thailand	
Nov. 24-27	China	Shenzhen	DMP 2020 (International Trade Fair for Molds, Metal Processing, Plastics, Packaging and Rubber)	
Dec. 7-12	Japan	Tokyo	JIMTOF2020	One of the world's largest machine tool fairs

# Reference Materials: Status of Responses to the Spread of Novel Coronavirus Pneumonia



✓ Status of responses at our sites in China is as shown below.

Plant / Sales office	Location	Operation status
Suzhou Plant	Suzhou City, Jiangsu Province	Partially began operations on Friday, February 14.
Amoy Plant	Amoy City, Fujian Province	Partially began operations on Monday, February 17.
Sales subsidiaries	Shanghai City; Shenzhen City, Guangdong Province	Partially began operations on Monday, February 17.

\* When starting operations at plants and sales sites, hygiene control to prevent infection has been thoroughly implemented according to guidance from relevant authorities.

\* In addition, it is expected that it would take considerable time to return to normal levels of production since there are some local employees who cannot return from their hometowns, and because there are many suppliers whose operations have been suspended.

✓ Status of responses to reduce the risk of infection and secure the safety of employees in Japan

- (1) Introduction of off-peak commuting  
Off-peak commuting has been introduced for people who use public transportation (to avoid commuting during rush hour).
- (2) Measures in offices  
People are encouraged to wash hands and gargle their throat. Alcohol disinfectants are prepared. Coughing etiquette is encouraged.
- (3) Rescheduling  
People are encouraged not to participate in events where a large number of people are expected to gather, not to visit crowded places, and to refrain from going out or going on business trips unless there are unavoidable reasons. Face-to-face meetings have been reduced by promoting the use of online meetings.
- (4) Prohibition on overseas business trips (in principle)



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