



TSE 1st Section, 6143

2Q FY20/12
Results Briefing

August 14, 2020

Sodick Co., Ltd.

I. 2Q FY20/12 Financial Results Summary

II. FY20/12 Financial Results Projections

III. Shareholder Return Policy

(Reference Materials)

Financial Results Highlights



- ✓ Due to the impact of COVID-19 pandemic, sales of electrical discharge machines (EDMs) sharply decreased all over the world including China, our major customer market.
- ✓ Profit fell over 80% from a year earlier, mainly on account of a decline in the profitability of the plants associated with a decrease in production volume.

(million yen)

	2Q FY19/12		2Q FY20/12		YoY change		FY20/12 Full-year projection (Revised on Aug. 7)	
	Actual	Income margin	Actual	Income margin	Amount	Rate	Amount	Income margin
Net sales	32,717	-	26,702	-	-6,015	-18.4%	54,500	-
Gross profit	11,331	34.6%	8,432	31.6%	-2,899	-25.6%		
Operating income	2,127	6.5%	345	1.3%	-1,781	-83.8%	1,000	1.8%
Ordinary income	2,073	6.3%	362	1.4%	-1,711	-82.5%	1,000	1.8%
Net income	892	2.7%	105	0.4%	-786	-88.1%	500	0.9%
	Ratio to sales		Ratio to sales					
Capital investment	2,760	8.4%	810	3.0%			4,500	
Depreciation	1,667	5.1%	1,671	6.3%			3,800	
R&D expenses	1,911	5.8%	1,577	5.9%			3,400	
Average exchange rate over the period	USD	110.06 yen	108.23 yen		1.83 yen up		107.00 yen	
	EUR	124.32 yen	119.31 yen		5.01 yen up		121.00 yen	
	CNY	16.19 yen	15.38 yen		0.81 yen up		15.30 yen	
	THB	3.49 yen	3.43 yen		0.06 yen up		3.45 yen	

*Reference information Exchange rate at end of Jun. 2020 USD: 107.74 yen EUR: 121.08 yen CNY: 15.23 yen THB: 3.49 yen
Exchange rate at end of Jun. 2019 USD: 107.79 yen EUR: 122.49 yen CNY: 15.69 yen THB: 3.50 yen

Financial Results Highlights (Quarterly)



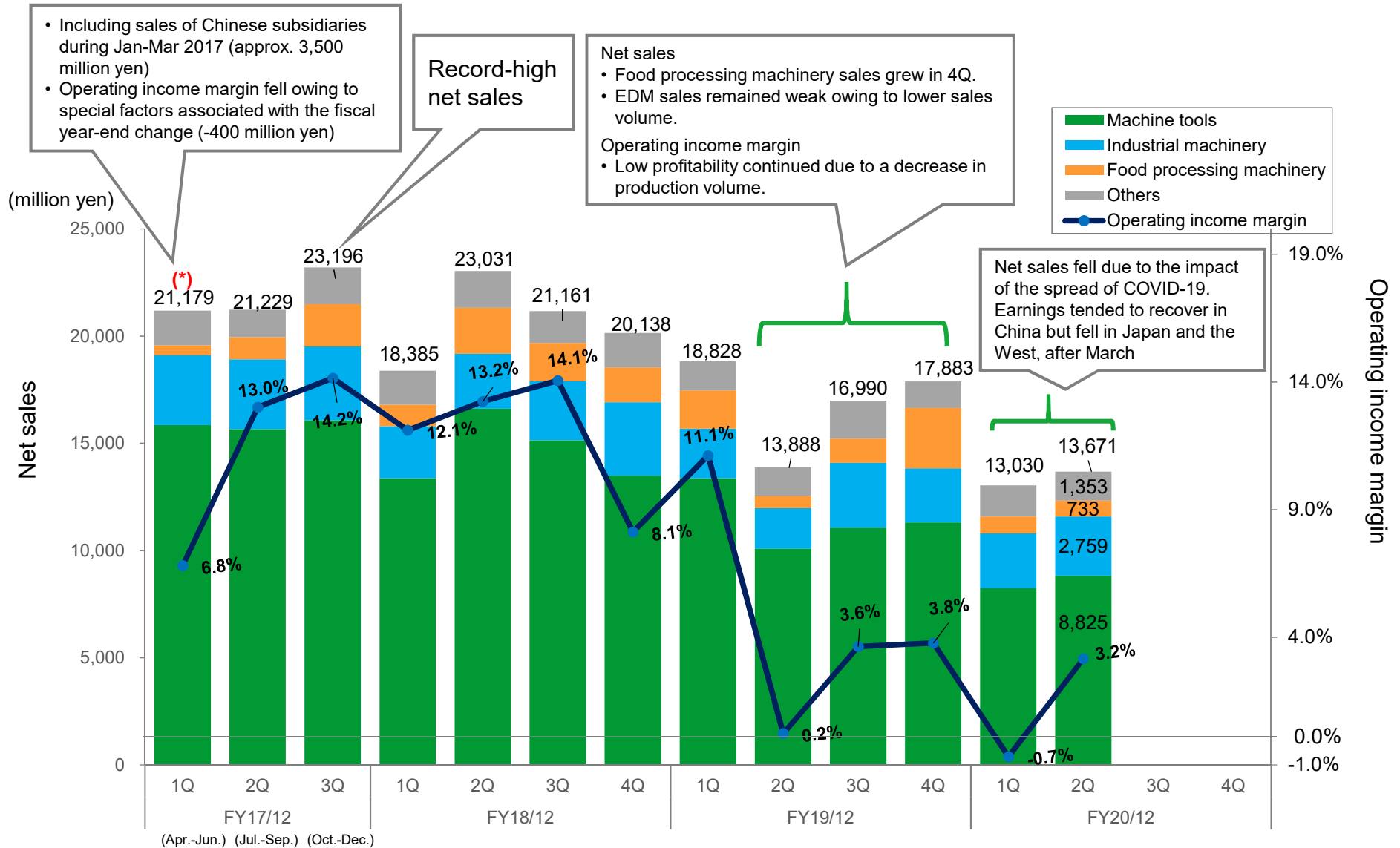
- ✓ In the second quarter, although net sales fell due to restricted business activities owing to lockdowns and restrictions of going outside resulting from the spread of COVID-19 in Japan, the West, and Asia, sales recovered substantially in China compared with the first quarter and pulled the whole sales along.
- ✓ In the second quarter, results returned to profit thanks to the improved profitability of factories owing mainly to an increase in production volume.

(million yen)

	FY20/12				YoY change	
	1Q (Jan.-Mar.)	Income margin	2Q (Apr.-Jun.)	Income margin	Amount	Rate
Net sales	13,030	-	13,671	-	640	4.9%
Gross profit	4,073	31.3%	4,358	31.9%	285	7.0%
Operating income	-88	-0.7%	433	3.2%	521	-
Ordinary income	-67	-0.5%	430	3.1%	497	-
Net income	-18	-0.1%	124	0.9%	142	-

Average exchange rate over the period	USD	108.86 yen		108.23 yen	
	EUR	120.08 yen		119.31 yen	
	CNY	15.60 yen		15.38 yen	
	THB	3.48 yen		3.43 yen	

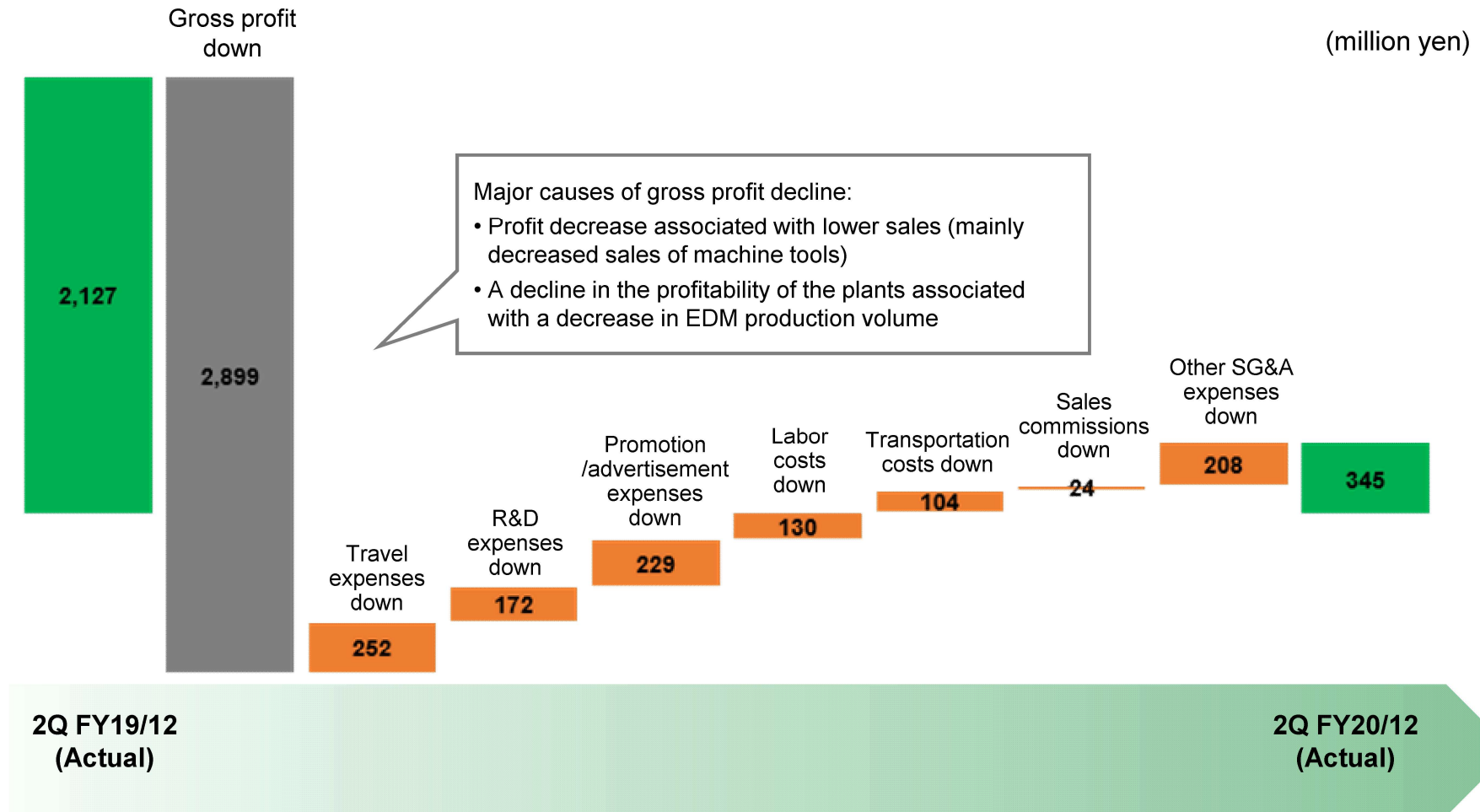
Ratio of Operating Income to Net Sales (Quarterly)



(*) 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

- ✓ Sodick had operating income of 345 million yen owing to a substantial fall in gross profit due mainly to a decrease in net sales, though SG&A expenses fell by about 1,000 million yen as a whole owing mainly to a decrease in travel expenses resulting from restriction of business trips, a decrease in promotion/advertisement expenses resulting from cancelled exhibitions, and a decrease in personnel expenses resulting from overtime work decreased.



Financial Results by Segment



(million yen)

		FY19/12	FY20/12	YoY change		FY20/12 Full-year projection (Revised on Aug. 7)
		2Q Actual	2Q Actual	(Amount)	(Rate)	
Net sales	● Machine tool segment	23,444	17,063	-6,381	-27.2%	35,000
	● Industrial machinery segment	4,213	5,316	1,102	26.2%	9,300
	● Food processing machinery segment	2,344	1,515	-828	-35.4%	4,600
	● Other segments	2,715	2,807	91	3.4%	5,600
		32,717	26,702	-6,015	-18.4%	54,500
Segment income	● Machine tool segment	2,862	941	-1,921	-67.1%	2,250
	● Industrial machinery segment	-3	276	279	—	400
	● Food processing machinery segment	293	5	-287	-98.1%	150
	● Other segments	64	219	155	241.8%	400
		3,216	1,442	-1,773	-55.1%	3,200
Adjustment amounts		-1,089	-1,097	-8	—	-2,200
Total operating income		2,127	345	-1,781	-83.8%	1,000

Financial Results by Segment



(million yen)

Machine Tool Segment

Net sales

- Net sales for the 2Q of the cumulative accounting period fell substantially from a year earlier as there was a tendency to postpone product shipment and capital investment in a wide range of industries, including automotive, electronic component and aerospace ones, due to the impact of the spread of COVID-19.
- Net sales for the 2Q rose compared with the 1Q. In China, net sales rose substantially thanks to demand recovered in 5G-related and semiconductor-related fields after March. However, In Japan, the West, and Asia, net sales fell due to restricted business activities owing mainly to lockdowns and restrictions of going outside.

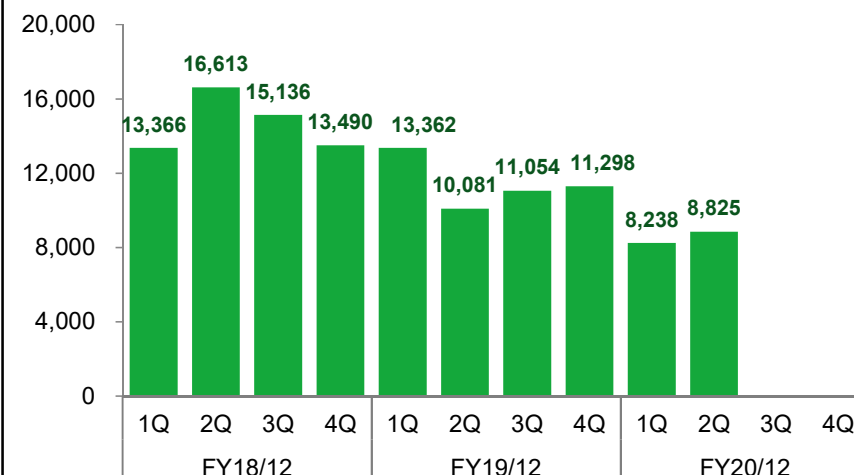
Segment income

- 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.

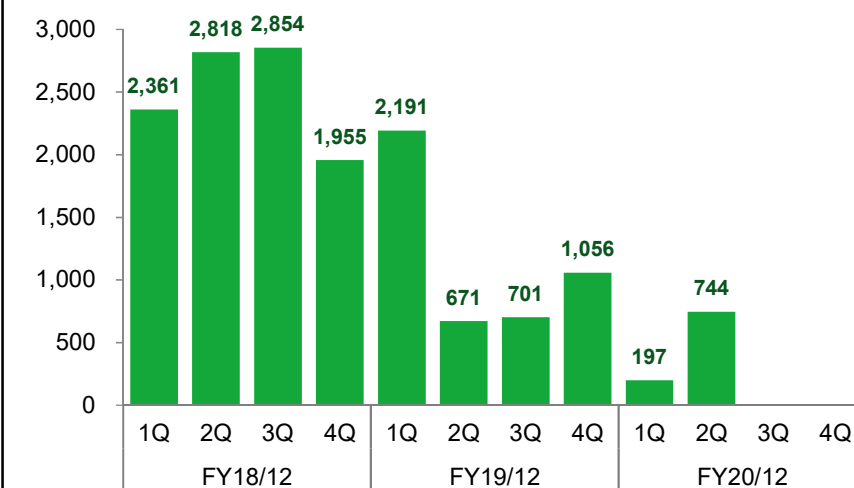
(million yen)

	2Q FY19/12 (cumulative)	2Q FY20/12 (cumulative)	YoY change	
			Amount	Rate
Net sales	23,444	17,063	-6,381	-27.2%
Segment income	2,862	941	-1,921	-67.1%

Net sales (Quarterly)



Segment income (Quarterly)



Financial Results by Segment



(million yen)

■ Industrial Machinery Segment

Net sales

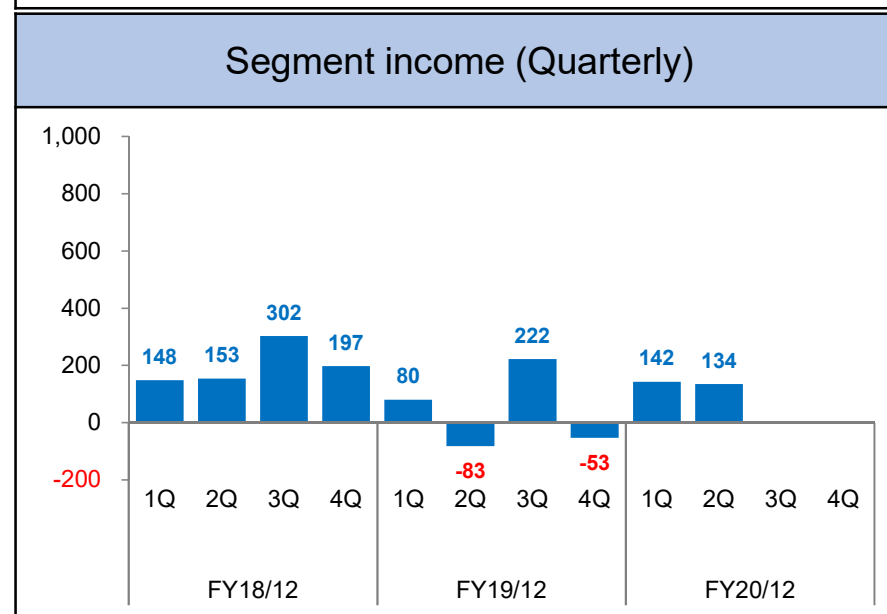
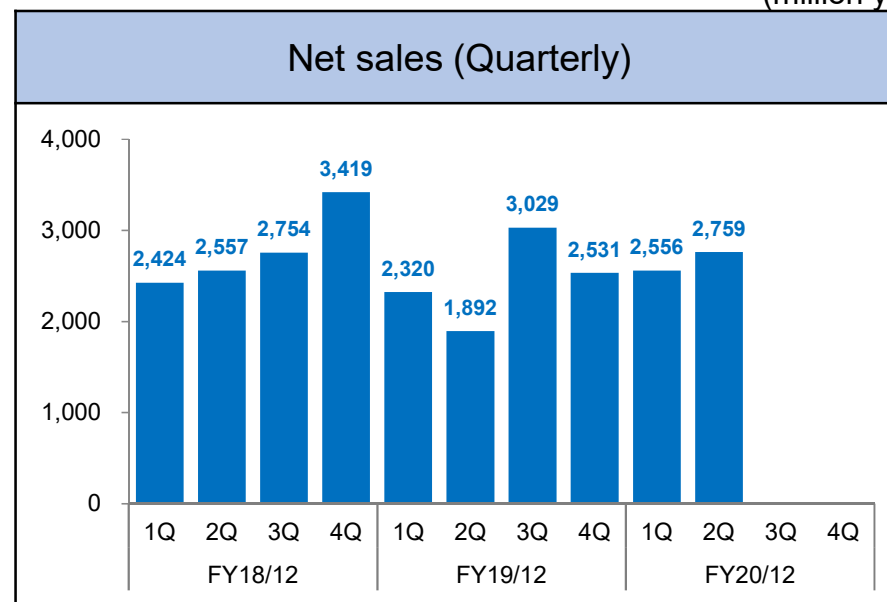
- A situation where economic activities were restrained continued due to the impact of the global spread of COVID-19.
- Net sales rose from a year earlier thanks mainly to a demand for products for next generation auto-related industries, such as CASE, in addition to projects for 5G smartphone antenna components and for lenses.
- On the other hand, a lull was seen in the most recent order receiving, and the prospects of the situation are unpredictable.

Segment income

- Segment income improved substantially from a year earlier thanks to the sustained sale of high value-added products.

(million yen)

	2Q FY19/12 (cumulative)	2Q FY20/12 (cumulative)	YoY change	
			Amount	Rate
Net sales	4,213	5,316	1,102	26.2%
Segment income	-3	276	279	-



Financial Results by Segment



(million yen)

Food Processing Machinery Segment

Net sales

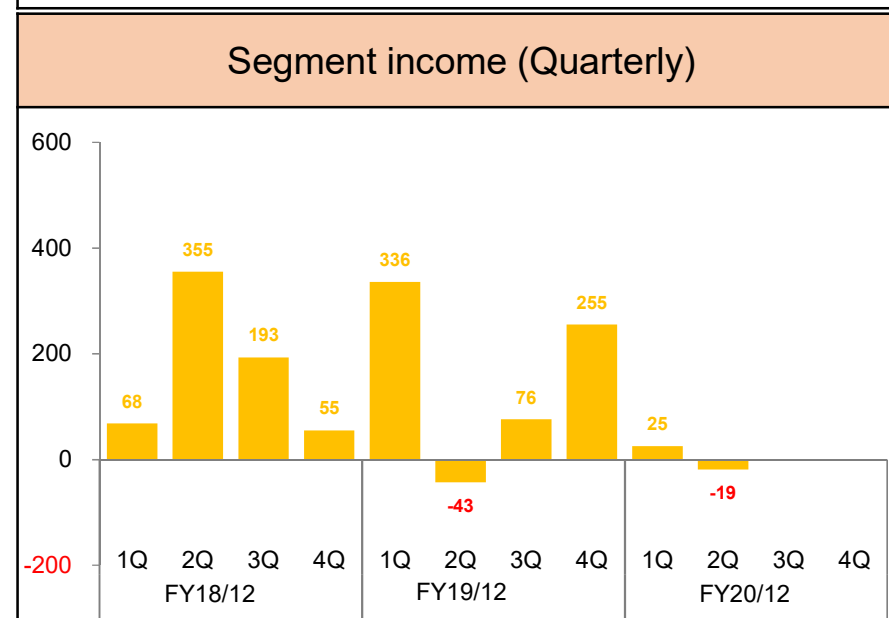
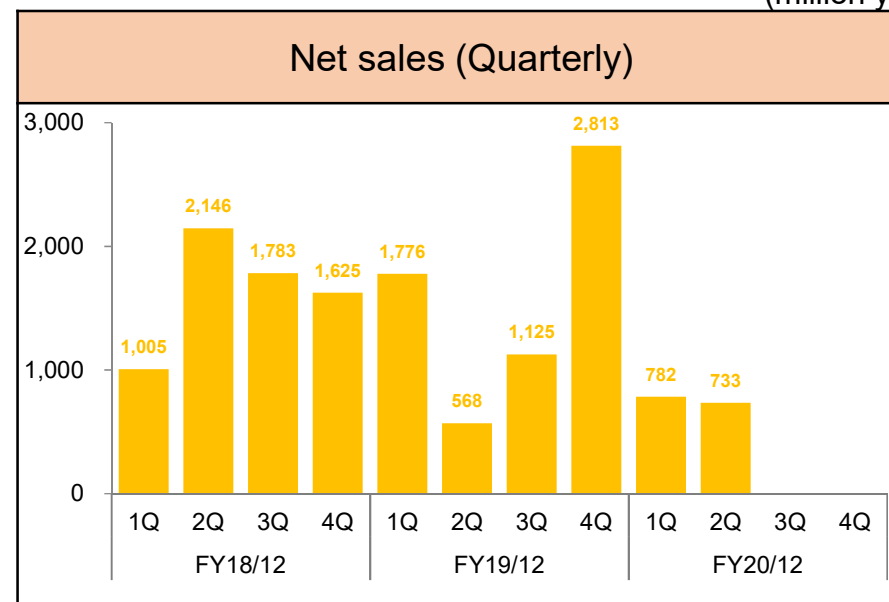
- There was a continuous demand for sanitary equipment and equipment to respond to manpower reduction and a growing demand related to nest-dweller consumption resulting from refraining from going outside.
- Net sales plunged from a year earlier due mainly to the expectation that sales from major projects will be recorded after the second half of the current fiscal year, to postponement of capital investment in food service-related industries owing to the spread of COVID-19, and to the absence of major noodle-making equipment projects unlike in the same quarter of the previous fiscal year.

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)

	2Q FY19/12 (cumulative)	2Q FY20/12 (cumulative)	YoY change	
			Amount	Rate
Net sales	2,344	1,515	-828	-35.4%
Segment income	293	5	-287	-98.1%



Financial Results by Segment



(million yen)

■ Other Segments

Net sales

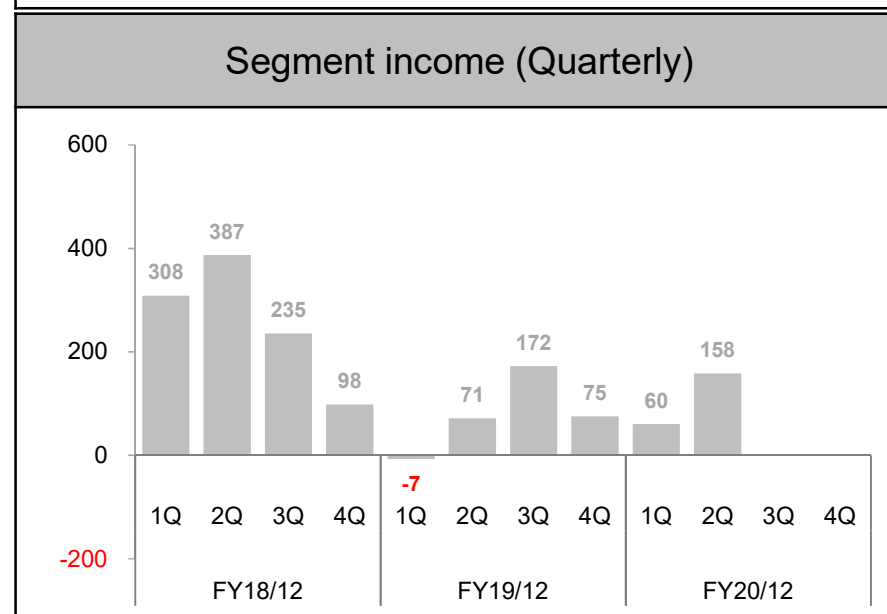
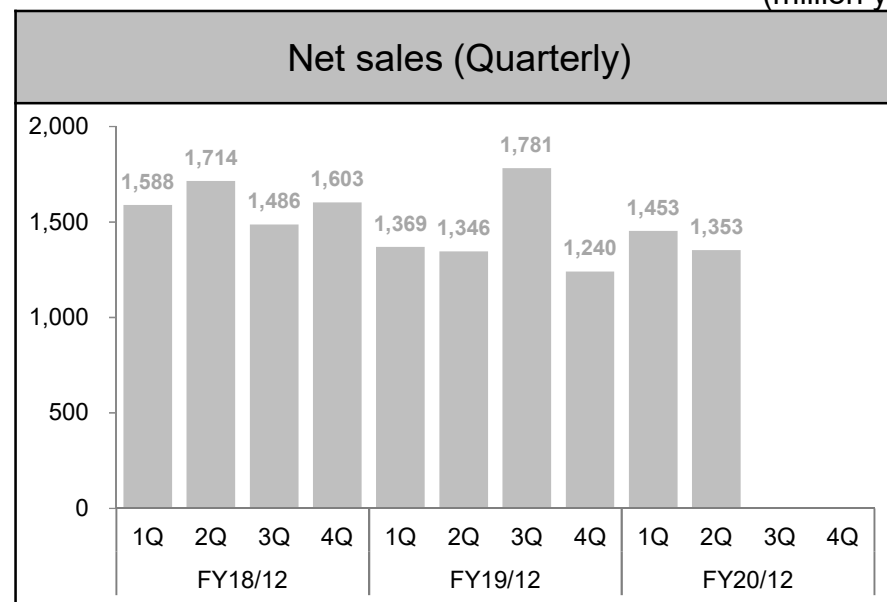
- In the precision die and molding business, net sales rose from a year earlier, in which business environment deteriorated due to the impact of trade friction between the US and China, but the prospects of the situation is unpredictable due to a sluggish demand in the automotive industry which resulted from the spread of COVID-19.
- A demand for ceramics continued to slow due to the spread of COVID-19.

Segment income

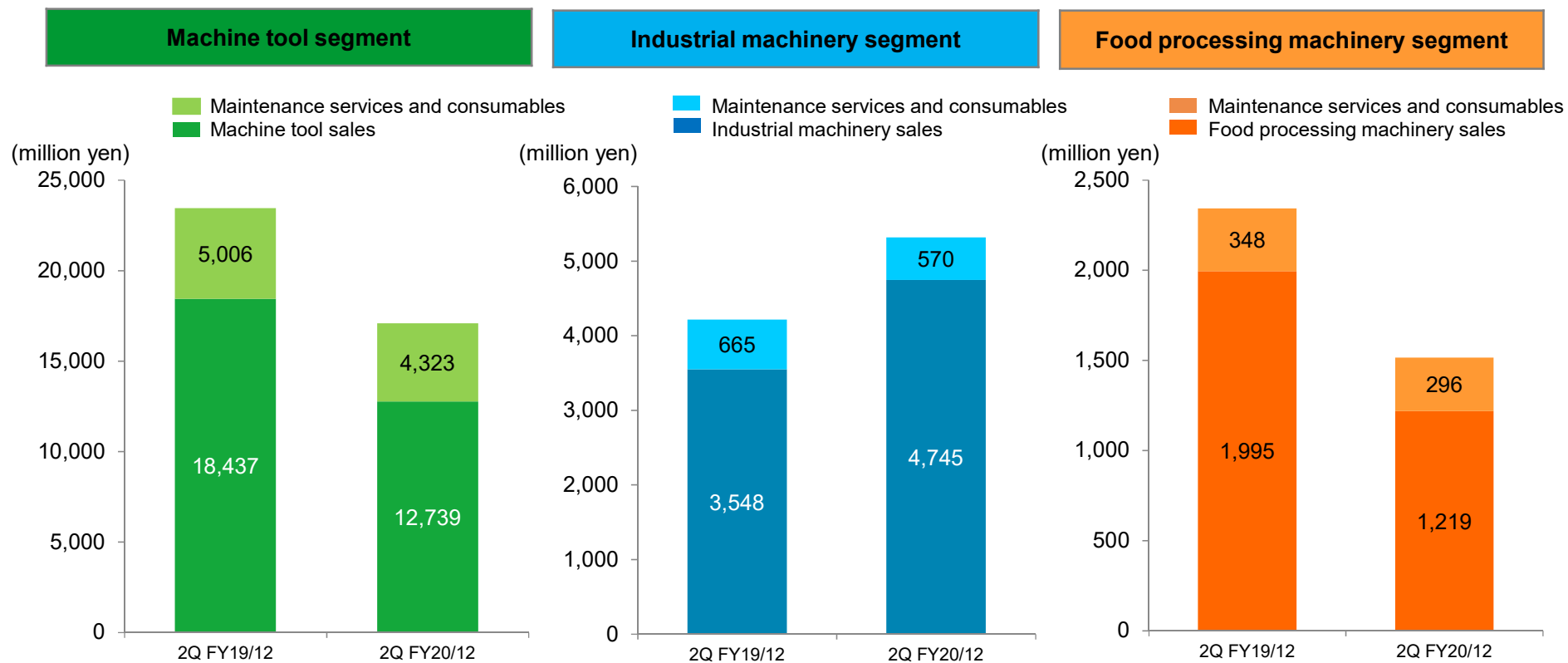
- Segment income tended to recover a little from a year earlier, in which profitability declined due to business environment deteriorated and R&D investment but remained sluggish.

(million yen)

	2Q FY19/12 (cumulative)	2Q FY20/12 (cumulative)	YoY change	
			Amount	Rate
Net sales	2,715	2,807	91	3.4%
Segment income	64	219	155	241.8%



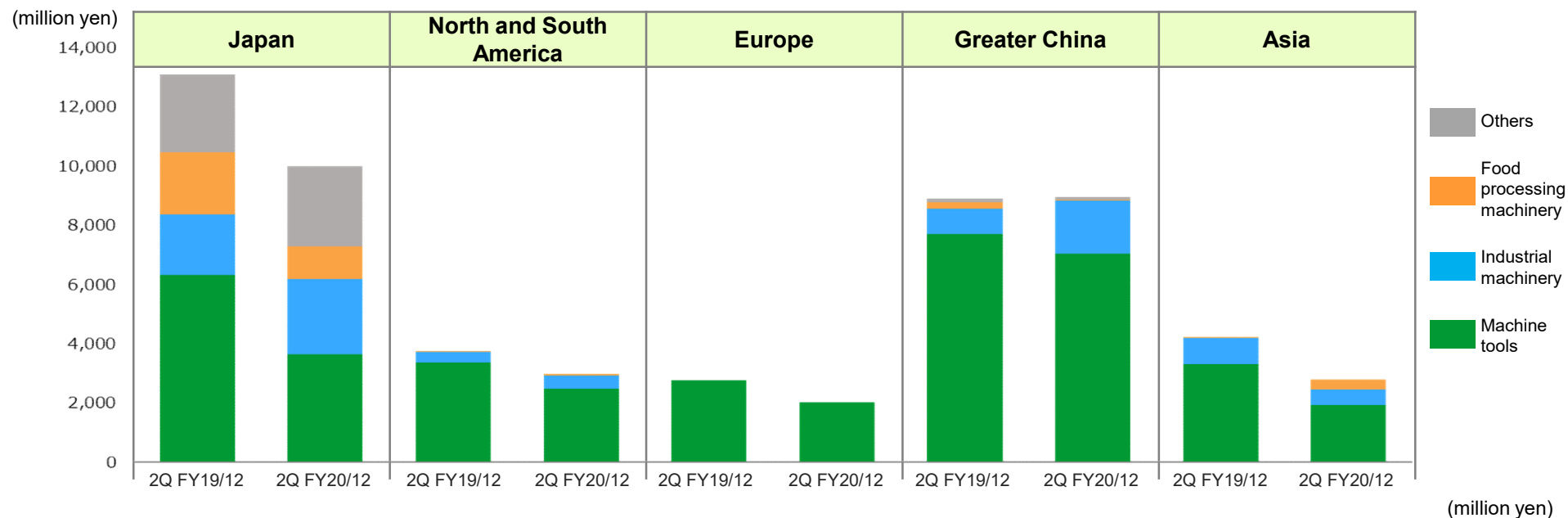
Net Sales by Segment



	Machine tool segment				Industrial machinery segment				Food processing machinery segment			
	2Q FY19/12		2Q FY20/12		2Q FY19/12		2Q FY20/12		2Q FY19/12		2Q FY20/12	
Machine sales	18,437	78.6%	12,739	74.7%	3,548	84.2%	4,745	89.3%	1,995	85.1%	1,219	80.5%
Maintenance services and consumables	5,006	21.4%	4,323	25.3%	665	15.8%	570	10.7%	348	14.9%	296	19.5%
Total	23,444		17,063		4,213		5,316		2,344		1,515	

Overseas Sales Ratio by Segment

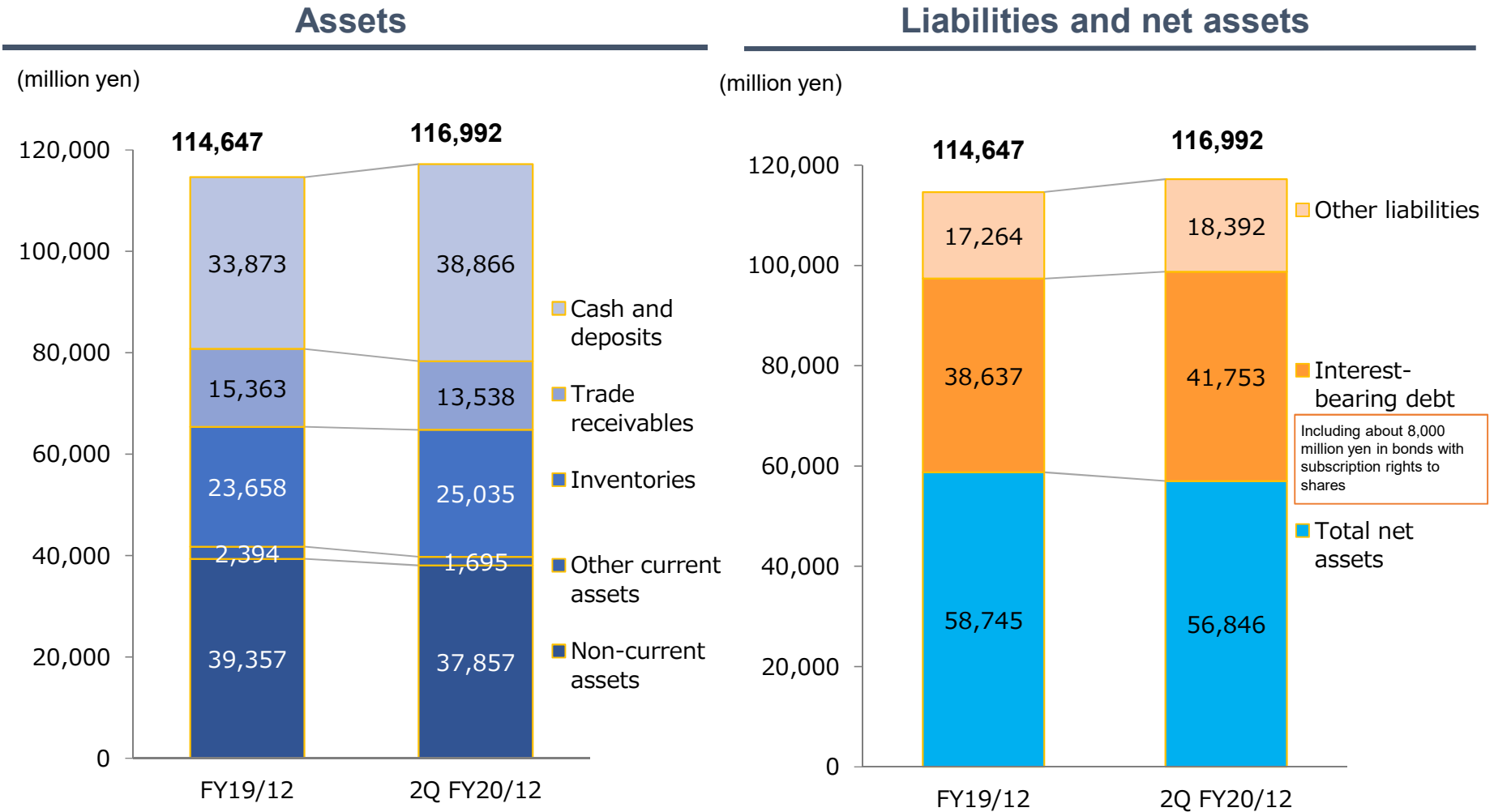
✓ Net sales fell substantially in other regions than China. Ratio of overseas sales was 62.7%.



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%
2Q FY20/12	Japan		North and South America		Europe		Greater China		Asia		Total	
Machine tools	3,614	21.2%	2,487	14.6%	1,999	11.7%	7,038	41.2%	1,923	11.3%	17,063	63.9%
Industrial machinery	2,551	48.0%	426	8.0%	-	-	1,794	33.8%	543	10.2%	5,316	19.9%
Food processing machinery	1,089	71.9%	74	4.9%	-	-	19	1.3%	331	21.9%	1,515	5.7%
Others	2,710	96.5%	-	-	-	-	97	3.5%	-	-	2,807	10.5%
By region - Total	9,965	37.3%	2,987	11.2%	1,999	7.5%	8,950	33.5%	2,798	10.5%	26,702	100.0%
Effect of exchange rate	-		Around -40 million yen		Around -90 million yen		Around -370 million yen		Around -50 million yen		Around -540 million yen	

Balance Sheet

- ✓ Net interest-bearing debt totaled 2,886 million yen (down 1,877 million yen from the end of the previous fiscal year).



*Reference information Exchange rate at end of Jun. 2020 USD: 107.74 yen EUR: 121.08 yen CNY: 15.23 yen THB: 3.49 yen
 Exchange rate at end of Dec. 2019 USD: 109.56 yen EUR: 122.54 yen CNY: 15.67 yen THB: 3.63 yen

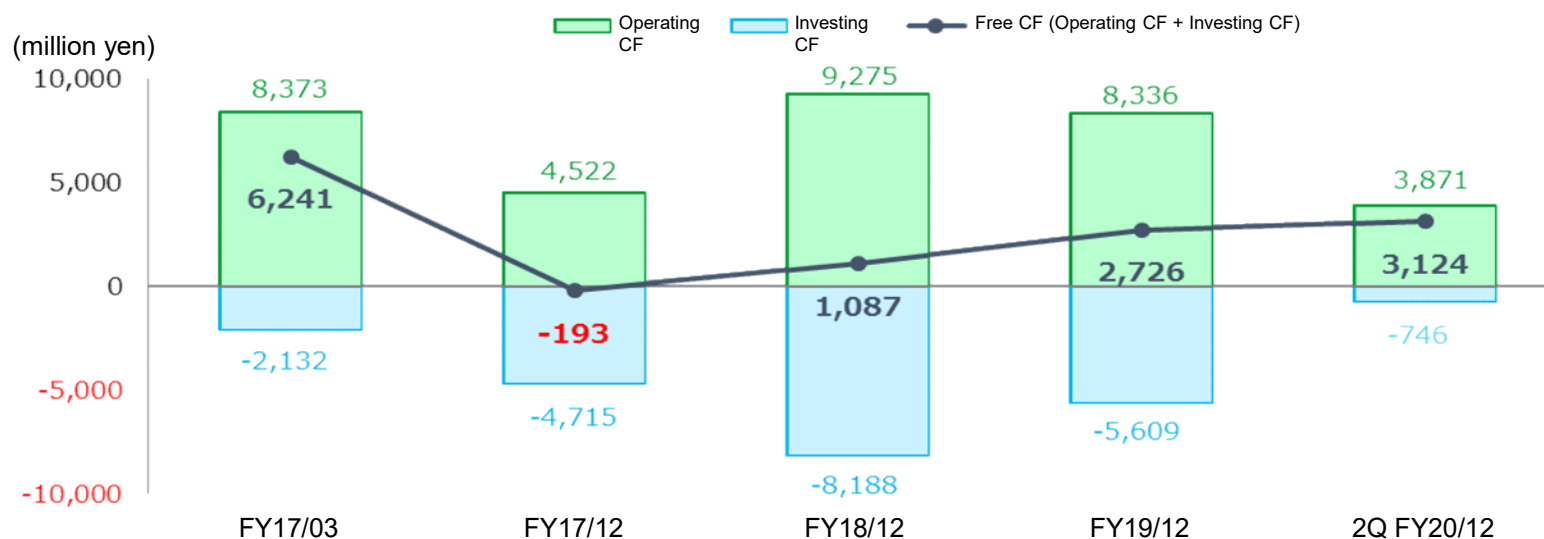
Cash Flow



- ✓ Cash flows from operating activities resulted in a surplus of 3,871 million yen thanks to a decrease in trade receivables, despite of a decrease in net income before taxes.
Cash flows from investing activities secured a surplus of 3,124 million yen in free cash flows thanks to a decrease in capital investment in and outside Japan.
- ✓ Cash flows from financing activities resulted in a surplus of 2,361 million yen as long-term loans payable were offset in part by repayment of long-term loans payable.

(million yen)

	2Q FY19/12	2Q FY20/12	Major factors in changes
Cash flows from operating activities	5,807	3,871	A decrease of about 1,700 million yen in accounts receivable trade
Cash flows from investing activities	-3,392	-746	Purchase of property, plant and equipment of about -800 million yen
Cash flows from financing activities	-1,335	2,361	Proceeds from long-term loans payable of about 7,000 million yen Repayment of long-term loans payable of about -4,000 million yen
Cash and cash equivalents at the end of current period	33,295	37,898	



1 Recognized as one of the 2020 Global Niche Top 100 Companies

The 2020 Global Niche Top 100 Companies is a project carried out by the Ministry of Economy, Trade and Industry (METI). Of companies which are opening up the international market, with regard to those which have a large market share in niche fields and manage themselves in a good way, one hundred of them are recognized and honored in public in the project for the purpose of making them well known and supporting them in overseas business expansion.

The METI carried out a project, the Global Niche Top Companies Selection 100 in 2014 and recognized 100 selected companies. It was decided that companies which are active in niche fields in business environment changing quickly afterward would be newly selected as one of “global niche top companies recognized by METI”.

We applied for a candidate and selected as a METI recognized global niche top company since a NC EDM, one of our key items that is produced in our business taken over from generation to generation, was highly appreciated in the screening by the screening and evaluation committee.



▲ NC Die-sinker EDM No. 1 with a microcomputer



▲ Commendation as one of the Global Niche Top 100 Companies

2 Start of a benchmark test service for aluminum alloy molding using a metal 3D printer LPM325

We have carried on with research and development to increase our line of metal powder products which can be used by metal 3D printers, and have added an aluminum alloy AlSi10Mg to our line of products as well as started a benchmark test service.

Aluminum alloy is excellent in strength, hardness, and mechanical properties and is often used for automotive-related components.

We will make efforts to meet an increasingly growing need for weight reduction in the future.



▲ Cylinder block mold
(an example)

3 Development of a large double shaft mixer for producing instant noodle dough

A large double shaft mixer, which is a machine for producing noodle dough by kneading flour and water, is capable of mixing powder and water equally with two beating shafts fixed to produce noodles of high quality. It is a large machine capable of beating 350 kg flour at a time to allow mass-production of noodles.

We will promote the sale of the mixer after this to gain a share of the instant noodle market on the expectation that demand will grow in that market in and outside Japan.



▲ Large double shaft mixer

Status of Responses to the Spread of COVID-19

✓ Status of operations at our major sites is as shown below (as of August 7)

Site	Operation status
Japan	Partially restrict the use of public transportation and continue to promote working at home Lay employees off for several days from August to October
The West	Have employees go to the office and work at home in rotation
China	Almost normal operation
Asia	Normal operation Adjust operating days at the Thailand Plant in line with reduced demand

✓ Responses at the Sodick Group

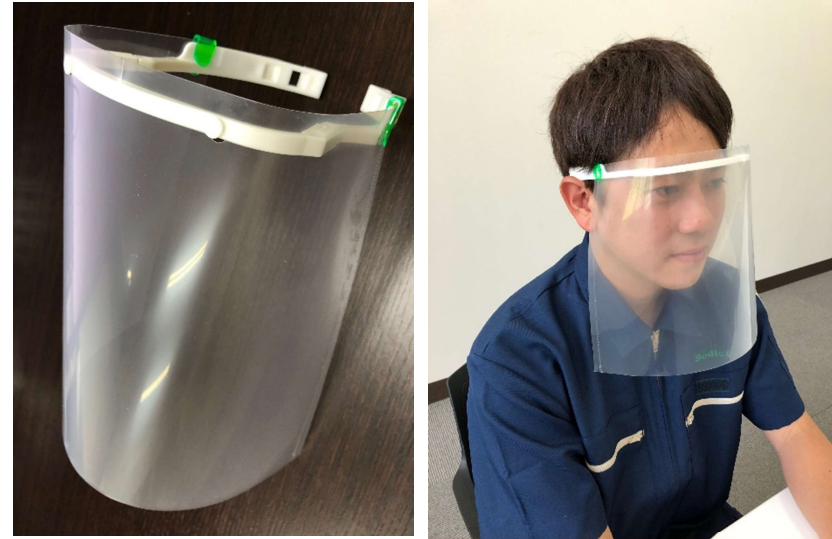
- Keep proper stock level through production adjustment in line with reduced demand (operating day adjustment at the Thailand Plant)
- Conduct a drastic review of the supply chain, including a review of suppliers and pushing ahead with insourcing
- Lay off our all employees in Japan
- Be thorough in cost reductions at the whole company level
- Reduce salaries in some Group companies
- Prohibit business trips (at home and abroad), as a rule
- Promote working at home, staggered working hours, and the use of the web conference system
- Give special vacations for special school closures
- Push ahead with business activities making use of web exhibitions and the like
- Be thorough in safety and health measures (e.g. mask wearing, taking temperature, disinfection with alcohol, restricted cafeteria use hours, and refraining from contacting with the outside)
- Produce face shields, distribute them to employees, and supply them to medical organizations various public institutions, sports-related facilities and organizations

1 Development of a face shield frame Face Tech

We have developed a face shield frame useful for preventing COVID-19 infection, and have established a production system with a monthly output of 100,000 products since the beginning of July. We donate and supply the frames to sports-related facilities and organizations, which are essential to enlivening society, not to mention medical organizations and various public institutions.

The frame part of the face shield is produced using a metal 3D printer OPM250L and a injection molding machine MR30 dedicated thereto. The mold is equipped with 3D cooling piping and is capable of reducing cooling time by half in molding and reducing a cycle of molding by 20% through 50%, achieving low costs.

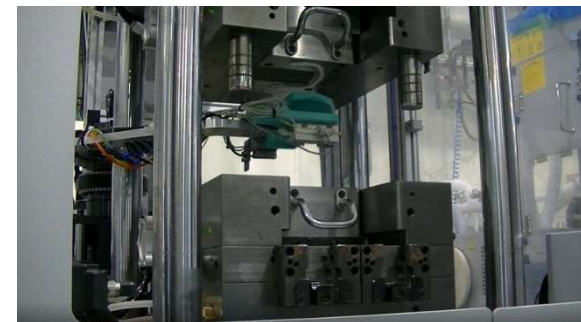
A piece of stationary or daily necessities, such as a clear plastic folder or laminate film, can be used for the shield part. The frame is excellent in cost and sanitary aspects



▲ Face Tech and a state of wearing it



▲ A mold equipped with 3D cooling piping



▲ Injection molding machine MR30

2 Holding of web exhibitions

Under circumstances where exhibitions are cancelled in various places and where we cannot visit our customers, we hold web exhibitions on our website, which are a new technique of business, to introduce new models and functions. In addition to information that was to be made public at actual exhibitions, we present various contents, such as detailed information which can be presented only on websites, and videos of various functions and examples of manufacturing.



The exhibition booth is here! https://www.sodick.co.jp/special/WebExhibition_Entrance/index_en.html



Injection molding machine MS series

Wire-cut EDM AL series

Die-sinker EDM AL40G/AL60G

Metal 3D printer LPM325

3 Holding of remote schools

We regularly hold schools to give its customers explanations of outlines of EDMs and injection molding machines and machining methods as well as of methods of creating NC programs and the like. We have held the schools at its offices previously, but have decided on holding new remote schools making use of the web after July. We provide its customers opportunities to experience practice in which the customers operate machines actually through remote operations of the customers' PCs and real machines for training.



I. 2Q FY20/12 Financial Results Summary

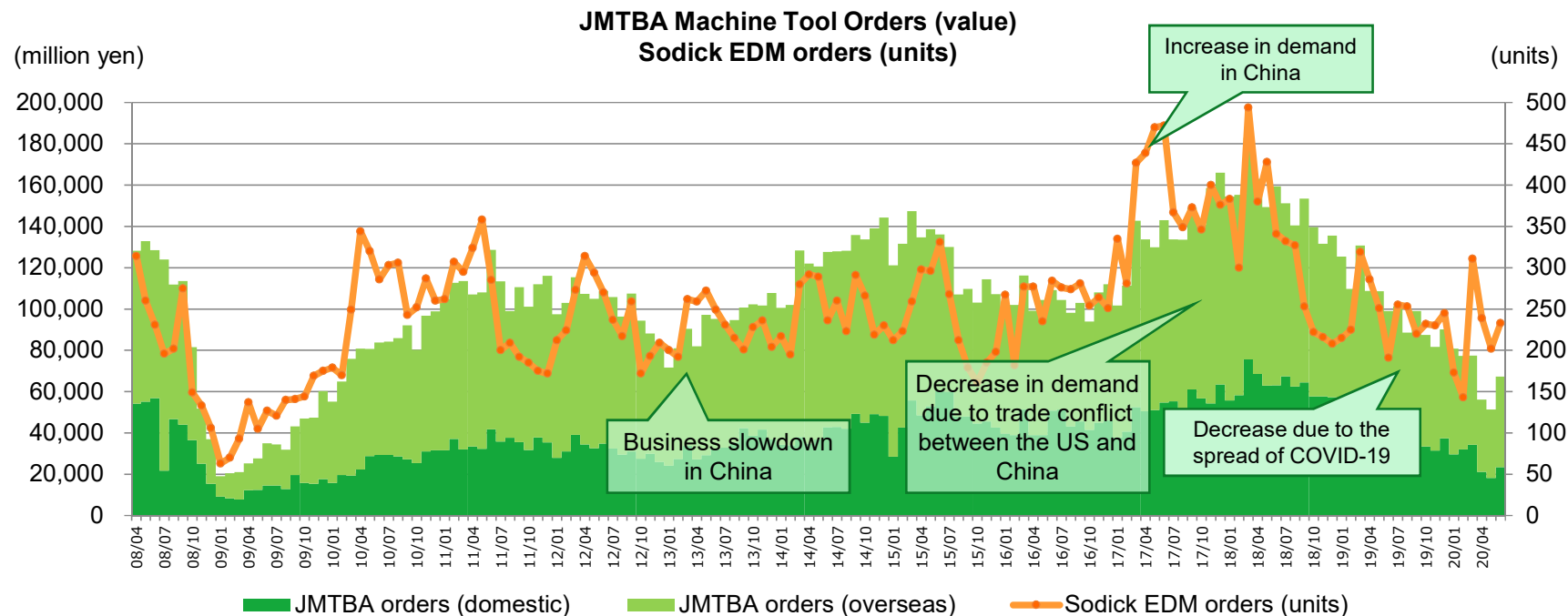
II. FY20/12 Financial Results Projections

III. Shareholder Return Policy

(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: Lockdowns and restrictions of going outside have been gradually terminated, and economic activities have resumed. However, the situation is expected to be very tense in auto-related industries and aerospace-related ones.
- ✓ China: Although a tendency to recover has continued since March, prospects remain unpredictable due mainly to the global spread of COVID-19 and worsened relations between the US and China. However, a demand for high-precision machines is expected to continue in a medium-to-long period thanks to growing needs for advanced and automated manufacturing.
- ✓ Asia: Although economic conditions differ from region to region, the situation is expected to remain tense due mainly to restrictions of movement in some regions.



Source: JMTBA.

FY20/12 Full-year Financial Results Projections (Compared with Original Projections)



- ✓ Made a downward revision of the plan at the beginning of the term in view of financial results for the cumulative second quarter and the impact of the spread of COVID-19 at the most recent time.

(million yen)

	FY20/12 Full-year		FY20/12 Full-year		YoY chg.	
	Original projection (announced on Feb. 14)	Income margin	Revised projection (announced on Aug. 7)	Income margin	Amount	YoY change Rate
Net sales	67,800	—	54,500	-	-13,300	-19.6%
Operating income	3,800	5.6%	1,000	1.8%	-2,800	-73.7%
Ordinary income	3,800	5.6%	1,000	1.8%	-2,800	-73.7%
Net income	3,100	4.6%	500	0.9%	-2,600	-83.9%

Actual average exchange rate over the first half Expected exchange rate over the second half Full-year expected exchange rate

Average exchange rate over the period	USD	106.00 yen	108.23 yen	106.00 yen	107.00 yen
	EUR	118.00 yen	119.31 yen	123.00 yen	121.00 yen
	CNY	15.40 yen	15.38 yen	15.23 yen	15.30 yen
	THB	3.60 yen	3.43 yen	3.49 yen	3.45 yen

* FY20/12 full-year financial results projections were revised.

FY20/12 Full-year Financial Results Projections (progress)

- ✓ Made a downward revision of the plan at the beginning of the term in view of financial results for the cumulative second quarter and the impact of the spread of COVID-19 at the most recent time.

(million yen)

	2Q FY20/12		FY20/12 Full-year		Progress toward projection	FY19/12 Actual
	Actual	Income margin	Projection (revised on Aug. 7)	Income margin		
Net sales	26,702	-	54,500	-	49.0%	67,591
Operating income	345	1.3%	1,000	1.8%	34.5%	3,422
Ordinary income	362	1.4%	1,000	1.8%	36.2%	3,558
Net income	105	0.4%	500	0.9%	21.1%	2,002

Average exchange rate over the period	USD	108.23 yen		107.00 yen		109.03 yen
	EUR	119.31 yen		121.00 yen		122.03 yen
	CNY	15.38 yen		15.30 yen		15.77 yen
	THB	3.43 yen		3.45 yen		3.52 yen

FY20/12 Full-year Financial Results Projections (by Segment)

		FY20/12			(million yen)
		2Q Actual	Second-half projection	Full-year projection (announced on Aug. 7)	FY19/12 Actual
Net sales	● Machine tool segment	17,063	17,936	35,000	45,797
	● Industrial machinery segment	5,316	3,983	9,300	9,773
	● Food processing machinery segment	1,515	3,084	4,600	6,283
	● Other segments	2,807	2,792	5,600	5,737
		26,702	27,797	54,500	67,591
Segment income	● Machine tool segment	941	1,308	2,250	4,621
	● Industrial machinery segment	276	123	400	165
	● Food processing machinery segment	5	144	150	625
	● Other segments	219	180	400	311
		1,442	1,757	3,200	5,723
Adjustment amounts		-1,097	-1,102	-2,200	-2,301
Total operating income		345	654	1,000	3,422

Machine tool segment

- ✓ Although there is a potential demand for high-precision machines in the automotive and other fields mainly in China thanks to the advancement of manufacturing technology, the situation is expected to be tense due mainly to restricted economic activities owing to the impact of the global spread of COVID-19.

Industrial machinery segment

- ✓ There is a lull in the most recent order receiving, and the situation is expected to be a little tense in the second half.

Food processing machinery segment

- ✓ Although a demand for both noodle-making equipment and cooked-rice production systems is to continue, restricted economic activities are seen due to the impact of the global spread of COVID-19.

Other segments

- ✓ Both precision die and molding business and external sales of ceramics are expected to see a slowdown in demand.

* Full-year financial results projections by segment have been revised in part owing to a revision of financial results projections

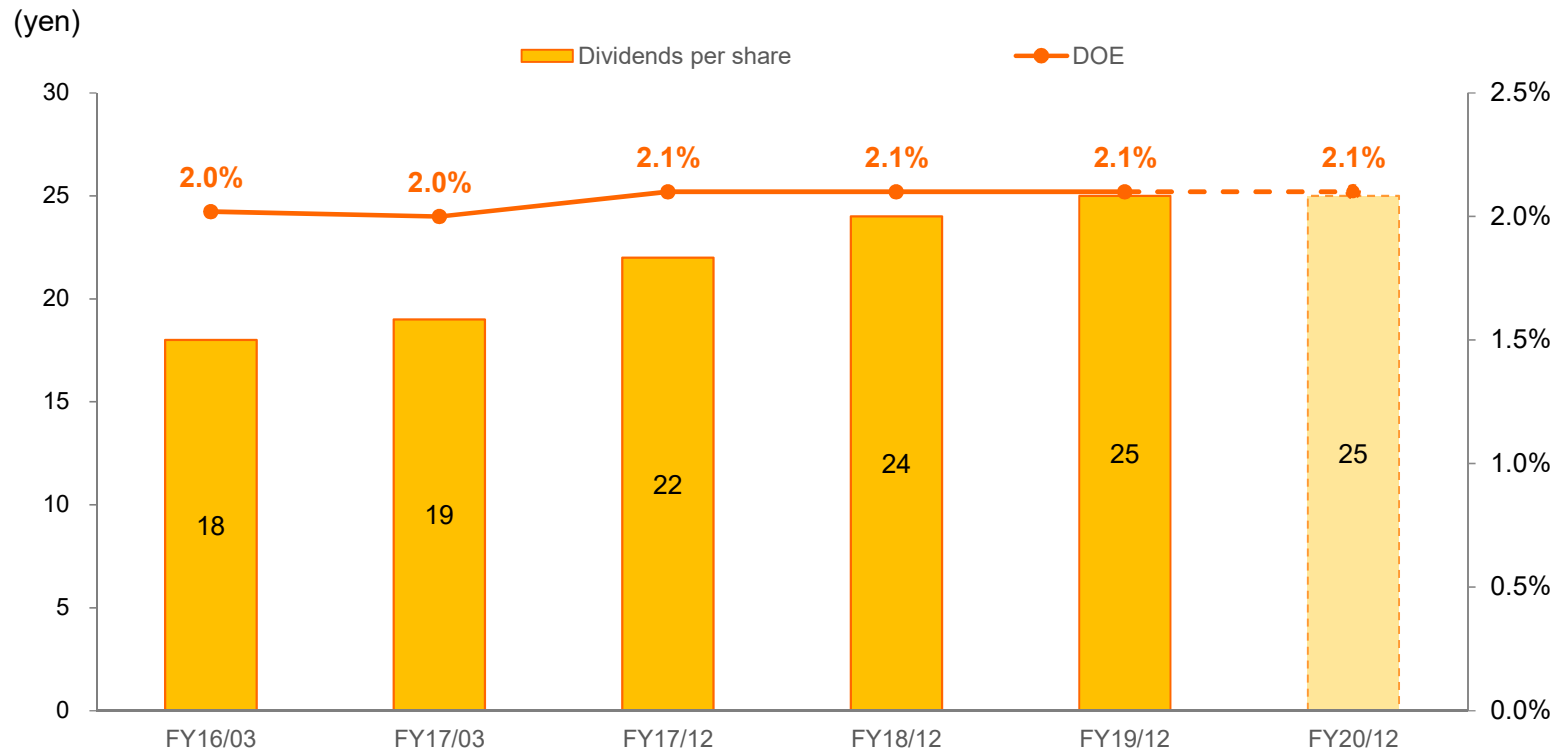
- I. 2Q FY20/12 Financial Results Summary
- II. FY20/12 Financial Results Projections
- III. Shareholder Return Policy**

(Reference Materials)

Shareholder Return Policy and Dividend Projection



- ✓ Dividend policy: Aim at dividend on equity (DOE) of 2% or more.
- ✓ The annual dividend for the fiscal year ending December 2020 is expected to be 25 yen (the interim dividend of 12 yen and the year-end one of 13 yen).



- I. 2Q FY20/12 Financial Results Summary
- II. FY20/12 Financial Results Projections
- III. Shareholder Return Policy

(Reference Materials)

Reference Materials: Domestic and Overseas Sites



Head Office

Production Site

R&D site

Sale and Service Site

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	Sep. 7-11	China	Beijing	CIMES (China International Machine Tools & Tools Exhibition)	Postponed to September 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 Cancelled due to spread of COVID-19
Oct. 6-10	-	Japan	Makuhari	IPF Japan 2020 (International Plastics Fair)	Exhibit injection molding machines Cancelled due to spread of COVID-19
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

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