

TSE 1st Section, Code No. 6143

# Create Your Future



Fiscal Year Ending March 31, 2017  
First Quarter

**Results Briefing**



**August 10, 2016**

**Sodick Co.,Ltd.**

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### **Fiscal Year Ending March 31, 2017 – First Quarter Financial Results**

- ✓ Sales and earnings decreased, with consolidated sales falling to ¥12,271 million (-14.2% compared with the year-earlier period) and operating income to ¥576 million (-52.1%).
- ✓ Weak sales and new order receipts in Japan due to effects of waiting time for government's adoption of subsidy programs. Sales and earnings falling short of plan in overseas due to poor capital investment demand in emerging economies including China, and rapid appreciation of the yen.

### **Fiscal Year Ending March 31, 2017 – Full-year Financial Results Projections**

- ✓ In the markets of industrialized countries (Japan, North America, and Europe), we expect continued demand on the back of solid capital investment demand in the automotive, aerospace, and medical equipment applications.
- ✓ Greater China has been showing rising capital investment demand mainly for automation and high-precision machinery driven by surging labor costs. Current new order receipts are recovering and we expect a continued solid demand.
- ✓ Adverse conditions in the markets of emerging economies expected to continue due to economic slowdown.
- ✓ Yen appreciation seen to strengthen also in the second quarter more than anticipated, compelling revision of assumed foreign exchange rate and following revision of full-year financial results projections.

Sales: ¥61,100 million (-¥4,400 million compared with the initial plan), operating income: ¥5,350 million (-¥450 million)

Foreign exchange rate from second quarter onward: USD/JPY at ¥102, EUR/JPY at ¥114

**I . Fiscal Year Ending March 31, 2017  
First Quarter Financial Results Summary**



# Financial Results Highlights



- ✓ Weak new order receipts and sales in Japan due to waiting time for government's adoption of subsidy programs. Conditions overseas favorable in North America, contrasted by weak sales and order receipts in China and other emerging economies affected by economic slowdown.
- ✓ Sales and earnings decreased by effects of rapid appreciation of the yen. Charged ¥657 million in foreign exchange losses as non-operating expense.

(In million yen)

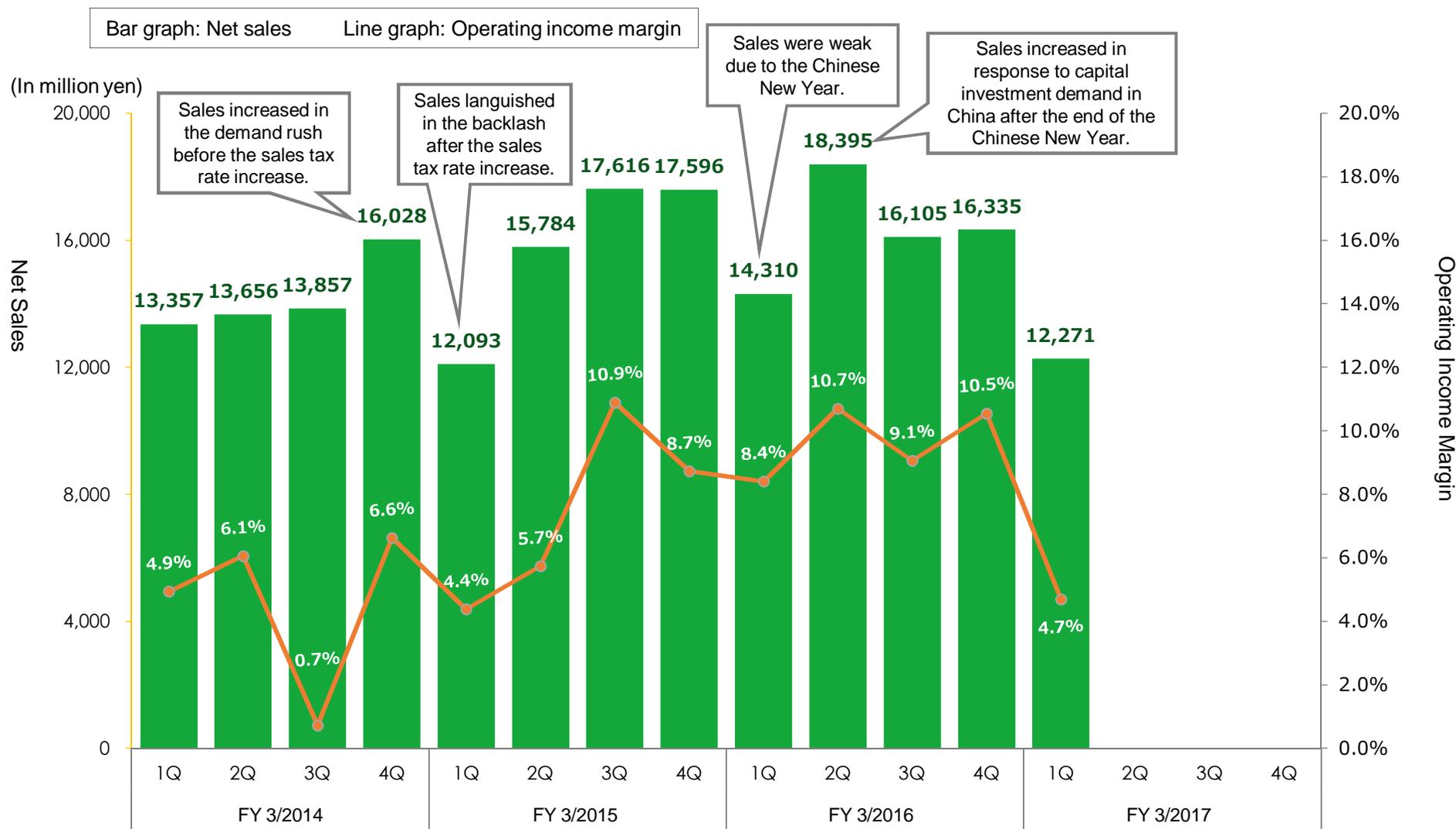
	1Q FY ended March 2016		1Q FY ending March 2017		Compared with the year-earlier period		FY ending March 2017 Full-year projections
	Actual	Earnings margin	Actual	Earnings margin	Amount	Rate	
<b>Net Sales</b>	14,310	-	12,271	-	-2,038	-14.2%	61,100
<b>Gross Margin</b>	5,446	38.1%	4,636	37.8%	-810	-14.9%	-
<b>Operating Income</b>	1,203	8.4%	576	4.7%	-626	-52.1%	5,350
<b>Ordinary Income</b>	1,347	9.4%	-85	-0.7%	-1,432	-	4,550
<b>Net Income</b>	1,497	10.5%	71	0.6%	-1,425	-95.2%	3,500
Comprehensive Income	1,738		-2,527				
Period average foreign exchange rate	USD EUR CNY THB	121.43 yen 134.21 yen 19.08 yen 3.66 yen		108.04 yen 121.88 yen 17.61 yen 3.06 yen			104.19 yen 116.26 yen 16.00 yen 2.96 yen

Note: Supplementary information  
 FY 3/2017 1Q end - Foreign exchange rates USD: 102.91 yen EUR: 114.39 yen CNY: 17.39 yen THB: 2.93 yen  
 FY 3/2016 end - Foreign exchange rates USD: 112.68 yen EUR: 127.70 yen CNY: 18.36 yen THB: 3.19 yen

\* Revised full-year financial results projections for the fiscal year ending to March 2017. Details are available on page 17.

# Sales-to-operating-income Ratio (Quarterly)

- ✓ First-quarter capital investment in China was slow as every year ahead of the Chinese New Year while sales in Japan languished due to the waiting time for the government's adoption of subsidy programs. In emerging economies, depressed capital investment demand continued amid the economic slowdown. Sales and earnings additionally weakened due to the rapid appreciation of the yen.



# Financial Results by Segment



(In million yen)

		1Q FY ended March 2016	1Q FY ending March 2017	Compared with the year-earlier period	
		Actual	Actual	(Amount)	(Rate)
Net Sales	● Machine Tool Operations	10,376	8,692	-1,683	-16.2%
	● Industrial Machinery Operations	2,040	1,805	-234	-11.5%
	● Food Processing Machinery Operations	617	495	-121	-19.7%
	● Other Operations	1,275	1,277	1	0.1%
		14,310	12,271	-2,038	-14.2%
Segment Income	● Machine Tool Operations	1,526	998	-527	-34.6%
	● Industrial Machinery Operations	61	-37	-99	
	● Food Processing Machinery Operations	61	-40	-101	
	● Other Operations	245	251	6	2.7%
		1,893	1,171	-721	-38.1%
Adjustments		-690	-595	95	13.8%
Operating Income - Total		1,203	576	-626	-52.1%

## Machine Tool Operations

- ✓ In Japan, strong capital investment demand continued for automotive application, while weak sales and new order receipts due to waiting time for government's adoption of subsidy programs.
- ✓ In North American, solid demand continued for automotive, aerospace, and medical equipment applications.
- ✓ In Europe, strong demand continued for automotive and aerospace applications, albeit with patches of weakness such as Russia.
- ✓ In Greater China and Asian countries, stagnant overall despite some demand for automotive and smartphone applications.

## Industrial Machinery Operations

- ✓ In Japan, demand was favorable for automotive applications related to car parts and connectors. Some selective capital investment demand, while demand related to smartphones depressed overall.
- ✓ In the Asian region including Greater China, sales and operating income struggled to attain targets amid slower growth and intensified price competition.

## Food Processing Machinery Operations

- ✓ Food Processing Machinery Operations benefited from capital investment demand for raising the quality of cooked noodles.
- ✓ Sales and earnings decreased due to postponement of multiple projects to the second quarter.

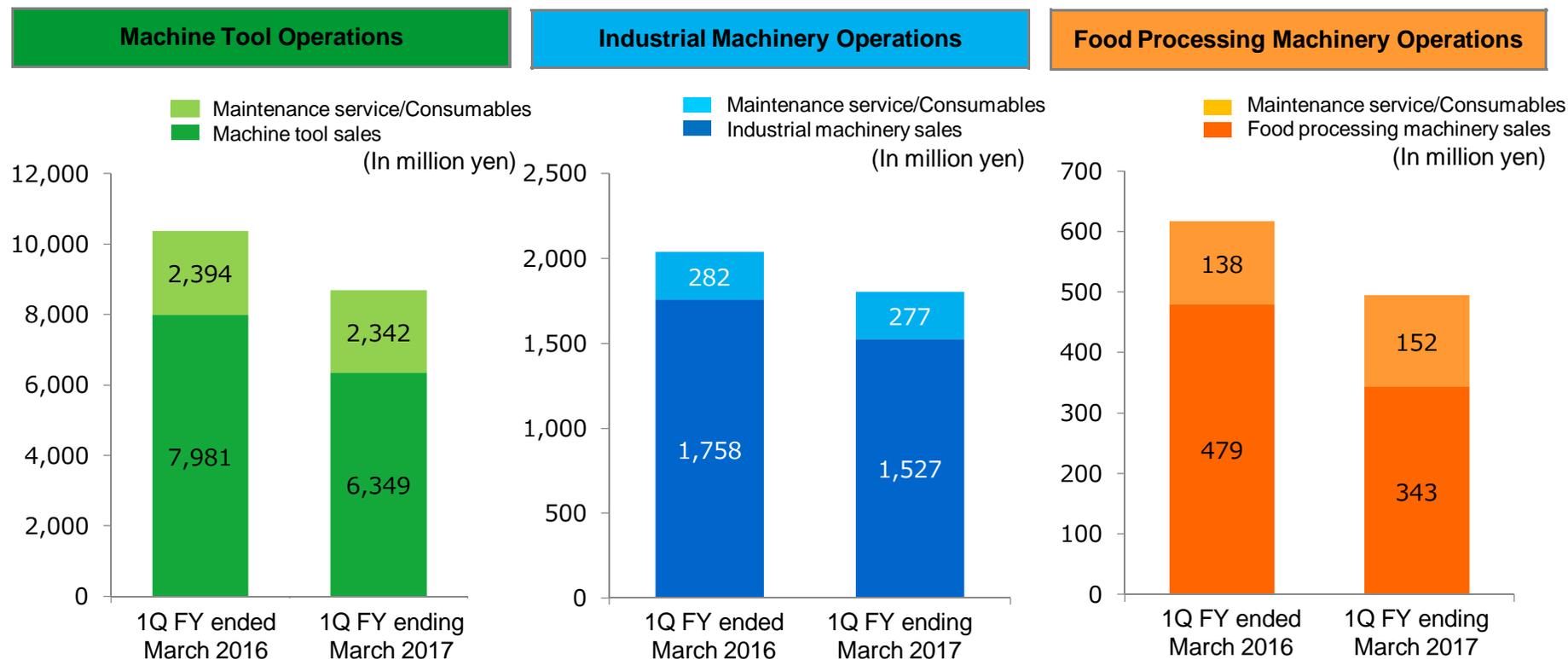
## Other Operations

- ✓ Operations for precision molds and precision molded articles centered on automotive applications performed well.

# Segment Sales Breakdown



✓ Sales of maintenance services and consumables, a stable source of cash, account for roughly 25% of total sales.



Machine Tool Operations	1Q FY ended March 2016	1Q FY ending March 2017
Machine tool sales	7,981	6,349
Maintenance services/Consumables	2,394	2,342
<b>Total</b>	<b>10,376</b>	<b>8,692</b>

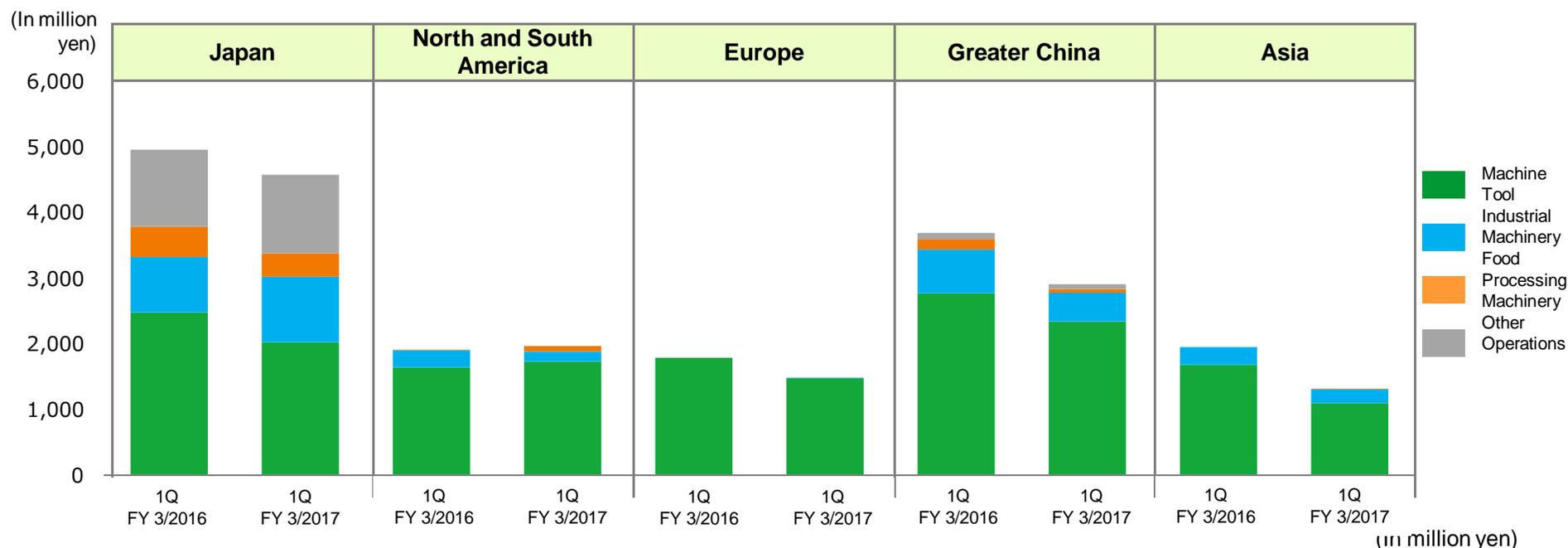
Industrial Machinery Operations	1Q FY ended March 2016	1Q FY ending March 2017
Injection molding machine sales	1,758	1,527
Maintenance services/Consumables	282	277
<b>Total</b>	<b>2,040</b>	<b>1,805</b>

Food Processing Machinery Operations	1Q FY ended March 2016	1Q FY ending March 2017
Food processing machinery sales	479	343
Maintenance services/Consumables	138	152
<b>Total</b>	<b>617</b>	<b>495</b>

# Overseas Sales Ratios Broken Down by Operation



✓ Sodick has been developing global operations with an overseas sales ratio of 62.7%.



(in million yen)

1Q FY 3/2016	Japan		North and South America		Europe		Greater China		Asia		Total
Machine Tool	2,477	23.9%	1,648	15.9%	1,793	17.3%	2,774	26.7%	1,682	16.2%	10,376
Industrial Machinery	849	41.6%	255	12.5%	0	0.0%	663	32.5%	272	13.4%	2,040
Food Processing Machinery	459	74.5%	3	0.5%	0	0.0%	154	25.0%	0	0.0%	617
Other Operations	1,173	92.0%	0	0.0%	0	0.0%	102	8.0%	0	0.0%	1,275
By region - Total	4,959	34.7%	1,907	13.3%	1,793	12.5%	3,693	25.8%	1,956	13.7%	14,310

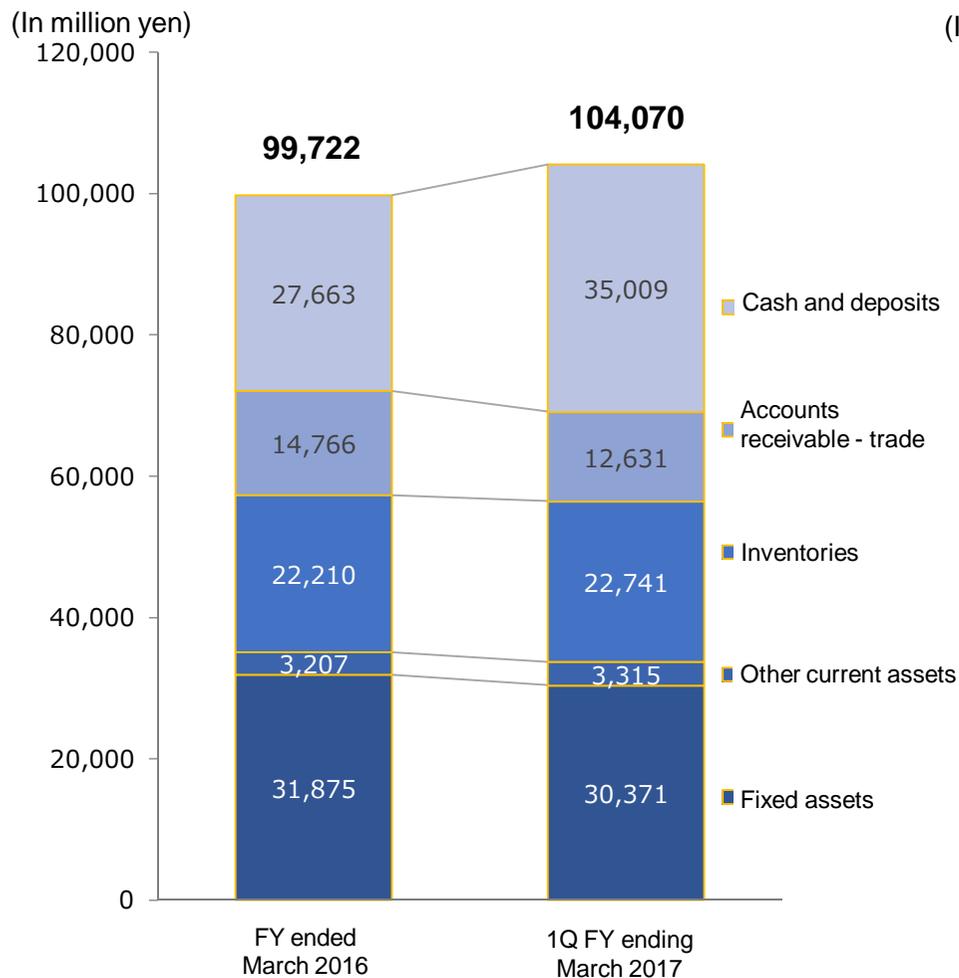
1Q FY 3/2017	Japan		North and South America		Europe		Greater China		Asia		Total
Machine Tool	2,024	23.3%	1,733	19.9%	1,484	17.1%	2,343	27.0%	1,105	12.7%	8,692
Industrial Machinery	1,000	55.5%	156	8.6%	1	0.1%	438	24.3%	208	11.5%	1,805
Food Processing Machinery	354	71.6%	82	16.7%	0	0.0%	54	11.0%	3	0.7%	495
Other Operations	1,198	93.9%	0	0.0%	0	0.0%	78	6.1%	0	0.0%	1,277
By region - Total	4,578	37.3%	1,972	16.1%	1,486	12.1%	2,915	23.8%	1,317	10.7%	12,271

# Balance Sheet

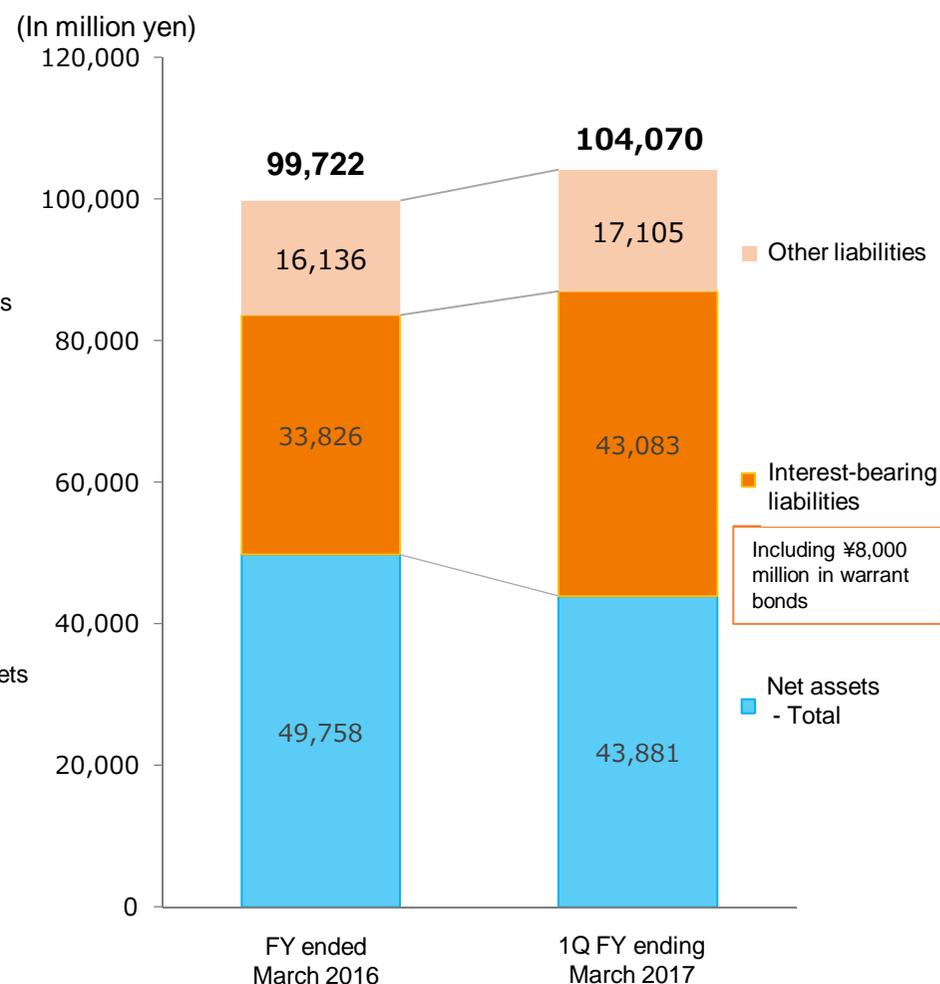


- ✓ Strong growth in cash and deposits from proceeds of ¥8,000 million warrant bond issuance.  
(Out of the ¥8,000 million total, ¥3,000 million allocated to the acquisition of own stock, with the balance projected for R&D and capital investment expenditure)

## Assets



## Liabilities and Net Assets



{	FY 3/2017 1Q end - Foreign exchange rates	USD: 102.91 yen	EUR: 114.39 yen	CNY: 17.39 yen	THB: 2.93 yen
	FY 3/2016 end - Foreign exchange rates	USD: 112.68 yen	EUR: 127.70 yen	CNY: 18.36 yen	THB: 3.19 yen

## 1 Start-up of new plant for food processing machinery

In April 2016, Sodick took a new plant for food processing machinery into operation. Around 200 guests were present at the completion ceremony on June 1 who took a tour of the plant and the showrooms.

The new plant centralizes in a single location production processes that used to be divided between the Kaga Plant and the Hakusan Plant. Moreover, since sufficient space for the full length of the production line is secured, conditions are in place for highly efficient R&D as well as product testing and inspection operations.

New showrooms and research facilities will serve to strengthen R&D and sales promotion of products consistent with market needs, for example, the development of labor-saving peripheral equipment for noodle making machinery and the design and trial production of products featuring related technology applications.

➤ The new plant (outside view)



➤ Showroom

## 2 Private Show at the Fukuoka Sales Office, the new company premise

The Fukuoka Sales Office, which was transferred to the new Sodick premise, has commenced its sales and marketing operations as a newly established site in Kyushu. Activities include the hosting of sales and marketing events, such as the Private Show hosted on July 21 and 22 with state-of-the-art machinery, in particular the "ALN400G" linear motor-driven wire-cut EDM, and seminars on the latest processing technologies.

### Outline of the Private Show 2016 at the Fukuoka Sales Office

Venue location: Fukuoka Sales Office (Sodick West Japan Branch)  
2-8-83-17-3, Otogana, Onojo-shi, Fukuoka 816-0902, Japan

Exhibition period: July 21 to July 22

Exhibits: ALN400G, AG40 L , UH430L, and others



## 3 New product launch of the "ALM450" injection molding machine for aluminum alloys

As a new product debut on the global stage, in June 2016 Sodick started sales of its own-developed V-LINE® Direct Casting "ALM450" model.

The "ALM450" solves the problem associated with conventional die cast manufacturing methods. Sodick has established a revolutionary manufacturing method that will promote the changeover from other materials to aluminum, with energy saving effects through weight reductions.

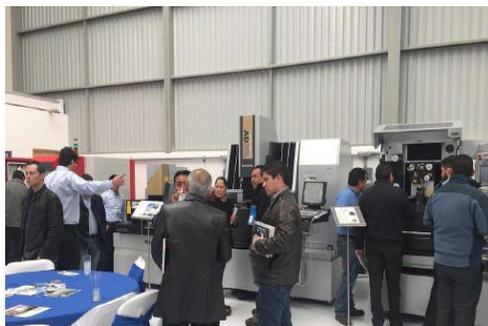
Sales and marketing efforts are targeting the markets for small and medium-sized aluminum parts for mobile devices and automotive components.

In home electric appliances, this method enables thin-walled products with an improved exterior appearance, such as casings for tablets and smartphones and other information terminals. In automotive parts the method reduces internal faults thanks to fewer air enclosures and enables thinner walls and complex shapes, achieving parts that are lightweight and compact.



## 4 Open House

Sodick has hosted open house events in various countries displaying state-of-the-art product groups such as electrical discharge machining tools and metal 3D printers, with latest technologies attracting large numbers of customers.



➤ At Protecnic de México, S.A., representative of Sodick in Mexico



➤ At Celada France, sales representative of Sodick in France



➤ At the sales representative of Sodick in Pune, India

## 5 Exhibition at the Chinaplas 2016 (30th International Exhibition on Plastics and Rubber Industries held in China)

Sodick exhibited at the Chinaplas 2016, the biggest trade show for plastic and rubber industries in Asia.

With exhibits highlighting Sodick's "Plastic Forming Revolution" concept, for the first time in China, Sodick presented machines in actual operation. This included demonstrations of the forming process of the "GL100A" injection molding machine using a mold for a harness cover manufactured on the "OPM250L" metal 3D printer.

### Outline of the Chinaplas 2016

Venue location: Shanghai New International Expo Centre (Shanghai, China)

Exhibition period: April 25 to April 28

Exhibits: OPM250 L , GL100A, GL30-LP, GL100-GUM, and others

Number of visitors: 148,575



## 6 Exhibition at the INTERMOLD Thailand 2016

Sodick exhibited at the INTERMOLD Thailand 2016, the largest molding and machining technology exhibition in Southeast Asia. Sodick exhibited items from its core product groups including new products such as the "AG40L+ERC80" automation system for linear-motor-drive high-speed, high-performance Die-sinker EDM and the "UH430L" linear-motor-drive ultra high-speed milling center.

### Outline of the INTERMOLD Thailand 2016

Venue location: BITEC, Bangkok, Thailand

Exhibition period: June 22 to June 25

Exhibits: AG40L+ERC80, AL400G, UH430L, GL60A, and others

Number of visitors: 51,811

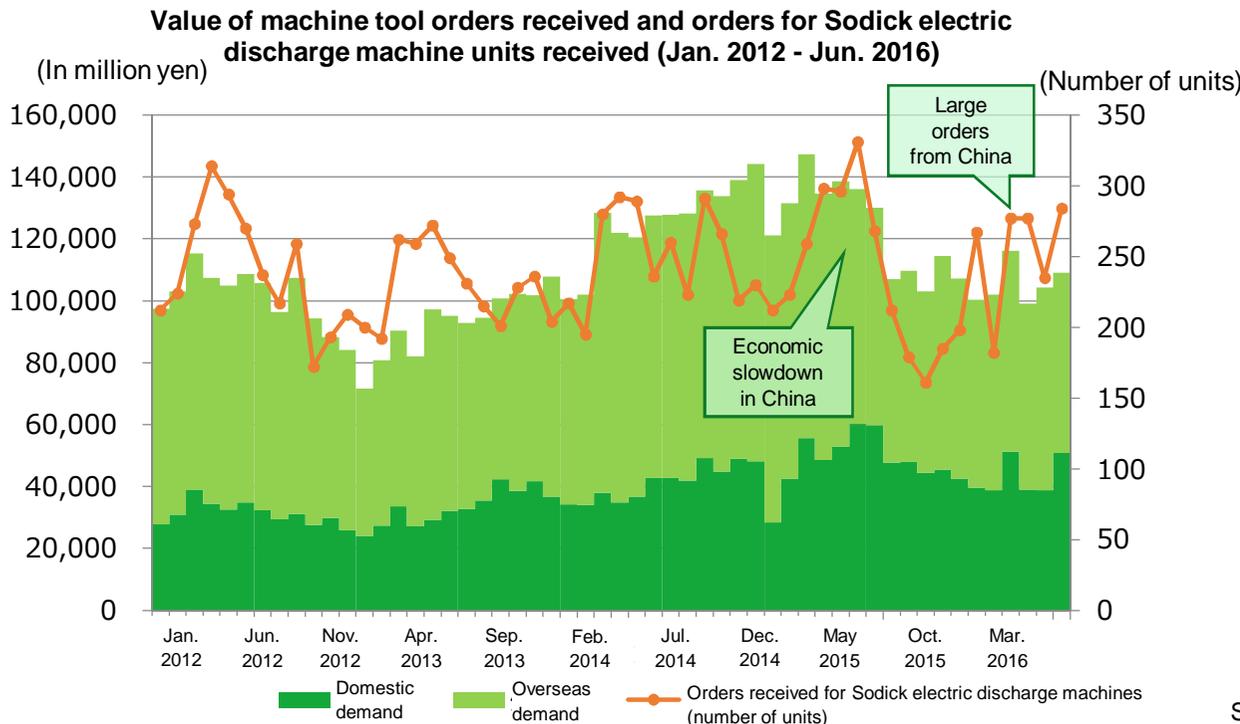


**II . Fiscal Year Ending March 31, 2017  
Full-year Financial Results Projections**



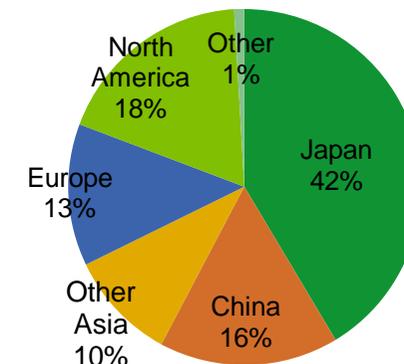
# Market Environment

- ✓ Japan: We expect sustained solid demand due to government subsidy programs and replacement demand due to facility aging.
- ✓ North America: Capital investment demand has been firm in automotive, aerospace, and medical equipment related applications. We expect favorable demand to continue.
- ✓ Europe: Despite prospects for solid demand related to automotive and aerospace applications, the outlook is uncertain given economic deceleration in Russia, etc., as well as the Brexit problem in the UK and geopolitical risks.
- ✓ China: With the effects of tapering economic growth, the slow-down is becoming widespread, making for an uncertain outlook. Even so, against the background of soaring labor costs, we expect rising demand for machinery geared at automation and higher precision.
- ✓ Asia: Prospects are for continued adverse conditions under the impact of slowing emerging economies.



Source: Japan Machine Tool Builders' Association

**Regional composition of machine tool orders received (Cumulative total for the April 2015 - March 2016 period)**



Source: Japan Machine Tool Builders' Association

# Fiscal Year Ending March 31, 2017 - Second Quarter Financial Results Projections Revision



- ✓ Order receipts are now on a recovery path, while the first-quarter performance in Japan fell short of the initial plan, which is also due to the waiting time for the government's adoption of subsidy programs.
- ✓ In China, order receipts after the end of the Chinese New Year have been recovering and look solid overall. Elsewhere in Asia, the outlook is for weak demand to continue.
- ✓ In foreign exchange markets, yen appreciation is seen to persist. Sodick has therefore revised its assumed foreign exchange rate and expects lower sales and earnings as a result.

(In million yen)

	FY ended March 2016		1Q FY ending March 2017		2Q FY ending March 2017 (After revision: Latest release)		Amount of difference	Projections for 2Q rate of progression
	Actual	Earnings margins	Actual	Earnings margins	Projections	Earnings margins		
<b>Net Sales</b>	65,146	-	12,271	-	<b>28,800</b>	-	16,528	42.6%
<b>Operating Income</b>	6,353	9.8%	576	4.7%	<b>2,150</b>	<b>7.5%</b>	1,573	26.8%
<b>Ordinary Income</b>	5,719	8.8%	-85	-0.7%	<b>1,500</b>	<b>5.2%</b>	1,585	-
<b>Net Income for the Period</b>	4,167	6.4%	71	0.6%	<b>1,300</b>	<b>4.5%</b>	1,228	5.5%
Comprehensive Income	1,105		-2,527					
ROE	8.4%							

Period average foreign exchange rate	USD	120.15 yen		108.04 yen		105.48 yen	
	EUR	132.6 yen		121.88 yen		118.14 yen	
	CNY	19.21 yen		17.61 yen		16.54 yen	
	THB	3.44 yen		3.06 yen		3.00 yen	

\* Revised 2Q and full-year financial results projections for the fiscal year ending to March 2017.

# Fiscal Year Ending March 31, 2017 - Full-year Financial Results Projections Revision



- ✓ Although new order receipts in Japan and China are currently on a recovery path, prospects are for continued depressed capital investment demand in emerging economies.
- ✓ In foreign exchange markets, yen appreciation over and above the initial assumed foreign exchange rate of Sodick looks set to continue also in the second quarter. Sodick has therefore revised its assumed foreign exchange rate and expects sales and earnings to fall short of the initial plan.

(In million yen)

	Fiscal year ending March 31, 2017 (Before revision: Release of May 12, 2016)		Fiscal year ending March 31, 2017 (After revision: Latest release)		Change		FY ended March 2016  Actual
	Projection	Earnings margin	Projection	Earnings margin	Amount	Rate	
<b>Net Sales</b>	65,500	-	61,100	-	-4,400	-6.7%	65,146
<b>Operating Income</b>	5,800	8.9%	5,350	8.8%	-450	-7.8%	6,353
<b>Ordinary Income</b>	5,600	8.5%	4,550	7.4%	-1,050	-18.8%	5,719
<b>Net Income for the Period</b>	4,300	6.6%	3,500	5.7%	-800	-18.6%	4,167
Comprehensive Income							1,105
ROE							8.4%
Period average foreign exchange rate	USD	113.62 yen		104.19 yen			120.15 yen
	EUR	124.11 yen		116.26 yen			132.60 yen
	CNY	17.35 yen		16.00 yen			19.21 yen
	THB	3.18 yen		2.96 yen			3.44 yen

\* Revised 2Q and full-year financial results projections for the fiscal year ending to March 2017

# Full-Year Projections by Segment



(In million yen)

		FY ended March 2016	FY ending March 2017	FY ending March 2017	Compared with the year-earlier period	
		Actual	Full-year projections (Before revision: Release of May 12, 2016)	Full-year projections (After revision: Latest release)	(Amount)	(Rate)
Net Sales	● Machine Tool Operations	47,789	46,440	42,320	-5,469	-11.4%
	● Industrial Machinery Operations	8,633	8,860	8,680	46	0.5%
	● Food Processing Machinery Operations	3,562	3,900	4,100	537	15.1%
	● Other Operations	5,161	6,300	6,000	838	16.2%
		65,146	65,500	61,100	-4,046	-6.2%
Segment Income	● Machine Tool Operations	7,113	6,610	6,240	-873	-12.3%
	● Industrial Machinery Operations	319	360	280	-39	-12.5%
	● Food Processing Machinery Operations	492	530	460	-32	-6.6%
	● Other Operations	813	800	820	6	0.8%
		8,739	8,300	7,800	-939	-10.7%
Adjustments		-2,386	-2,500	-2,450	-63	-
Operating Income - Total		6,353	5,800	5,350	-1,003	-15.8%

## Machine Tool Operations

- ✓ We expect capital investment demand to continue strongly, centered on the markets of industrialized countries.
- ✓ Greater China remains under the impact of a slowing economy with uncertain outlook. However, current order receipts are on a recovery path, raising expectations for favorable conditions.
- ✓ Asia continues to be affected by slower economic growth, with prospects for unchanged adverse conditions.
- ✓ Yen appreciation looks set to continue, pointing to lower earnings than initially projected.

## Industrial Machinery Operations

- ✓ Domestic demand to remain strong centered on automotive applications.
- ✓ We expect difficult conditions for injection molding machines to continue in overseas markets amid depressed prices due to intense competition.

## Food Processing Machinery Operations

- ✓ The outlook is for higher sales, driven by rising domestic and overseas demand.

## Other Operations

- ✓ We foresee continued solid conditions surrounding precision molds and precision molding operations as well as external sales of linear motors.

\* Due to the revision of financial results projections, full-year projection by segment have also been partly adjusted.

**(Reference Materials)**



# Domestic and Overseas Sites



Sodick America Corporation (San Jose)



Sodick, Inc. (Chicago)



Shanghai Sodick Software Co., Ltd.



Miyazaki Plant



Kaga Plant



Head Office / Research and Technology Center



Sodick Europe Ltd. (U.K.)



Fukui Plant



Sodick Deutschland GmbH (Germany)



Tokyo Showroom



Sodick (Thailand) Co., Ltd.



Sodick Singapore Pte., Ltd.



Sodick (H.K.) Co., Ltd.



Sodick Amoy Co., Ltd.



Sodick (Taiwan) Co., Ltd.



Suzhou Sodick Special Equipment Co., Ltd.

Head office

Production sites

Research and development sites

Sales and service sites

# Information on Participation in Major Exhibitions

✓ Sodick emphasizes proactive marketing with participation in trade fairs in Japan and overseas.

Period	Location		Venue	Outline
May 23-27	Russia	Moscow	Metalloobrabotka (International Specialized Exhibition for Equipment, Instruments and Tools for the Metalworking Industry)	
May 25-28	Malaysia	Kuala Lumpur	Metal Tech2016	
Jun. 22-26	China	Beijing	CIMES (China International Machine Tool & Tools Exhibition)	
Jun. 22-25	Thailand	Bangkok	InterMold Thailand 2016	
Jun. 28-Jul. 1	China	Shanghai	DMC (Die & Mold China) 2016	
Jul. 5-8	Vietnam	Ho Chi Minh	MTA Vietnam 2016 (International Precision Engineering, Machine Tools and Metalworking Exhibition & Conference)	
Jul. 7-10	Thailand	Bangkok	InterPlas Thailand 2016	
7/27~30	Indonesia	Surabaya	Machine Tools & manufacturing Indonesia-Surabaya	
Sep. 12-17	U.S.A.	Chicago	IMTS 2016 (International Manufacturing Technology Show)	One of the world's three largest machine tool exhibitions
Sep. 13-17	Germany	Stuttgart	AMB (International Exhibition for Metalworking)	
Oct. 6-8	Vietnam	Ho Chi Minh	METALEX VIETNAM (Vietnam's International Machine Tool & Metalworking Solutions Expo)	
Nov. 17-22	Japan	Tokyo	JIMTOF2016	One of the world's three largest machine tool exhibitions
Nov. 23-26	Thailand	Bangkok	Metalex Thai (Thailand's International Machine Tool & Metalworking Solutions Expo)	
Nov. 29-Dec. 2	China	Dongguan	Dongguan DMP2016 (Dongguan International Mold and Metalworking Exhibition)	
Dec. 16-19	Indonesia	Jakarta	Machine Tools Indonesia	

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