



TSE 1st Section, 6143

1Q FY20/12
Results Briefing

May 12, 2020

Sodick Co., Ltd.

I. 1Q FY20/12 Financial Results Summary

II. FY20/12 Financial Results Projections

(Reference Materials)

Financial Results Highlights



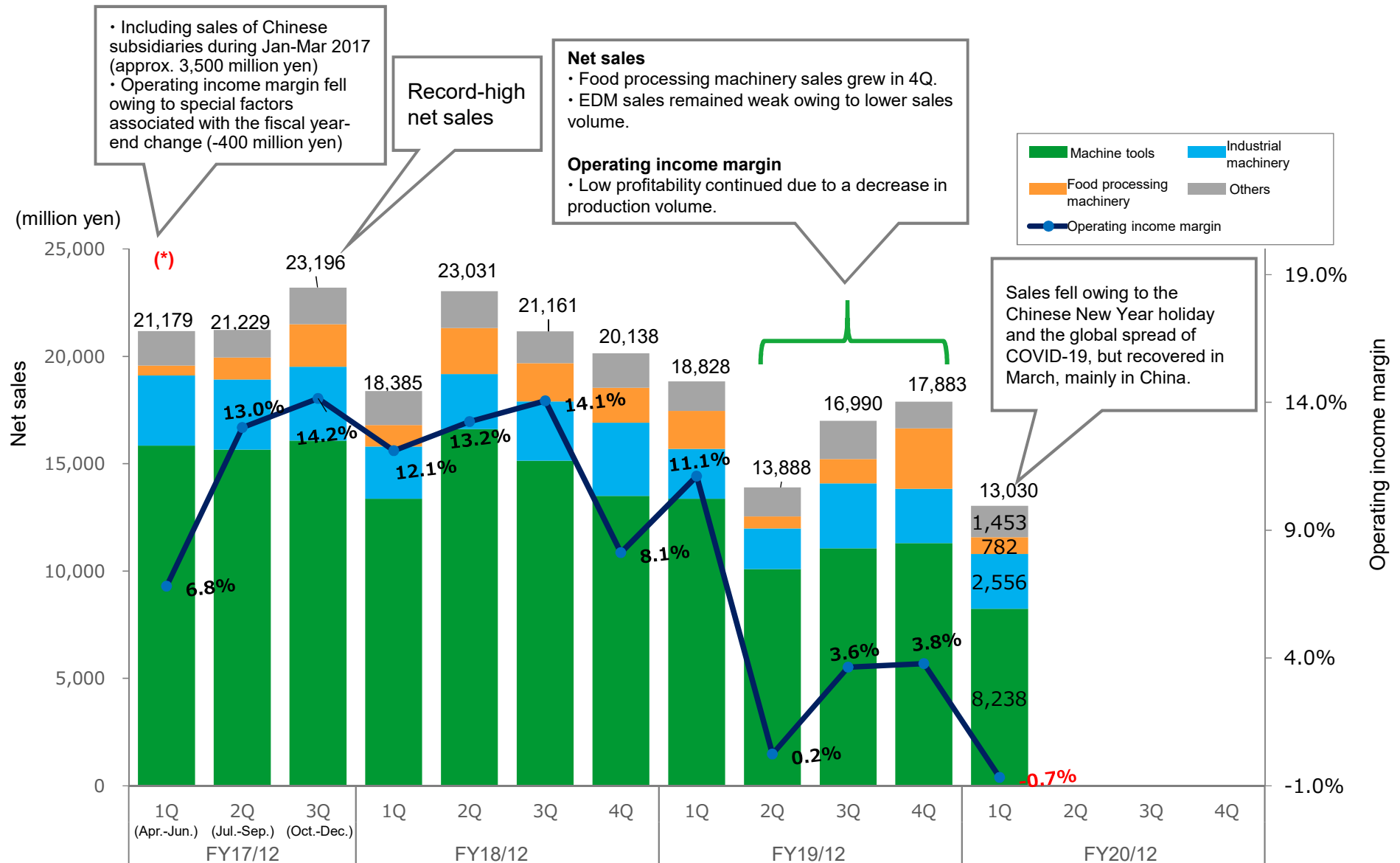
- ✓ Due to the impact of COVID-19 pandemic, sales of EDMs sharply decreased all over the world including China, our major customer market. Net sales tumbled around 30% from a year earlier.
- ✓ In terms of profit, an operating loss of 88 million yen was recorded, mainly on account of a decline in the profitability of the plants associated with a decrease in production volume.

(million yen)

	1Q FY19/12		1Q FY20/12		YoY change		FY20/12 Full-year projection	
	Actual	Income margin	Actual	Income margin	Amount	Rate	Amount	Income margin
Net sales	18,828	-	13,030	-	-5,798	-30.8%	67,800	-
Gross profit	6,645	35.3%	4,073	31.3%	-2,572	-38.7%		
Operating income	2,093	11.1%	-88	-	-2,181	-	3,800	5.6%
Ordinary income	2,168	11.5%	-67	-	-2,236	-	3,800	5.6%
Net income	1,460	7.8%	-18	-	-1,478	-	3,100	4.6%
	Ratio to sales		Ratio to sales					
Capital investment	1,918	10.2%	386	3.0%			4,500	
Depreciation	831	4.4%	839	6.4%			3,800	
R&D expenses	904	4.8%	807	6.2%			3,400	
Average exchange rate over the period	USD	110.22 yen	108.86 yen		1.36 yen up		106.00 yen	
	EUR	125.16 yen	120.08 yen		5.08 yen up		118.00 yen	
	CNY	16.32 yen	15.60 yen		0.72 yen up		15.40 yen	
	THB	3.49 yen	3.48 yen		0.01 yen up		3.60 yen	

*Reference information Exchange rate at end of Mar. 2020 USD: 108.83 yen EUR: 119.55 yen CNY: 15.31 yen THB: 3.34 yen
Exchange rate at end of Mar. 2019 USD: 110.99 yen EUR: 124.56 yen CNY: 16.47 yen THB: 3.49 yen

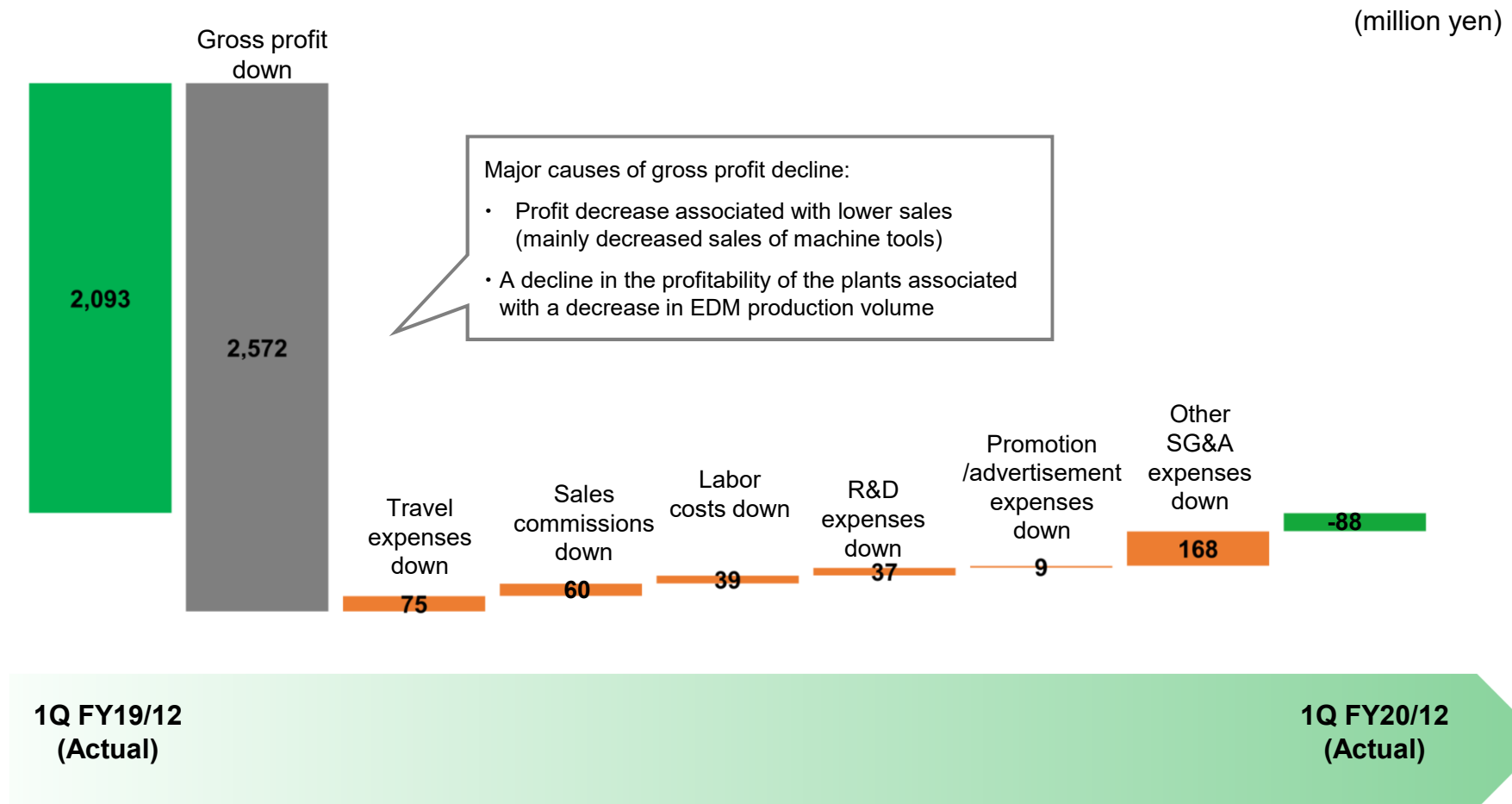
Ratio of Operating Income to Net Sales (Quarterly)



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

Details of Changes in Operating Income

- ✓ Due to the spread of COVID-19, SG&A expenses declined thanks largely to a decrease in sales commissions associated with lower sales volume and a decrease in travel expenses as a result of the restriction on business trips. However, an operating loss of 88 million yen was recorded because of a sharp drop in gross profit stemming mainly from lower sales.



Financial Results by Segment



(million yen)

		1Q FY19/12	1Q FY20/12	YoY chg.		FY20/12 Full-year projection
		Actual	Actual	(Amount)	(Rate)	
Net sales	● Machine tool segment	13,362	8,238	-5,124	-38.3%	45,400
	● Industrial machinery segment	2,320	2,556	235	10.2%	9,700
	● Food processing machinery segment	1,776	782	-994	-56.0%	6,300
	● Other segments	1,369	1,453	84	6.1%	6,400
		18,828	13,030	-5,798	-30.8%	67,800
Segment income	● Machine tool segment	2,191	197	-1,993	-91.0%	5,300
	● Industrial machinery segment	80	142	61	76.7%	350
	● Food processing machinery segment	336	25	-311	-92.5%	350
	● Other segments	-7	60	67	-	300
		2,600	425	-2,175	-83.6%	6,300
Adjustment amounts	-507	-513	-6	-	-2,500	
Total operating income	2,093	-88	-2,181	-	3,800	

Financial Results by Segment



(million yen)

Machine Tool Segment

Net sales

- The spread of COVID-19 had a significant negative impact on not only China's economy, the Company's largest customer market, but also the global economy as a whole.
- A wide range of industries from the automotive industry to the smartphone and electronic component industries tended to postpone product shipments and capital investment due mainly to the suspension of business activities. As a result, sales volumes of EDMs decreased sharply.
- On the other hand, in China, where the spread of COVID-19 is coming to an end, orders from the automotive and smartphone-related industries recovered in March 2020.

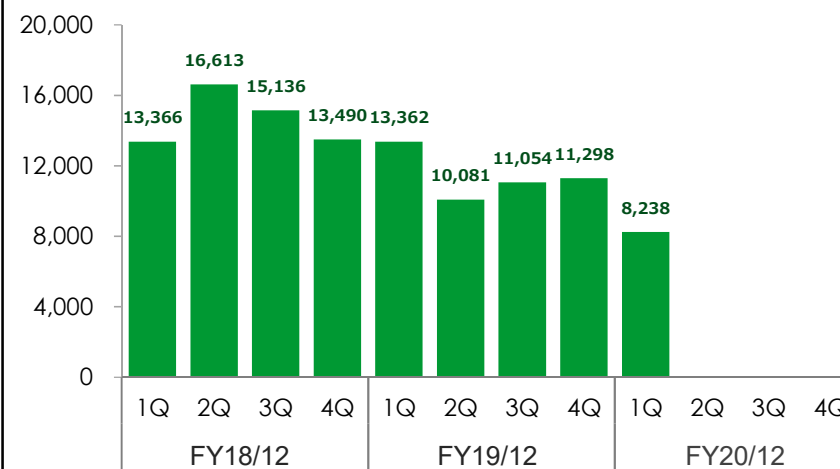
Segment income

- Segment income plummeted from the same period of the prior year, chiefly on account of a decrease in net sales as well as a drop in profitability of the plants associated with a decline in production volume.

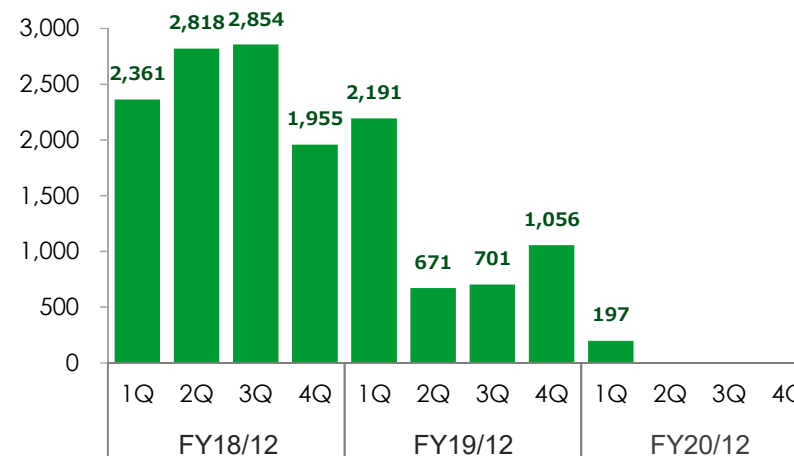
(million yen)

	1Q FY19/12	1Q FY20/12	YoY chg.	
			Amount	Rate
Net sales	13,362	8,238	-5,124	-38.3%
Segment income	2,191	197	-1,993	-91.0%

Net sales (Quarterly)



Segment income (Quarterly)



Financial Results by Segment

(million yen)

Industrial Machinery Segment

Net sales

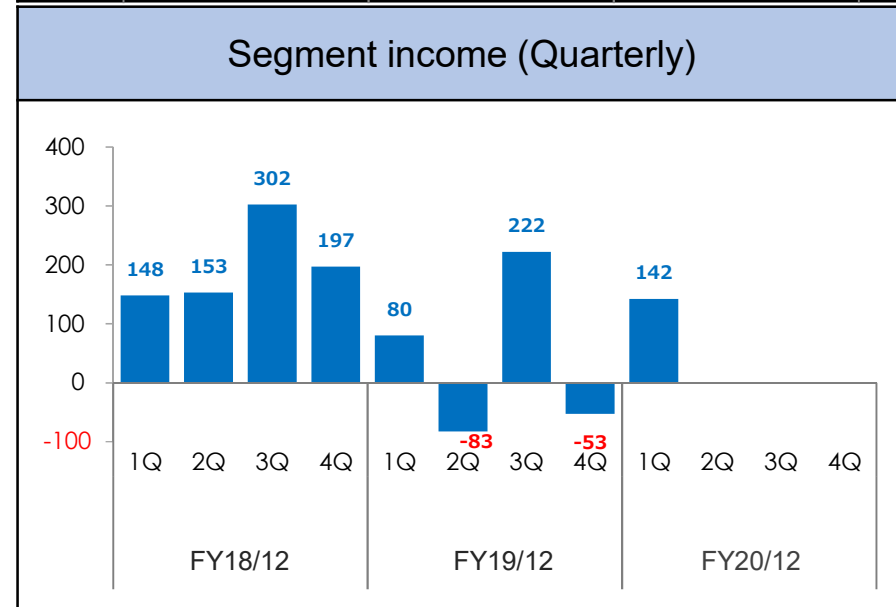
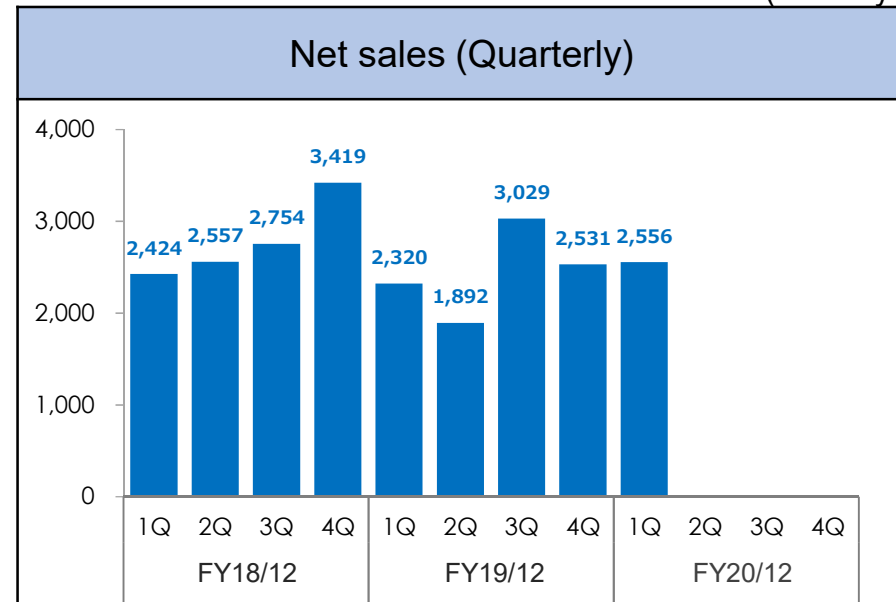
- Despite a slowdown in economic activity due to the global spread of COVID-19, demand from manufacturers of 5G smartphone antenna components as well as those of surveillance camera lenses was growing in China and other parts of Asia, resulting in a slight year-on-year increase in unit sales.
- Thanks chiefly to the expansion of 5G-related demand in China and other countries and regions in Asia in March 2020, orders soared from the same period of the previous year.

Segment income

- Segment income improved significantly from the previous quarter (4Q FY19/12) supported by increased sales of high value-added products.

(million yen)

	1Q FY19/12	1Q FY20/12	YoY chg.	
			Amount	Rate
Net sales	2,320	2,556	235	10.2%
Segment income	80	142	61	76.7%



Financial Results by Segment

Food Processing Machinery Segment

Net sales

- There was a rising demand for noodle-making equipment from existing customers for maintenance and equipment upgrades as well as for hygiene and labor saving.
- Sales were weak because, in addition to the expectations of booking sales of major projects in the second half of the current fiscal year or beyond, there was also a move to postpone capital investment due to the spread of COVID-19.
- Due to the absence of major noodle-making equipment projects and major sterile-packed cooked-rice production system projects that we took on in 1Q FY19/12 and 4Q FY19/12, respectively, sales plunged from a year earlier.

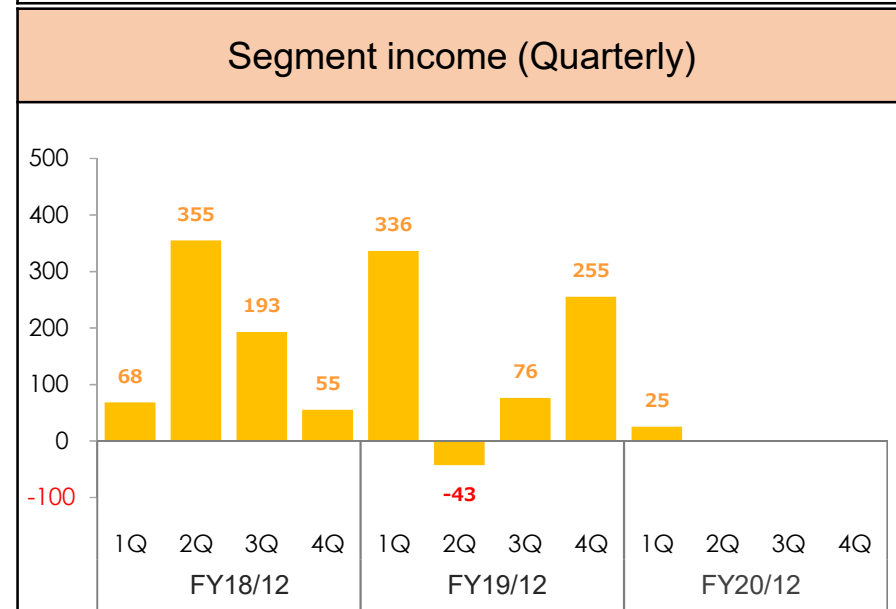
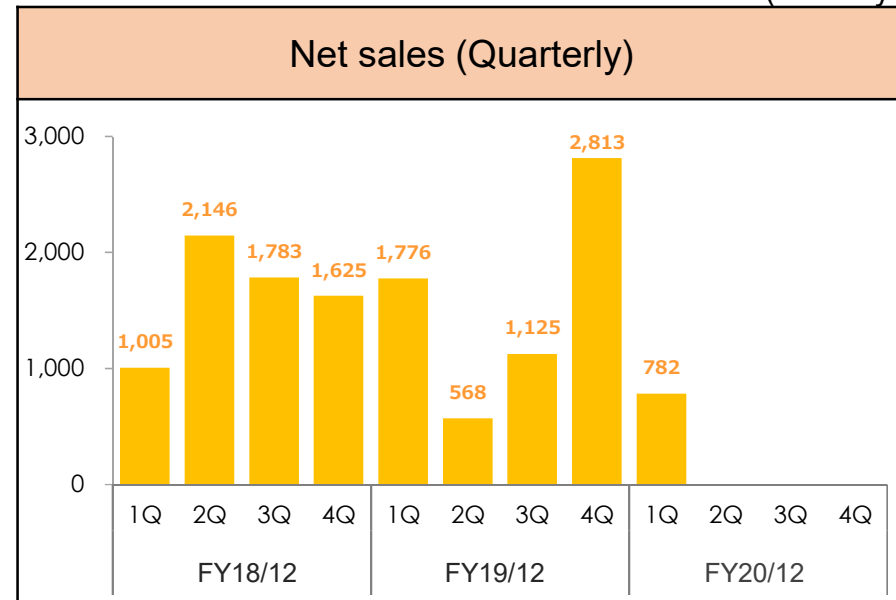
Segment income

- Segment income was low due to a lack of highly profitable projects like those recorded in the same period of the previous year.

(million yen)

	1Q FY19/12	1Q FY20/12	YoY chg.	
			Amount	Rate
Net sales	1,776	782	-994	-56.0%
Segment income	336	25	-311	-92.5%

(million yen)



Financial Results by Segment



(million yen)

Other Segments

Net sales

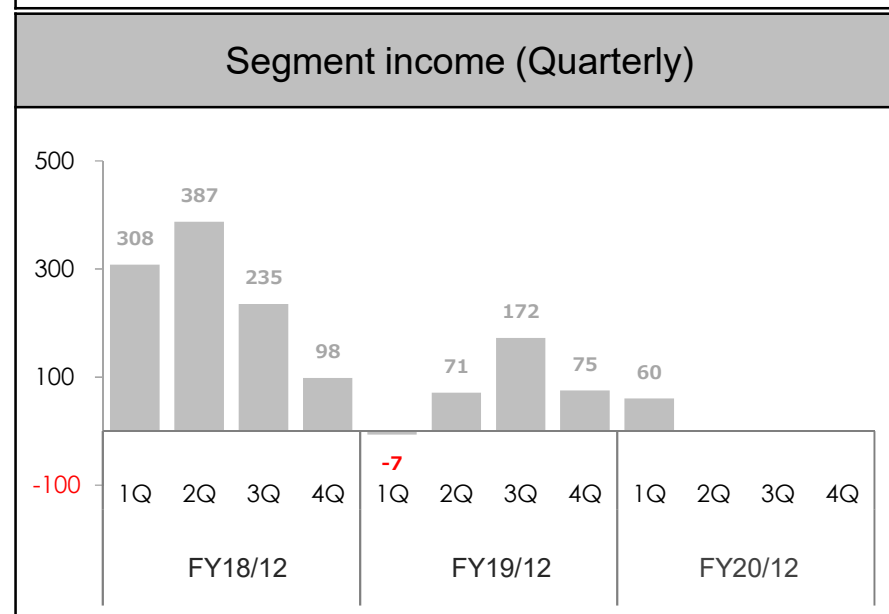
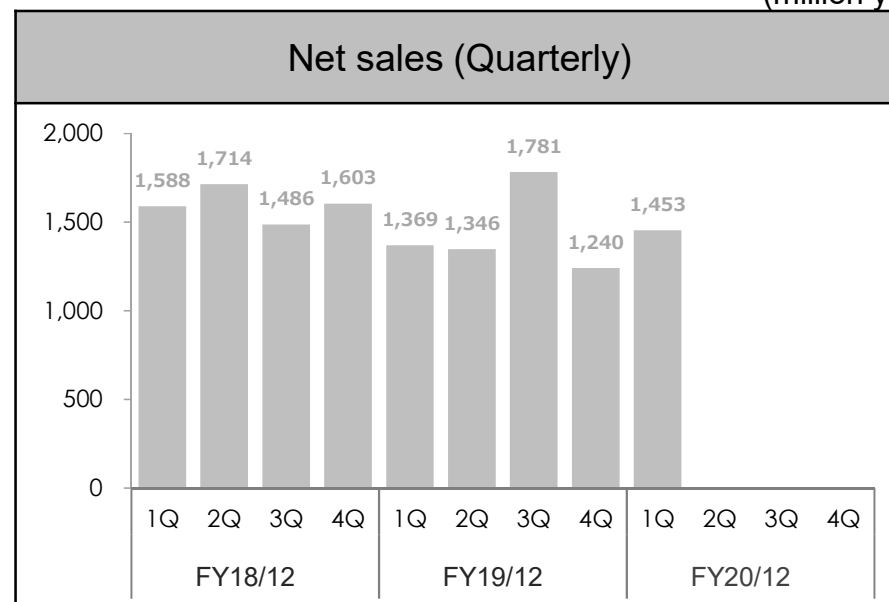
- Demand was recovering in precision die and molding business.
- Demand for ceramics continued to slow due to the spread of COVID-19.

Segment income

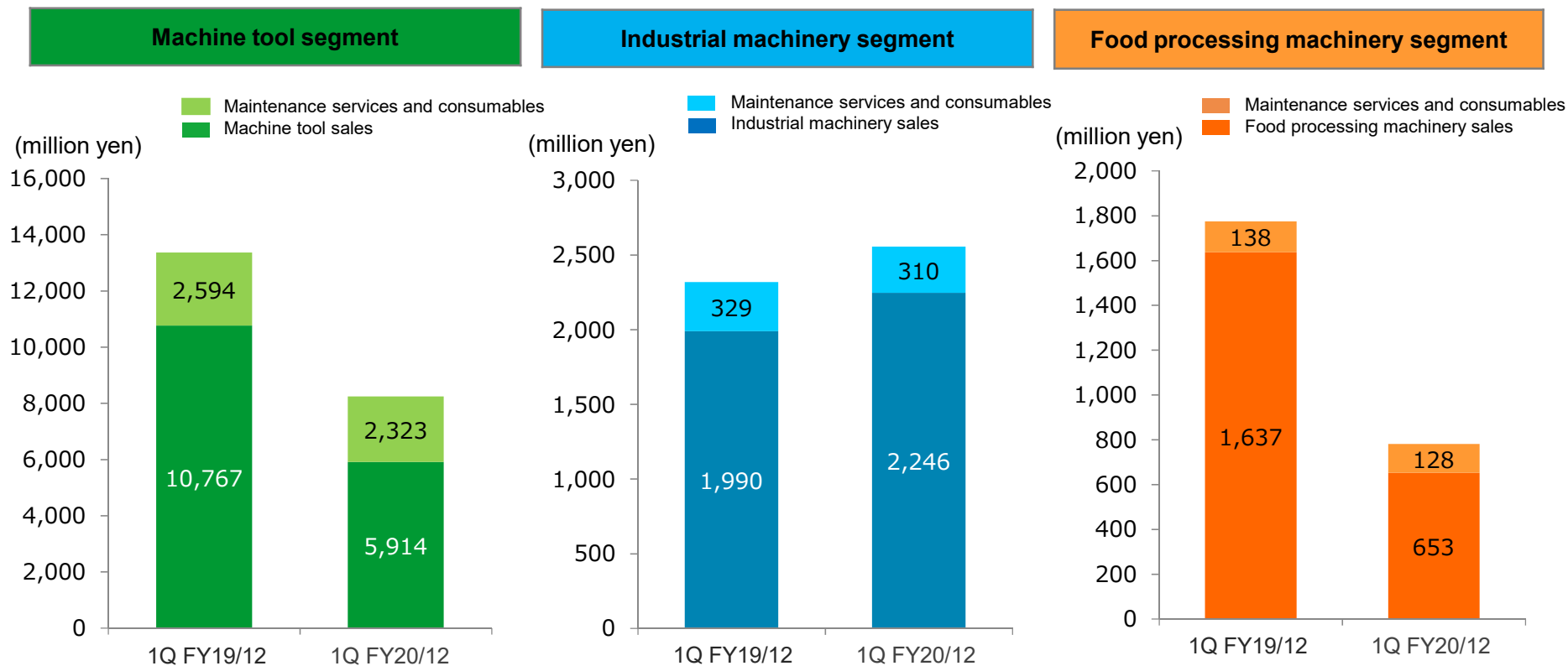
- Profitability of these segments has yet to recover, due to reinforcement of the capability of production facilities for medium- to long-term business expansion and R&D investments in automatization.

(million yen)

	1Q FY19/12	1Q FY20/12	YoY chg.	
			Amount	Rate
Net sales	1,369	1,453	84	6.1%
Segment income	-7	60	67	-



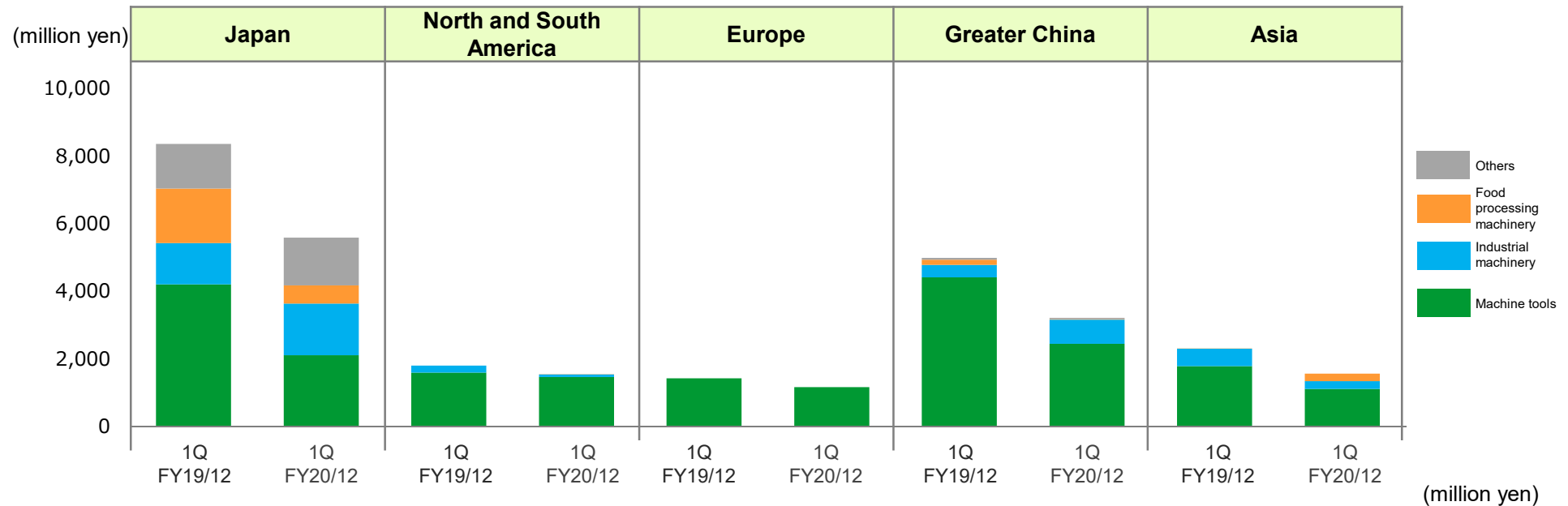
Net Sales by Segment



	Machine tool segment				Industrial machinery segment				Food processing machinery segment			
	1Q FY19/12		1Q FY20/12		1Q FY19/12		1Q FY20/12		1Q FY19/12		1Q FY20/12	
Machine sales	10,767	80.6%	5,914	71.8%	1,990	85.8%	2,246	87.9%	1,637	92.2%	653	83.6%
Maintenance services and consumables	2,594	19.4%	2,323	28.2%	329	14.2%	310	12.1%	138	7.8%	128	16.4%
Total	13,362		8,238		2,320		2,556		1,776		782	

Overseas Sales Ratio by Segment

✓ Sales in Japan, China, and Asia plunged, with overseas sales ratio standing at 57.2%.



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	90.9%	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 region - 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%

1Q FY20/12	Japan		North and South America		Europe		Greater China		Asia		Total	
Machine tools	2,096	25.5%	1,451	17.6%	1,156	14.0%	2,436	29.6%	1,097	13.3%	8,238	63.2%
Industrial machinery	1,527	59.8%	80	3.1%	-	-	710	27.8%	237	9.3%	2,556	19.6%
Food processing machinery	536	68.6%	5	0.7%	-	-	19	2.5%	220	28.2%	782	6.0%
Others	1,416	97.4%	-	-	-	-	37	2.6%	-	-	1,453	11.2%
By region - Total	5,577	42.8%	1,536	11.8%	1,156	8.9%	3,204	24.6%	1,555	11.9%	13,030	100.0%

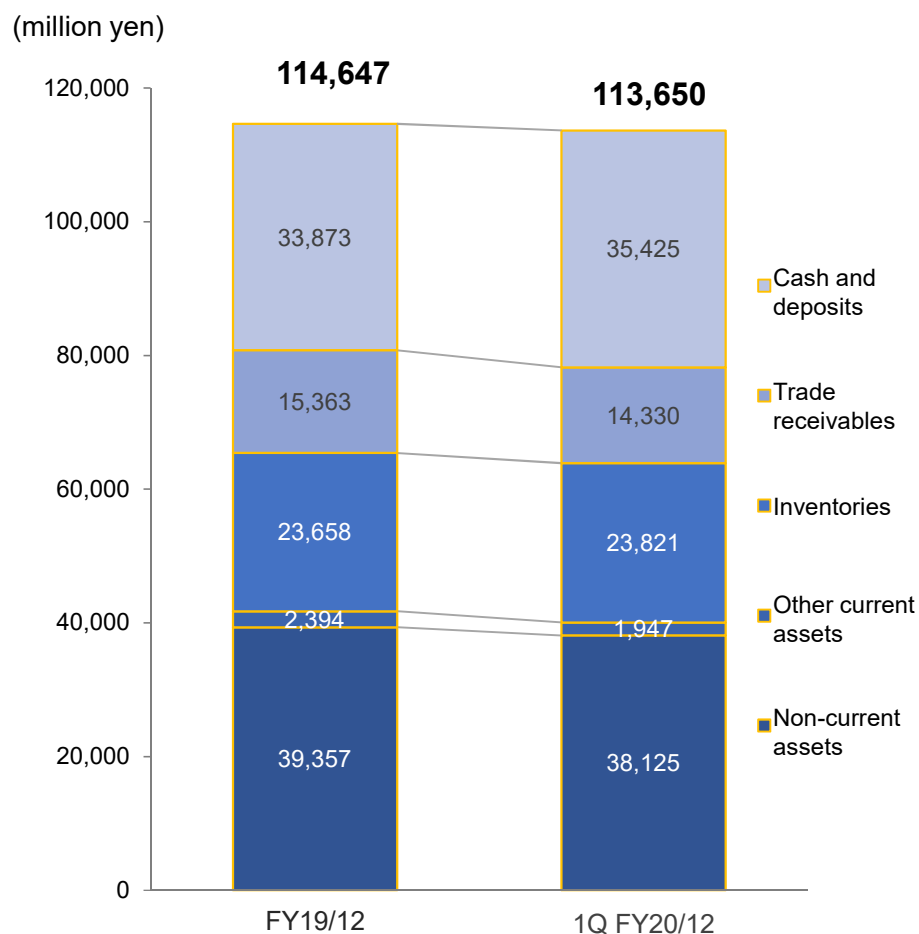
Effect of exchange rate	-	Around -20 million yen	Around -50 million yen	Around -110 million yen	Around -20 million yen	Around -200 million yen
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Balance Sheet

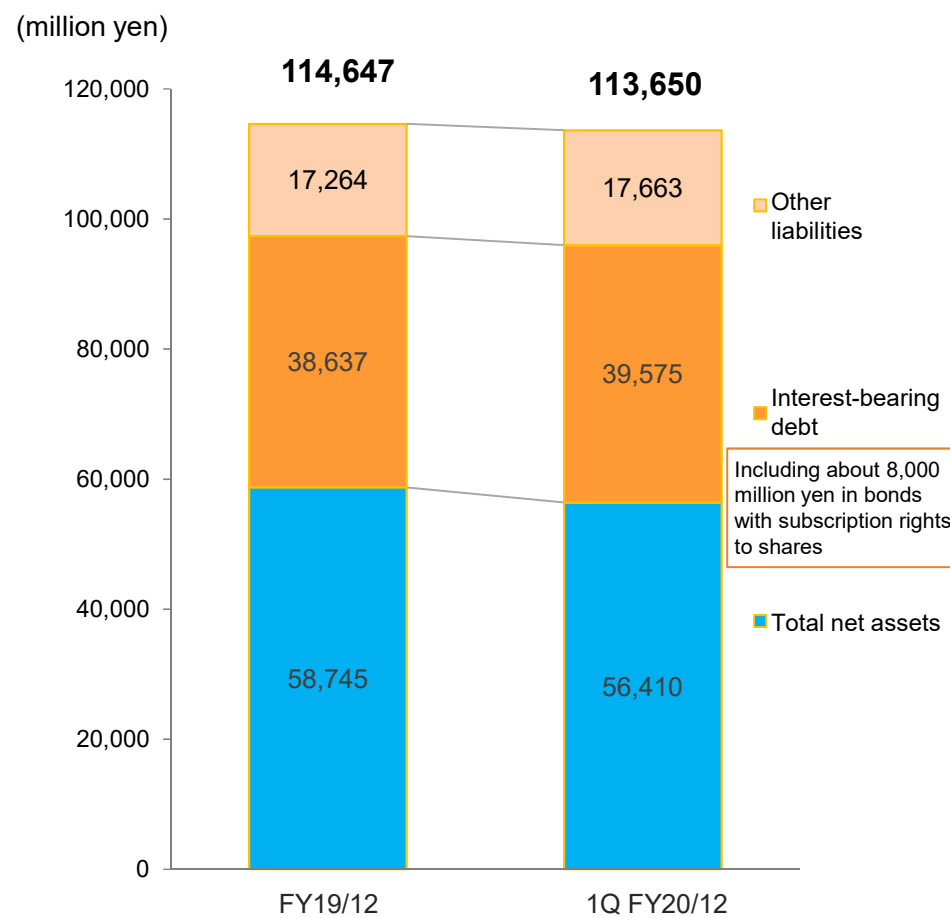


- ✓ Net interest-bearing debt totaled 4,150 million yen (down 613 million yen from the end of the previous fiscal year).

Assets



Liabilities and net assets



*Reference information	Exchange rate at end of Mar. 2020	USD: 108.83 yen	EUR: 119.55 yen	CNY: 15.31 yen	THB: 3.34 yen
	Exchange rate at end of Dec. 2019	USD: 109.56 yen	EUR: 122.54 yen	CNY: 15.67 yen	TBH: 3.63 yen

1 New Year Private Shows Held at West Japan Branch and East Japan Branch

We held private shows at our West Japan Branch and East Japan Branch in February 2020.

By unveiling a new die-sinker EDM AL40G whose launch was announced in October last year, and showcasing high-precision molded products made with metal molds manufactured by metal 3D printers, a production management system that utilizes IoT, and other machines, we promoted our line of products suitable for high-precision processing and conducted aggressive sales activities.

Including seminars on various machines held concurrently, the events attracted many visitors and were very successful.



▲Unveiling a new die-sinker EDM AL40G



▲Crowded hall

Outline of New Year Private Shows

◆Date and place:

West Japan: February 7 and 8, 2020 at Osaka Sales Office (Suita City, Osaka)

East Japan: February 13 and 14, 2020 at Omiya Sales Office (Saitama City, Saitama)

◆Exhibited models:

West Japan: Die-sinker EDM AL40G, wire-cut EDM ALN400G, high speed milling center UH430L, and metal 3D printer OPM250L

East Japan: Die-sinker EDM AL40G, wire-cut EDM ALN400G, high speed milling center UH430L, metal 3D printer LPM325, electric injection molding machine MS100, and vertical injection molding machine TR100VRE

◆Number of visitors: About 1,000 in total



▲Production control system

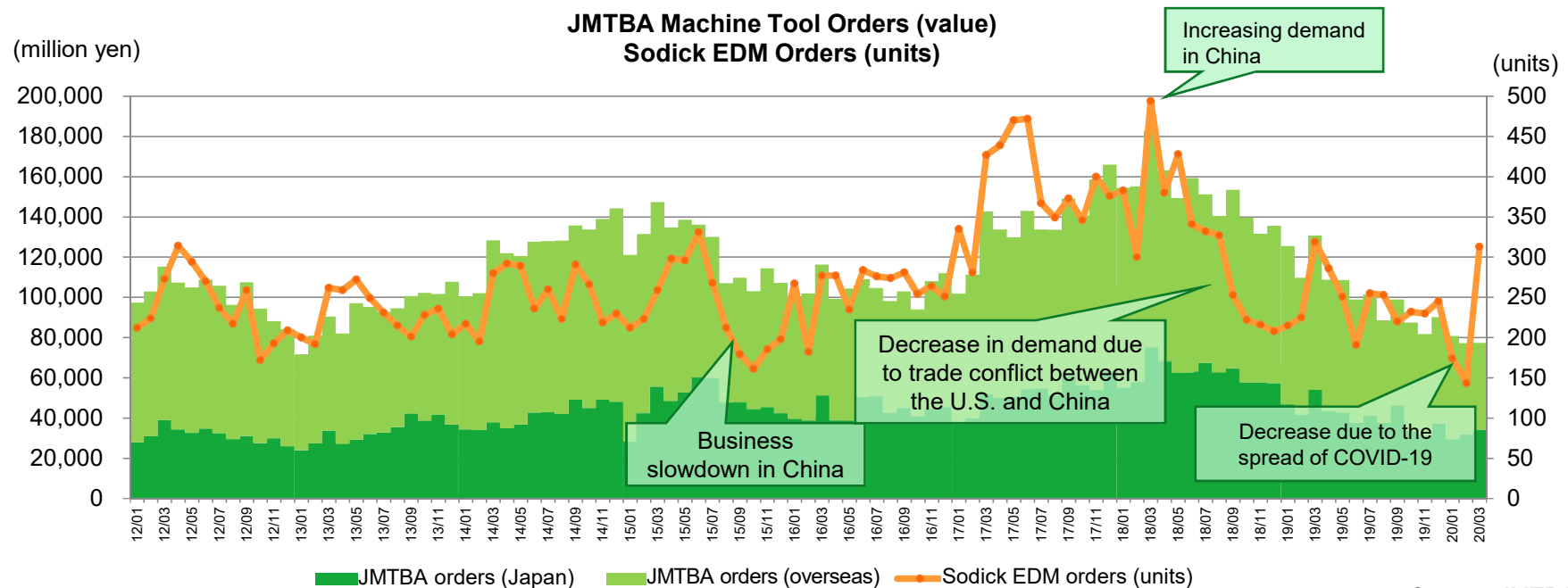
I. 1Q FY20/12 Financial Results Summary

II. FY20/12 Financial Results Projections

(Reference Materials)

Market Environment

- ✓ Japan: Despite the government's subsidy policy and potential demand, such as that for the replacement of aging facilities, the future is uncertain due to suspension of business activities and postponement of capital investment caused by the spread of COVID-19.
- ✓ North America and Europe: Business activities are limited by lockdown and curfew in response to the spread of COVID-19. Business conditions are expected to be extremely severe in the automotive-related and aerospace-related industries.
- ✓ China: In January and February 2020, sales activities and production at plants were halted hit by the spread of COVID-19, but they have been on a recovery trend since March 2020. Although the future of demand remains uncertain because of the worldwide spread of the infection, demand for high-precision machines is expected to continue over the medium to long term backed by the increasing sophistication of manufacturing and the growing need for automation against the backdrop of rising labor costs.
- ✓ Asia: Although economic conditions differ from region to region, the demand outlook remains cloudy due to the lockdown in some areas.



Source: JMTBA.

FY20/12 Financial Results Projections



- ✓ Because the impact of the global spread of COVID-19 has not been examined carefully, the full-year FY20/12 financial results projections announced in February 2020 remain unchanged.

(million yen)

	1Q FY20/12		FY20/12 Full-year		Progress toward projection	FY19/12 Full-year
	Actual	Income margin	Projection	Income margin		Actual
Net sales	13,030	-	67,800	-	19.2%	67,591
Operating income	-88	-	3,800	5.6%	-	3,422
Ordinary income	-67	-	3,800	5.6%	-	3,558
Net income	-18	-	3,100	4.6%	-	2,002

Average exchange rate over the period	USD	108.86 yen		106.00 yen		109.03 yen
	EUR	120.08 yen		118.00 yen		122.03 yen
	CNY	15.6 yen		15.40 yen		15.77 yen
	THB	3.48 yen		3.60 yen		3.52 yen

FY20/12 Financial Results Projections (by Segment)



					(million yen)	
		1Q FY20/12	FY20/12 Full-year	Progress toward projection	FY19/12	
		Actual	Projection		Actual	
Net sales	● Machine tool segment	8,238	45,400	18.1%	45,797	<u>Machine tool segment / Industrial machinery segment</u> ✓ Although there is potential demand for high-precision machines in the automotive and other fields, especially in China, spurred by the advancement of manufacturing technology, demand is expected to remain sluggish, dented by a slowdown in overseas economies caused by prolonged US-China trade friction. ✓ The situation is expected to be very severe, due in part to the restrictions on economic activity affected by the global spread of COVID-19.
	● Industrial machinery segment	2,556	9,700	26.4%	9,773	
	● Food processing machinery segment	782	6,300	12.4%	6,283	<u>Food processing machinery segment</u> ✓ 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. ✓ The situation is expected to be severe, due in part to the restrictions on economic activity affected by the global spread of COVID-19.
	● Other segments	1,453	6,400	22.7%	5,737	
		13,030	67,800	19.2%	67,591	
Segment income	● Machine tool segment	197	5,300	3.7%	4,621	<u>Other segments</u> ✓ Both precision die and molding business and external sales of ceramics are expected to see recovery in demand.
	● Industrial machinery segment	142	350	40.6%	165	
	● Food processing machinery segment	25	350	7.2%	625	
	● Other segments	60	300	20.1%	311	
		425	6,300	6.8%	5,723	
Adjustment amounts		-513	-2,500	—	-2,301	
Total operating income		-88	3,800	—	3,422	

*The effect of the spread of COVID-19 is not factored into the above projections.

I. 1Q FY20/12 Financial Results Summary

II. FY20/12 Financial Results Projections

(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	New schedule (In case of postponement)	Location		Exhibition	Notes
2020					
Apr. 21-24	2021 Apr. 13-16	China	Shanghai	Chinaplas	Exhibit injection molding machines Postponed to April 2021 due to spread of COVID-19
May 13-16	Sep. 23-26	Thailand	Bangkok	INTERMACH 2020	Postponed to September 2020 due to spread of COVID-19
May 18-22	Aug. 17-21	China	Beijing	CIMES (China International Machine Tools & Tools Exhibition)	Postponed to August 2020 due to spread of COVID-19
May 21-23	Oct. 29-31	Japan	Kanazawa	MEX Kanazawa	Postponed to October 2020 due to spread of COVID-19
Jun. 10-14	Oct. 10-13	China	Shanghai	Die & Mold China	Postponed to October 2020 due to spread of COVID-19
Jun. 23-26	-	Japan	Osaka	FOOMA JAPAN 2020	Food machinery and technology exhibition Cancelled due to spread of COVID-19
Jun. 24-27	2021 Jun. 23-26	Thailand	Bangkok	INTERMOLD THAI	Postponed to June 2021 due to spread of COVID-19
Sep. 14-19		U.S.	Chicago	IMTS2020	One of the world's largest machine tool fairs
Oct. 6-10		Japan	Makuhari	IPF Japan 2020 (International Plastics Fair)	Exhibit injection molding machines
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 Cancelled due to the postponement of the Tokyo Olympics

Reference Materials: Status of Responses to the Spread of COVID-19



✓ Status of responses at our major sites is as shown below (as of May 12).

	Site	Location	Operation status
China	Suzhou Plant	Suzhou, Jiangsu Province	Began partial operations on Friday, February 14 Almost normal operation status
	Amoy Plant	Xiamen, Fujian Province	Began partial operations on Monday, February 17 Almost normal operation status
	Sales subsidiaries	Shanghai / Shenzhen, Guangdong Province	Began partial operations on Monday, February 17 Mostly able to operate normally
Asia	Thailand Plant		Normal operation
	Other sales sites in Asia		Basically, working from home
Japan	Head Office and Research and Technology Center	Yokohama City	Working from home in principle
	Sales offices		Working from home in principle
	Kaga Plant / Fukui Plant	Ishikawa / Fukui	Workers who can work at home gradually shifting to work-at-home arrangements Manufacturing Division continuing production with thorough avoidance of the three conditions that facilitate the transmission of the infectious disease
Europe	Sales subsidiaries	U.K., Germany	Some employees going to the office, but basically working from home
North America	Sales and development subsidiary	U.S.	Some employees going to the office, but basically working from home

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