

TSE 1st Section, 6143

Create Your Future

FY17/3

Results Briefing

May 19, 2017

Sodick Co.,Ltd.

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FY17/3 Financial Results Summary

- ✓ Net sales: 61.812 billion yen (-3.333 billion yen or -5.1% year on year), Operating income: 5.236 billion yen (-1.116 billion yen or -17.6% year on year)
- ✓ Net sales decreased, despite increases in unit sales of electrical discharge machines (EDMs) and injection molding machines, due mainly to the yen being stronger than the previous year. (Reference: Impact of changes in forex rate: about-4.8 billion yen year on year)
- ✓ Operating income decreased due mainly to increased research and development expenses, and larger selling, general and administrative (SG&A) expenses for overseas subsidiaries.

FY17/12 Financial Results Projections

- ✓ For developed economies (Japan, North America and Europe), continued steadiness in business is expected through the year with robust demand for capital investment in automotive, aerospace, and medical equipment-related industries.
- ✓ For China, with rising labor cost and consequent growth in demand for automation and high-precision machines, good performance is anticipated.
- ✓ Our forecast is for sales of 55.8 billion yen and operating income of 5.3 billion yen.

*** For irregular accounts of nine months FY17/12.**

Medium and Long-term Growth Strategies

- ✓ In metal 3D printers, we will accelerate research and development and marketing activities with a view to quickly turning metal 3D printers into a new profit center. At the same time, by launching new one-stop solution-driven product lines, we intend to bring out multiplier effects with existing operations (Machine tool segment and industrial machinery segment).
- ✓ For FY19/12, we expect sales of 76.9 billion yen and operating income of 8.4 billion yen.

I. FY17/3 Financial Results Summary



Financial Results Highlights



- ✓ Net sales decreased, despite increases in unit sales of EDMs and injection molding machines, due mainly to the yen being stronger than in the previous year. (Reference: Impact of changes in forex rate: about -4.8 billion yen)
- ✓ Operating income decreased due mainly to increased research and development expenses, and larger SG&A expenses for overseas subsidiaries.

(million yen)

	FY16/3		FY17/3		Year-on-year change		FY17/3 projections
	Actual	Income margin	Actual	Income margin	Amount	% change	
Net sales	65,146	—	61,812	—	-3,333	-5.1%	61,100
Gross profit	23,777	36.5%	22,494	36.4%	-1,282	-5.4%	—
Operating income	6,353	9.8%	5,236	8.5%	-1,116	-17.6%	5,350
Ordinary income	5,719	8.8%	4,620	7.5%	-1,098	-19.2%	4,550
Net income	4,167	6.4%	3,644	5.9%	-522	-12.5%	3,500
ROE	8.4%		7.4%				

Average exchange rate over the period	USD	120.15 yen		108.34 yen		104.19 yen
	EUR	132.60 yen		118.74 yen		116.26 yen
	CNY	19.21 yen		16.32 yen		16.00 yen
	THB	3.44 yen		3.08 yen		2.96 yen

Reference information

Exchange rate at end of FY17/3
Exchange rate at end of FY16/3

USD: 112.19 yen
UDD: 112.68 yen

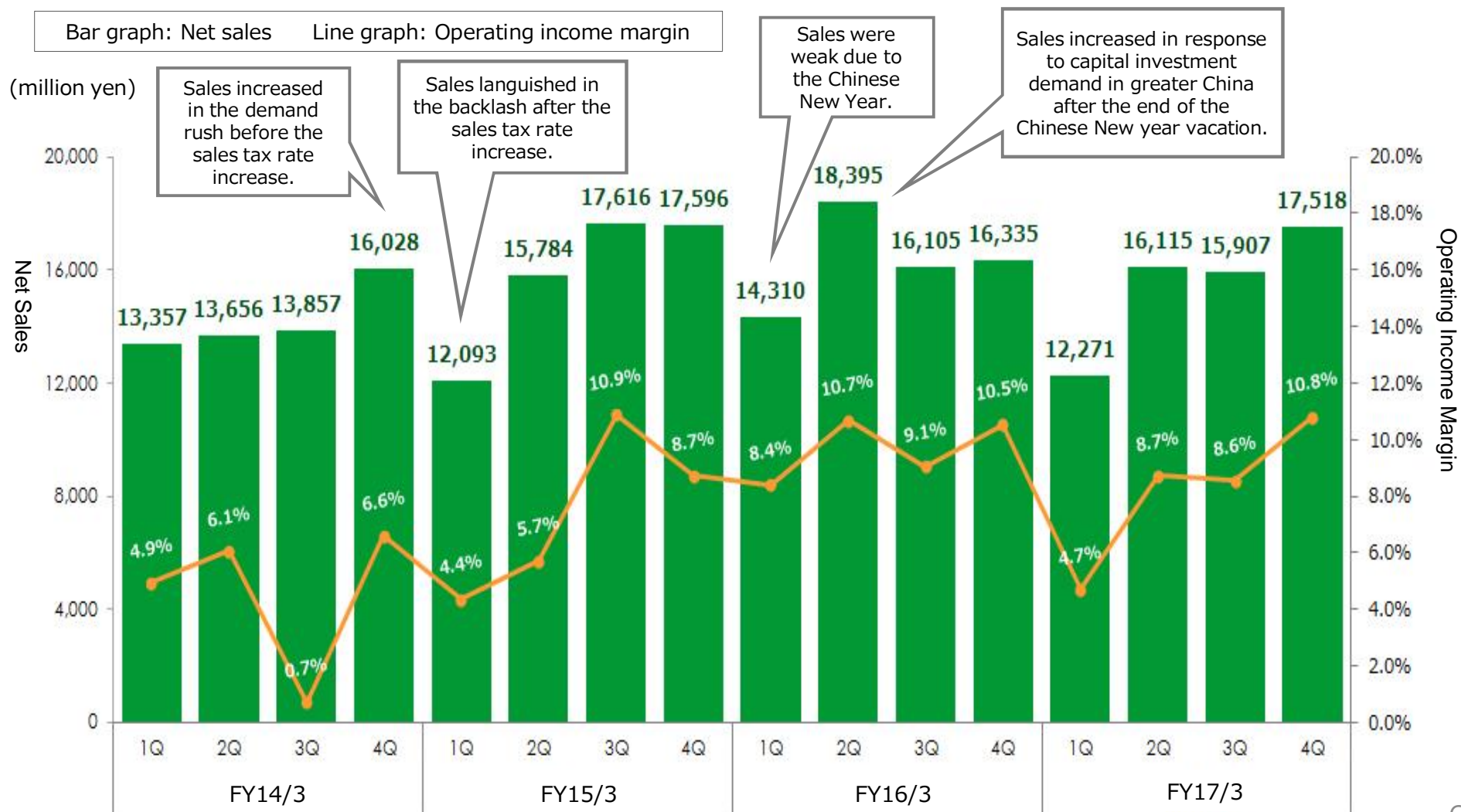
EUR: 119.79 yen
EUR: 127.70 yen

CNY: 16.76 yen
CNY: 18.36 yen

THB: 3.26 yen
THB: 3.19 yen

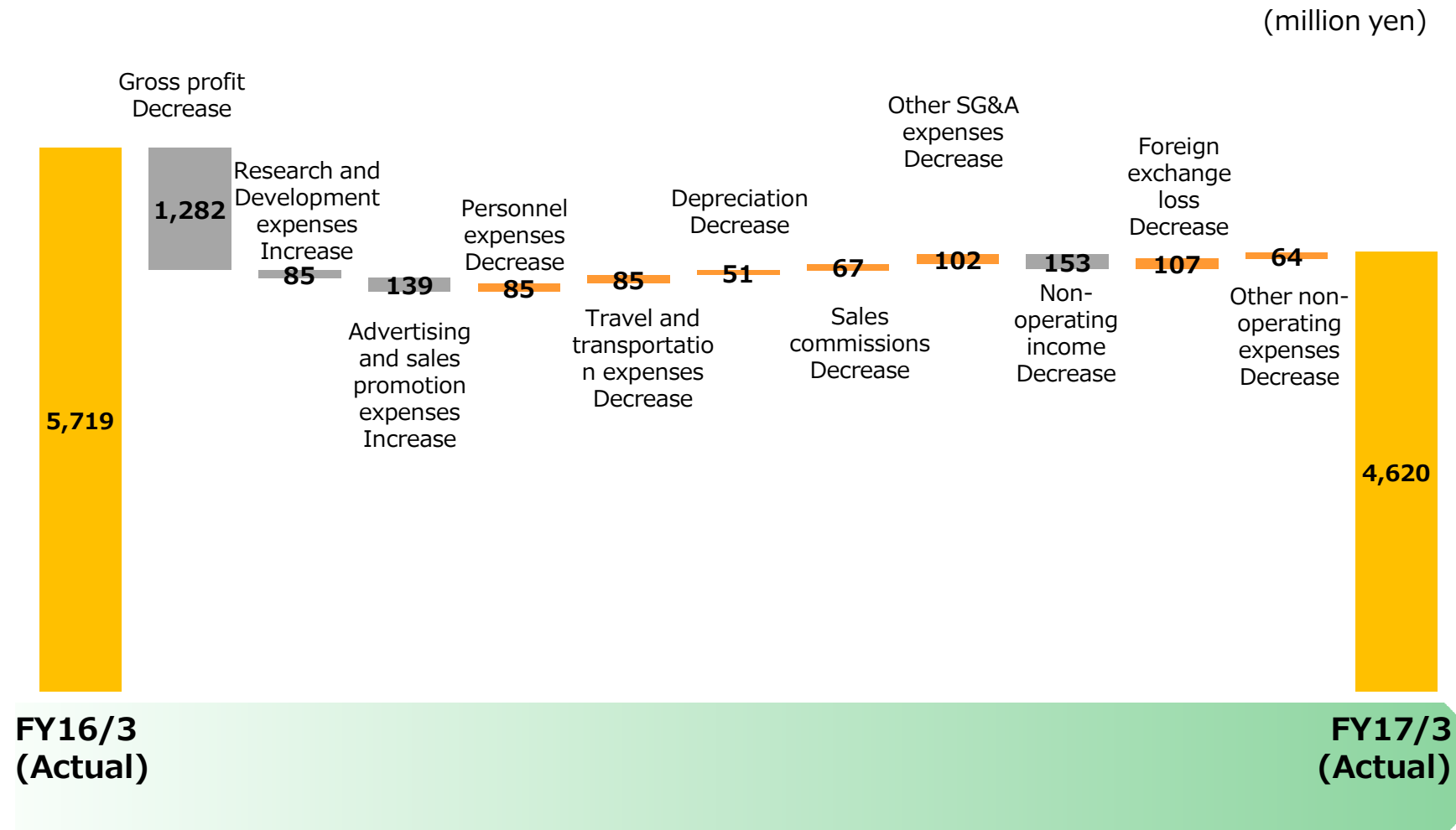
Ratio of operating income to net sales (Quarterly)

- ✓ In the 1st quarter, sales in Japan were influenced by delayed purchase in expectation of executing the new capital investment incentive program, and sales in Greater China also struggled to grow while, from the 2nd quarter onwards, continued strength in sales of high precision machines in Greater China drove up business.
- ✓ In the 4th quarter, with strength in Machine Tool segment, as well as growth in Industrial Machinery segment and Food Processing Machinery segment, sales and income both increased.



Factors Affecting Ordinary Income (Actual Results) **Sodick**

- ✓ Despite increases in some items, such as research and development and advertising & sales promotion expenses , total SG&A expenses declined.
Nonetheless, with a fall in gross profit, ordinary income decreased by 1,098 million yen.



Financial Results by Segment



(million yen)

		FY16/3	FY17/3	Year-on-year change	
		Actual	Actual	(amount)	(percent)
Net sales	● Machine tool segment	47,789	43,355	-4,434	-9.3%
	● Industrial machinery segment	8,633	9,366	733	8.5%
	● Food processing machinery segment	3,562	3,429	-133	-3.7%
	● Other segments	5,161	5,661	500	9.7%
		65,146	61,812	-3,333	-5.1%
Segment income	● Machine tool segment	7,113	6,213	-899	-12.6%
	● Industrial machinery segment	319	617	298	93.2%
	● Food processing machinery segment	492	159	-333	-67.6%
	● Other segments	813	859	46	5.7%
		8,739	7,851	-888	-10.2%
Adjustment amounts		-2,386	-2,614	-228	—
Total operating income		6,353	5,236	-1,116	-17.6%

Machine tool segment

- ✓ In Japan, business was generally stagnant despite demand for automotive connectors, and electronic components and lenses for smartphones, as delayed purchase in expectation of implementation of the new capital investment incentive program exerted some influence into the 2nd half of the fiscal year.
- ✓ In North America, demand was strong in the automotive, aerospace, and medical equipment industries.
- ✓ In Europe, demand was steady in the automotive and aerospace industries though a plunge was seen in Russia, Turkey, etc.
- ✓ In Greater China, new orders and sales were both strong, especially in the automotive and smartphone industries, with growing demand for ultra-precision models.
- ✓ In Asia, signs of recovery were seen in Thailand, Indonesia, etc.

Industrial machinery segment

- ✓ In Japan, demand was strong for automotive connectors among automotive manufacturers. Among smartphone manufacturers, lenses and other high value-added components experienced steady demand.
- ✓ In Greater China and Asia, demand and sales were both strong among smartphone and automotive manufacturers as well.

Food processing machinery segment

- ✓ Demand came for capital investment for producing higher quality noodles.
- ✓ Demand also grew outside the noodle industry, among confectionery companies and manufacturers of packaging materials for precooked rice, etc.
- ✓ Segment income declined with ad hoc cost for launching new products.

Other segments

- ✓ The high-precision mold and die machinery operations, as well as ceramic products, saw strong sales.

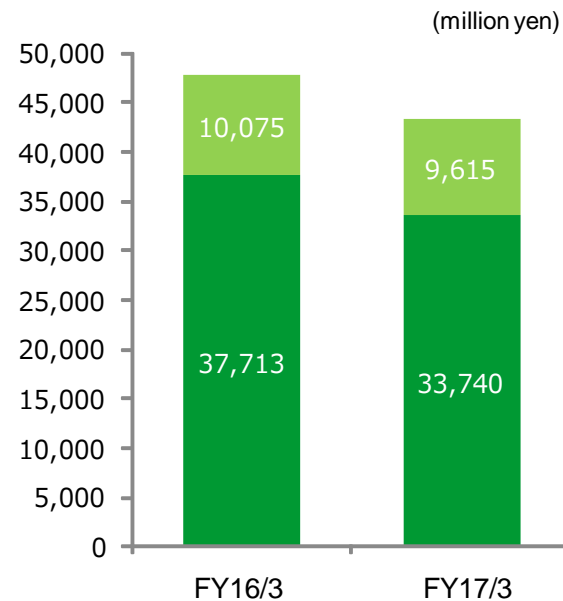
Net Sales by Segment



✓ Maintenance services and supplies, a stable source of cash, accounted for about 20% of net sales.

Machine tool segment

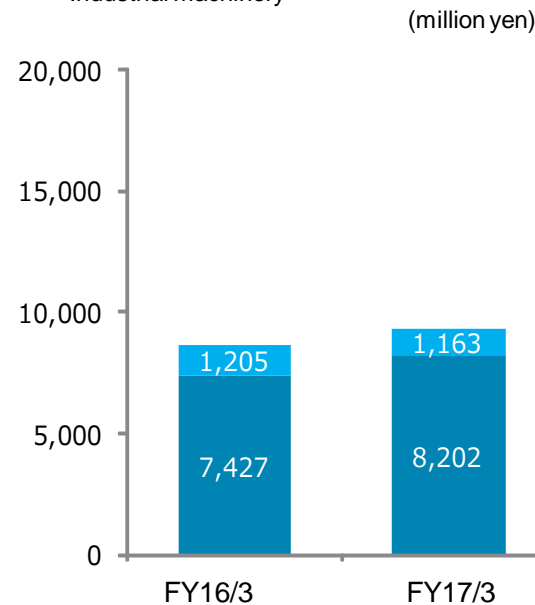
■ Maintenance service and supplies
■ Machine tools



Machine tools segment	FY16/3	FY17/3
Machine tools sales	37,713	33,740
Maintenance service and supplies	10,075	9,615
Total	47,789	43,355

Industrial machinery segment

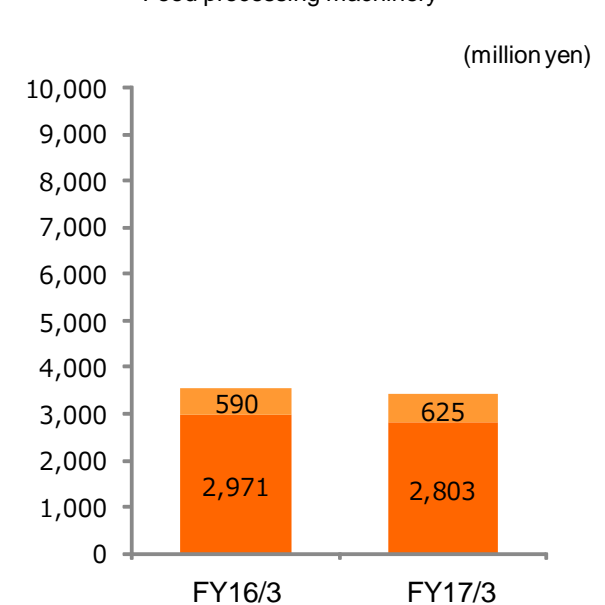
■ Maintenance service and supplies
■ Industrial machinery



Industrial machinery segment	FY16/3	FY17/3
Injection molding machine sales	7,427	8,202
Maintenance service and supplies	1,205	1,163
Total	8,633	9,366

Food processing machinery segment

■ Maintenance service and supplies
■ Food processing machinery

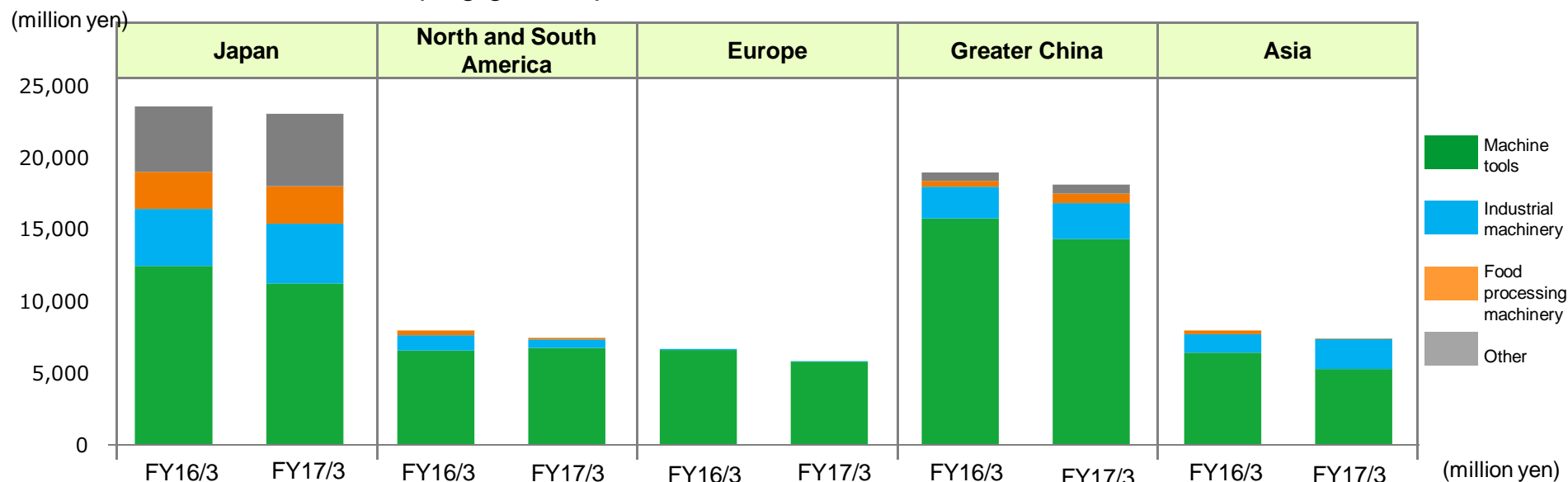


Food processing machinery segment	FY16/3	FY17/3
Food processing machinery sales	2,971	2,803
Maintenance service and supplies	590	625
Total	3,562	3,429

Overseas Sales Ratio by Segment



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



FY16/3	Japan		North and South America		Europe		Greater China		Asia		Total	
Machine tools	12,466	26.1%	6,562	13.7%	6,591	13.8%	15,757	33.0%	6,410	13.4%	47,789	73.3%
Industrial machinery	3,983	46.2%	1,055	12.2%	72	0.8%	2,220	25.7%	1,301	15.1%	8,633	13.3%
Food processing machinery	2,566	72.0%	349	9.8%	-	-	408	11.5%	237	6.7%	3,562	5.5%
Other	4,558	88.3%	-	-	-	-	603	11.7%	-	-	5,161	7.9%
Total	23,574	36.2%	7,967	12.2%	6,664	10.2%	18,990	29.2%	7,949	12.2%	65,146	100.0%

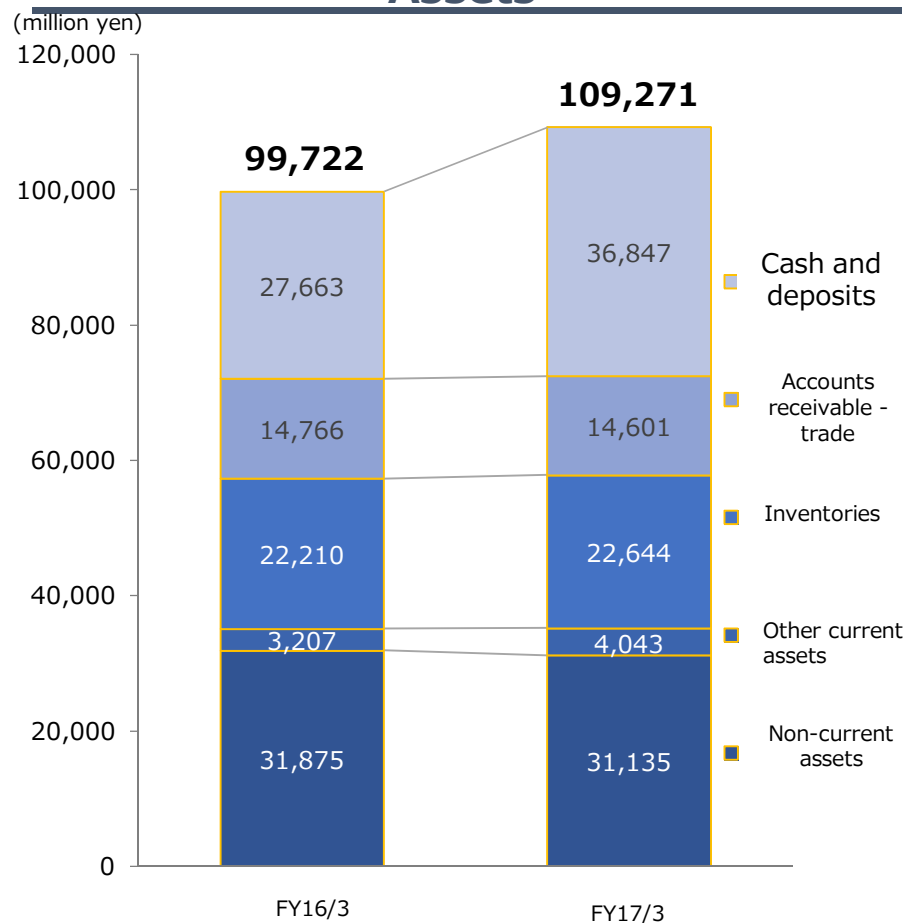
FY17/3	Japan		North and South America		Europe		Greater China		Asia		Total	
Machine tools	11,238	25.9%	6,742	15.6%	5,792	13.4%	14,319	33.0%	5,262	12.1%	43,355	70.1%
Industrial machinery	4,163	44.5%	591	6.3%	3	0.0%	2,512	26.8%	2,095	22.4%	9,366	15.2%
Food processing machinery	2,631	76.7%	109	3.2%	-	-	653	19.1%	34	1.0%	3,429	5.5%
Other	5,037	89.0%	-	-	-	-	624	11.0%	-	-	5,661	9.2%
Total	23,071	37.3%	7,442	12.0%	5,796	9.4%	18,109	29.3%	7,392	12.0%	61,812	100.0%

Exchange rate impact	-	≈ -700 million yen	≈ -600 million yen	≈ -2,900 million yen	≈ -500 million yen	≈ -4,800 million yen
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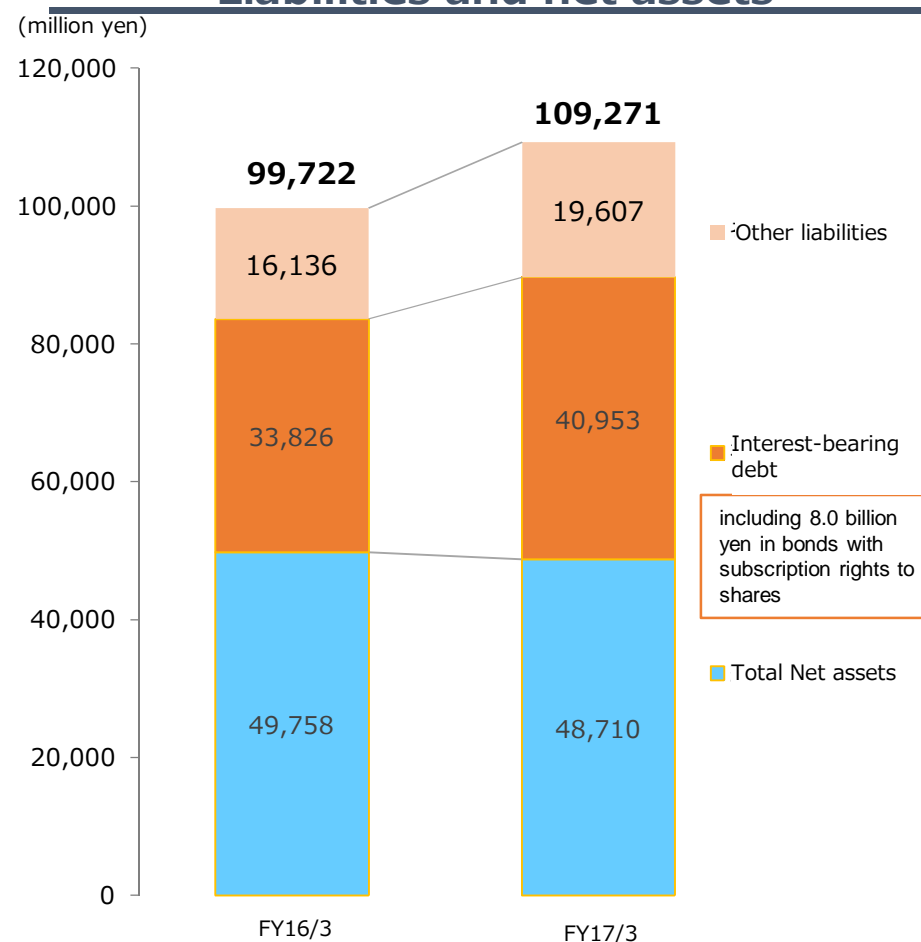
Balance Sheet

- ✓ Interesting-bearing liabilities and cash & deposits significantly increased with 8.0 billion yen from issuance of bonds with subscription rights to shares.
- ✓ Net assets slightly decreased due mainly to smaller foreign currency translation adjustments, mainly for conversion of equity capital of overseas subsidiaries, with a stronger yen than at the previous year end, and purchase of treasury shares of 3.0 billion yen.

Assets



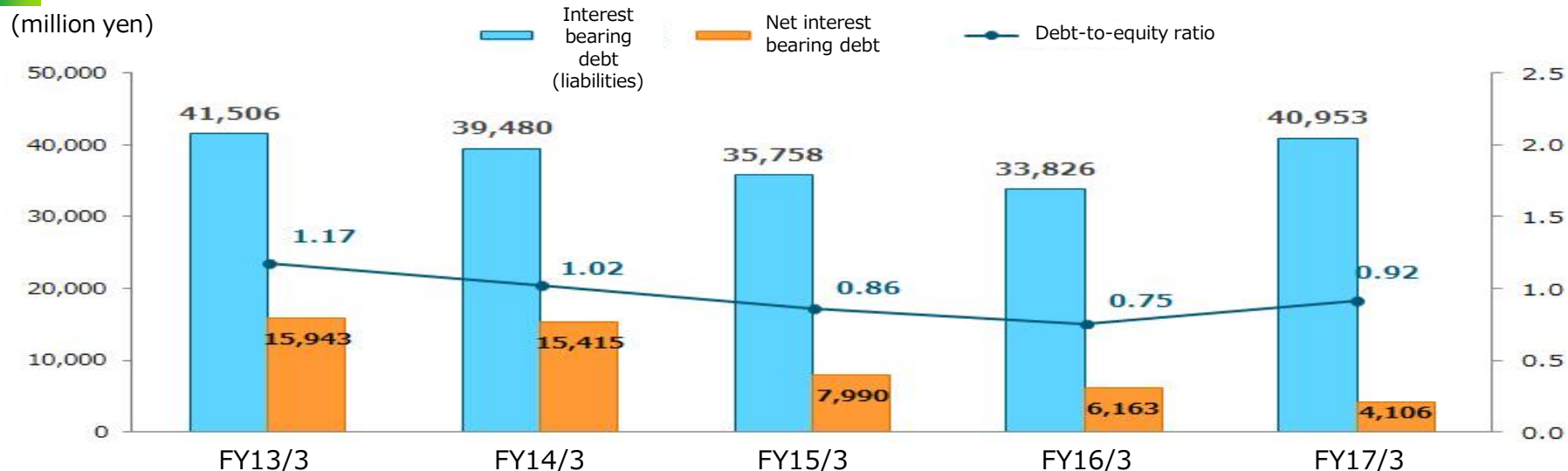
Liabilities and net assets



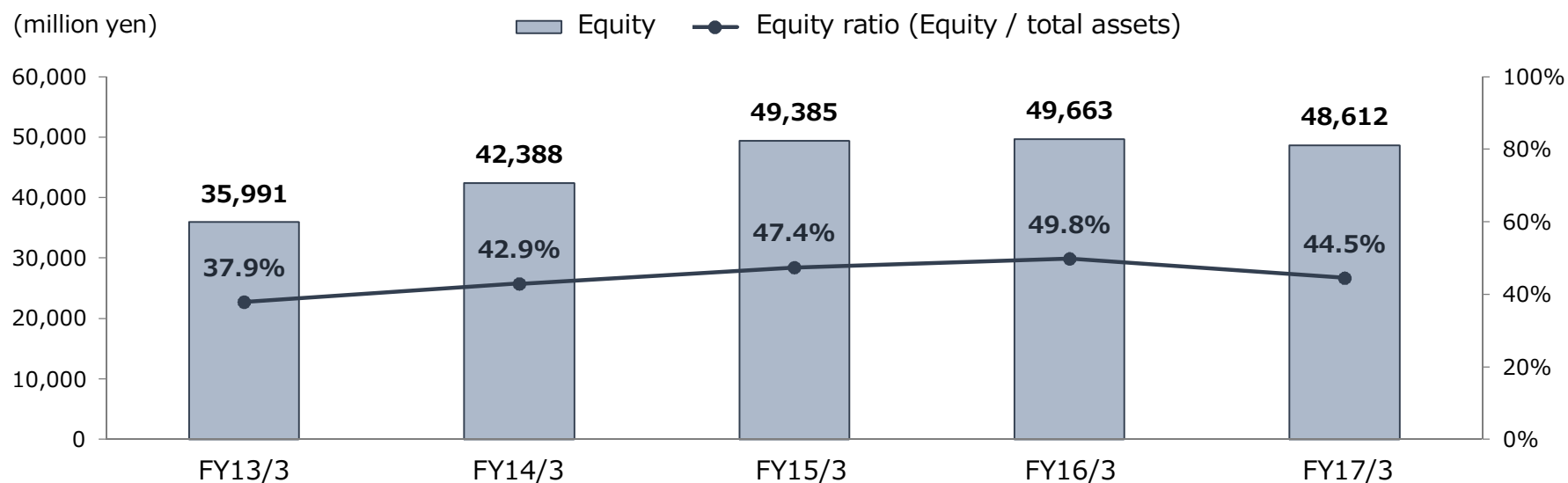
Exchange rate at end of FY17/3	USD: 112.19 yen	EUR: 119.79 yen	CNY: 16.76 yen	THB: 3.26 yen
Exchange rate at end of FY16/3	USD: 112.68 yen	EUR: 127.70 yen	CNY: 18.36 yen	THB: 3.19 yen

Fluctuation in Financial Indicators

Fluctuation in the Interest-bearing Debt, Net interest bearing debt and Debt-to-equity Ratio



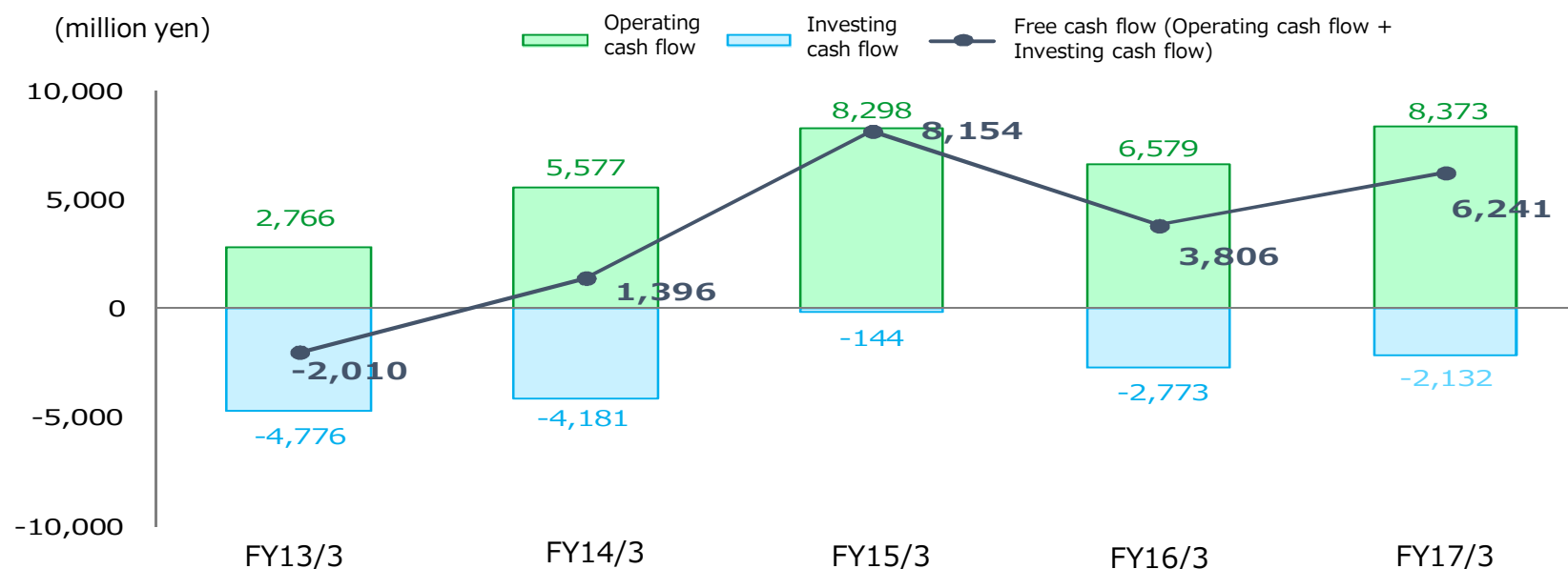
Fluctuation in Equity and Equity Ratio



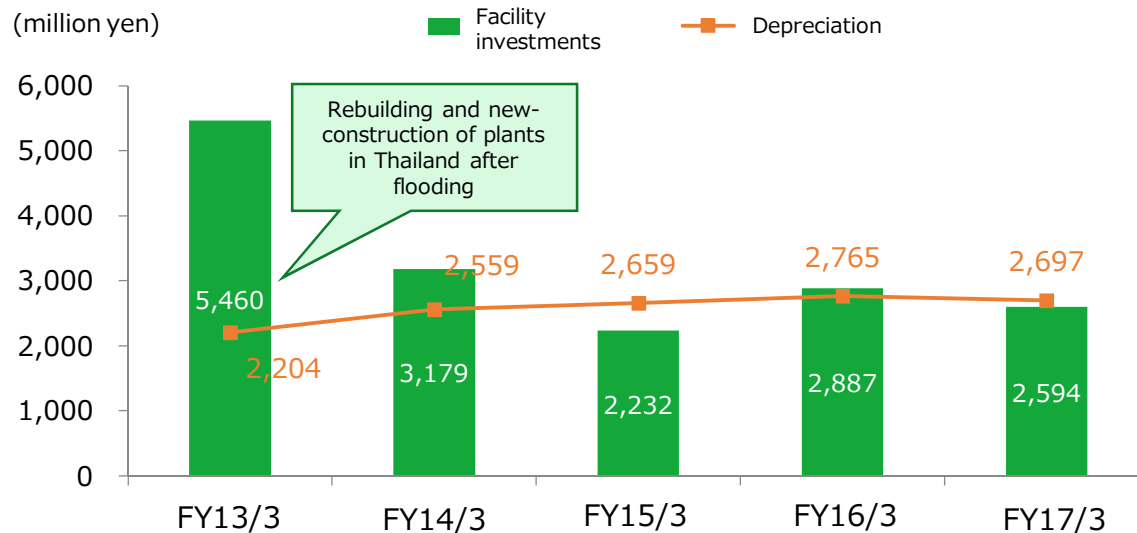
Cash Flow

- ✓ Free cash flow marked a strongly positive balance at 6.241 billion yen (up 2.435 billion yen year on year).
 - ✓ Cash and cash equivalents at the year-end significantly increased (up 8.709 billion yen year on year).
- (million yen)

	FY16/3	FY17/3	Main factors
Cash flows from operating activities	6,579	8,373	Increase in inventories: -1,000 million yen Increase in notes and accounts payable-trade: +2,400 million yen
Cash flows from investing activities	-2,773	-2,132	Purchase of property, plant and equipment: -1,800 million yen (down 550 million year on year)
Cash flows from financing activities	-2,854	3,134	Issuance of convertible bonds: +8,000 million yen Purchase of treasury shares: -3,000 million yen
Cash and cash equivalents at the end of the period	27,328	36,037	



Fluctuation in Facility Investments / Depreciation



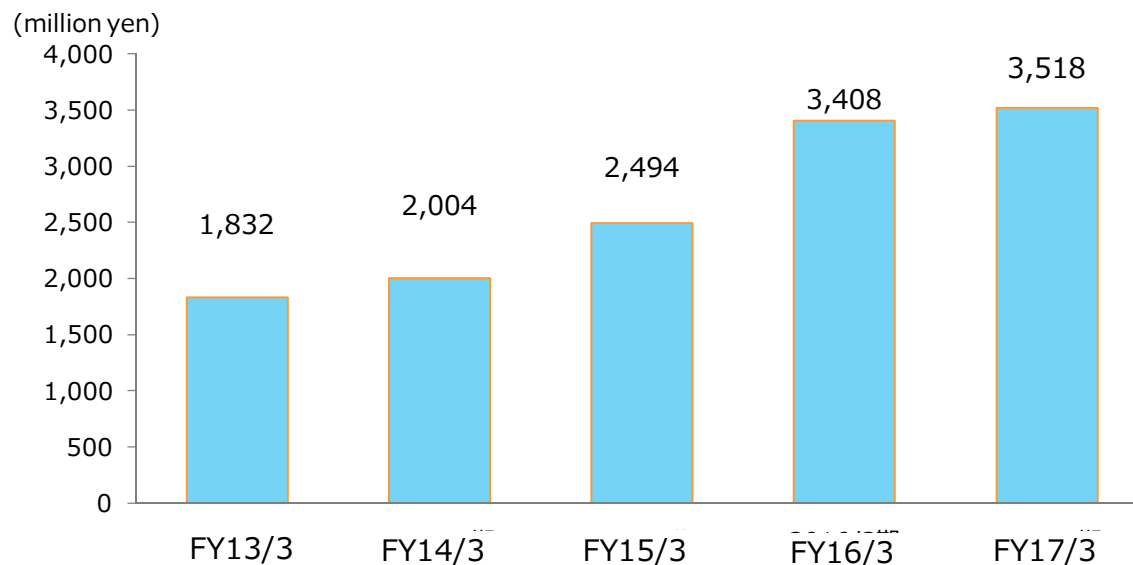
▶ Main facility investments

- ✓ Semiconductor research and development facilities for next-generation elemental technologies

▶ Depreciation

- ✓ A slight decline due mainly to virtually completed depreciation of software (ERP)

Fluctuation in R&D Expenses



▶ R&D expenses

- ✓ Up about 100 million yen for increased research and development expenses for metal 3D printers and other basic research

II. FY17/12 Financial Results Projections



Change of the Closing Date

- ✓ From fiscal 2017, the closing date is changed from March 31 to December 31. FY17/12 is a transitional period. (*)

*Subject to approval of a proposed resolution, "Partial amendments to the Articles of Incorporation", at the 41st ordinary general shareholders' meeting to be held on June 29, 2017.

- ✓ For FY17/12, accounts are consolidated for the period shown below:
 - Companies closing accounts in March: 9 months (April 1 - December 31, 2017)
 - Companies closing accounts in December (Greater China): 12 months (January 1 - December 31, 2017)

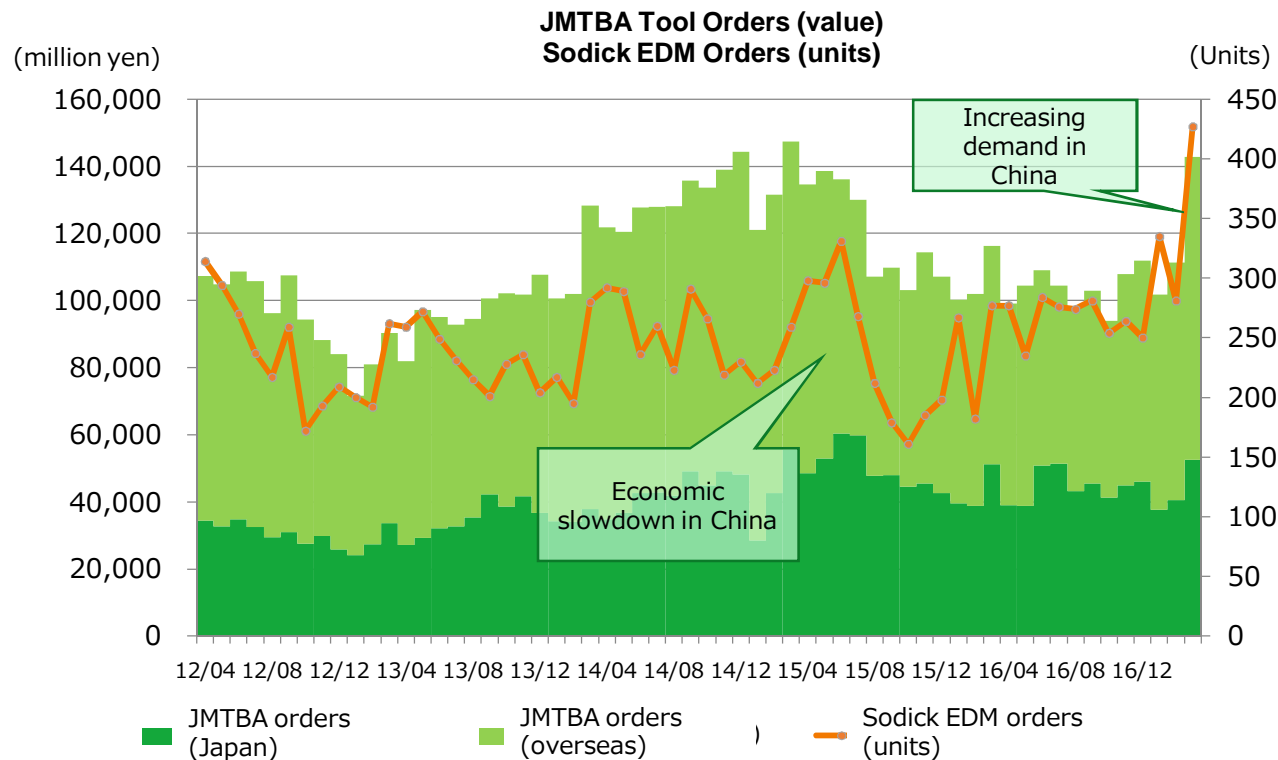
	Jan - Mar	FY17/3				FY17/12		
		Apr - Jun	Jul - Sep	Oct - Dec	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec
		1Q	2Q	3Q	4Q	1Q	2Q	3Q
Companies closing accounts in March		← 12 months →				← 9 months →		
Companies closing accounts in December	← 12 months →				← 12 months →			

- ✓ Purpose of the change:

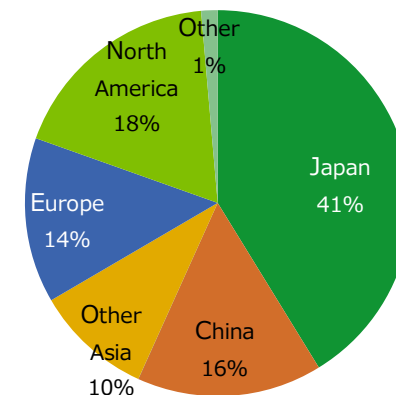
The closing date is aligned with that of overseas consolidated subsidiaries to recognize and disclose business management information in a more timely and appropriate manner for making management decisions and implementing business strategies more quickly and appropriately.

Market Environment

- ✓ Japan We expect sustained solid demand due to government subsidy programs and replacement demand due to facility aging.
- ✓ North America Although demand due to capital investments in the automotive, aerospace, and medical device industries is expected to be firm and strong, the outlook is uncertain on account of many factors, including the impact of the economic policies of the new U.S. administration.
- ✓ Europe Demand in the automotive and aerospace industries is expected to remain firm, but there is uncertainty about the future because of slower growth in demand in countries such as Russia and Turkey, and geopolitical risks, including Brexit and national elections in countries throughout Europe.
- ✓ China The pace of growth started to gather momentum again, helped by the government-driven active infrastructure investments and real estate transactions. It is expected that companies will introduce automation due to higher labor costs, etc., and that there will be greater demand for high-precision machinery.
- ✓ Asia There are signs of a recovery in countries such as Thailand and Indonesia, particularly in the automobile industry.



**JMTBA Tool Orders by Region
(cumulative for April 2016–Mar. 2017)**



Source: JMTBA

Source: JMTBA

FY17/12 Financial Results Projections

*On a Financial Report Basis



- ✓ For FY17/12, despite a forecast of the yen being stronger than in the previous year, we expect improved profitability with planned sales increases in new products, incl. metal 3D printers, put on the market the previous year, and anticipated growth in existing operations, such as EDMs and injection molding machines.

(million yen)

	FY17/3		FY17/12 (April - December 2017: Irregular accounts of 9 months)	
	Actual	Income margin	Projections	Income margin
Net sales	61,812	—	55,800	—
Operating income	5,236	8.5%	5,300	9.5%
Ordinary income	4,620	7.5%	5,200	9.3%
Net income	3,644	5.9%	3,700	6.6%
Comprehensive income	2,728			
ROE	7.4%			

Average exchange rate over the period	USD	108.34 yen	105.00 yen
	EUR	118.74 yen	116.00 yen
	CNY	16.32 yen	15.80 yen
	THB	3.08 yen	3.16 yen

※ No change indicated for the irregular accounts for FY17/12 (9 months).

FY17/12 Financial Results Projections by Segment

*On a Financial Report Basis



(million yen)

		FY17/3	FY17/12 (April-Dec. 2017: Irregular accounts of 9 months)
		Actual	Projections
Net sales	● Machine tool segment	43,355	38,400
	● Industrial machinery segment	9,366	9,060
	● Food processing machinery segment	3,429	3,800
	● Other segments	5,661	4,540
		61,812	55,800
Segment income	● Machine tool segment	6,213	5,380
	● Industrial machinery segment	617	850
	● Food processing machinery segment	159	370
	● Other segments	859	600
		7,851	7,200
Adjustments		-2,614	-1,900
Total operating income		5,236	5,300

Machine tool segment

- ✓ In Japan, steady earnings are expected as companies wait for subsidies.
- ✓ Demand due to capital investments is expected to be strong in both North America and Europe.
- ✓ For Greater China, demand for high-precision tools used in the smartphone and automotive industries is projected to continue to be firm.
- ✓ Although conditions in Southeast Asia remain harsh, recovery is expected particularly in the automobile industries in countries such as Thailand and Indonesia.

Industrial machinery segment

- ✓ In Japan, demand is expected to remain firm, especially in the automobile industry.
- ✓ In both Greater China and Asia, there is growing demand for high-precision machinery used for smartphone parts and connectors, and the number of new orders received is expected to stay at a high level.

Food processing machinery segment

- ✓ Demand for high quality noodles is expected to remain strong, and more inquiries are anticipated from other sectors, such as confectionery companies and manufacturers of packaging materials for precooked rice and delicatessens, etc.

Other segments

- ✓ Both the high-precision dies and mold business and external sales of ceramics are expected to remain strong.

※ No change indicated for the irregular accounts for FY17/12 (9 months).

FY17/12 Financial Results Projections

***Comparisons for Reference (Adjusted)**



(million yen)

	FY17/3		FY17/12 (January- December 2017)	
	Actual	Income margin	Projection	Income margin
Net sales	61,812	—	67,900	—
Operating income	5,236	8.5%	6,900	10.2%
Ordinary income	4,620	7.5%	6,600	9.7%
Net income	3,644	5.9%	4,800	7.1%
Comprehensive income	2,728			
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Average exchange rate over the period	USD	108.34 yen	105.00 yen
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	CNY	16.32 yen	15.80 yen
	THB	3.08 yen	3.16 yen

FY17/12 Financial Results Projections by Segment

***Comparisons for Reference (Adjusted)**



(million yen)

		FY17/3	FY17/12 (January-December 2017)
		Actual	Projections
Net sales	● Machine tool segment	43,355	46,000
	● Industrial machinery segment	9,366	11,300
	● Food processing machinery segment	3,429	4,700
	● Other segments	5,661	5,900
		61,812	67,900
Segment income	● Machine tool segment	6,213	6,870
	● Industrial machinery segment	617	1,400
	● Food processing machinery segment	159	460
	● Other segments	859	730
		7,851	9,460
Adjustments		-2,614	-2,560
Total operating income		5,236	6,900

Projections for Facility Investments, Depreciation Charges, and R&D Expenses, **Sodick**

✓ For FY17/12, we have the following projections by item.

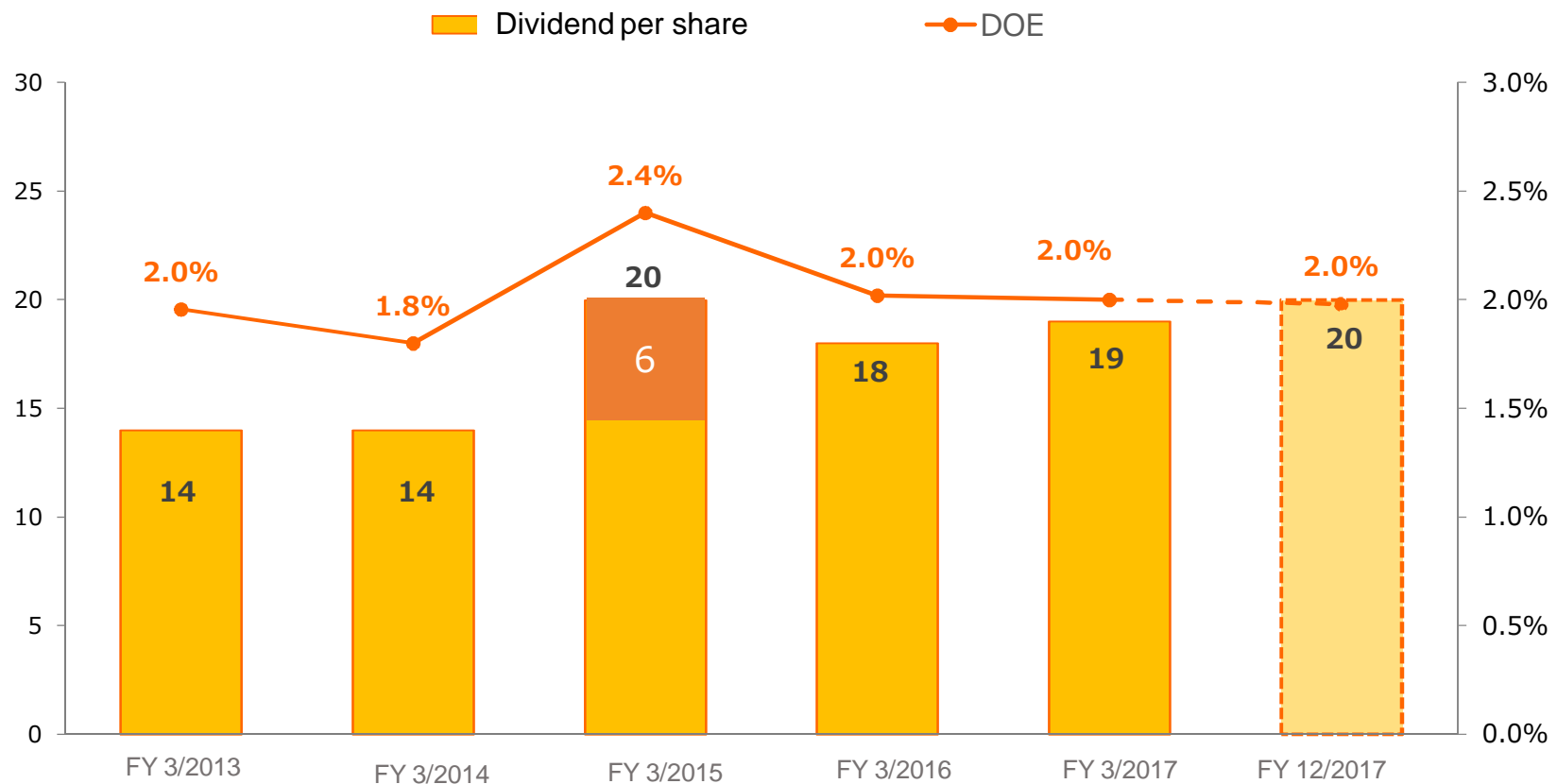
<p>Facility investment</p>	<p>Capital investment is expected to be around 3.4 billion yen.</p> <ul style="list-style-type: none"> • New building for sales & marketing in US: 0.6 billion yen • Research and development building, Yokohama Head Office: 0.5 billion yen • Thai Plant (production capacity enhancement): 0.4 billion yen
<p>Depreciation</p>	<p>Depreciation charges is expected to be around 2.1 billion yen.</p>
<p>R&D Expenses</p>	<p>R& D expenses of 3 billion yen continuing at a high level.</p> <ul style="list-style-type: none"> • Research and development related to metal 3D printers • Development of new electric power sources, next-generation CNC, and new models • Development of new models enabling high added-value molding and development of facilities of automated molding

III. Shareholder Return



Policies for Shareholder Returns and Dividend Projections **Sodick**

- ✓ As a dividend policy, we aim at a dividend yield on shareholders' equity of at least 2%.
- ✓ For FY2017 ending December 31,2017, we are planning for an annual dividend of ¥20 per share (interim dividend ¥10.0, fiscal year-end dividend ¥10.0).



Included is a ¥6.0 dividend in commemoration of the listing of the shares of the Company on the First Section of the Tokyo Stock Exchange

IV. Medium and Long-term Strategies and Outlook



Progress of Metal 3D Printer Operations

- ✓ In October 2014, we put metal 3D printers on the market for the first time. The business, however, has grown more slowly than originally planned primarily because benchmark tests for, and evaluation of, new manufacturing techniques for the products take more time than assumed, and because procedures for obtaining permits for export, to China and other Asian countries, also take much time to complete.

	FY16/3	FY17/3
Sales in units (planned at beginning of fiscal year)	more than 40	more than 50
Shipment in units (actual)	more than 30 (1/3 of which are sold to outside parties)	more than 30 (1/2 of which are sold to outside parties)
Sales in yen (to outside parties)	some 500 million yen	some 800 million yen

Action to be taken for Metal 3D Operations

- ✓ Sales (to outside parties) forecast for 2017 (Jan - Dec): around 50 units; 2,500 million yen;
- ✓ Marketing efforts will be accelerated on a global scale to sell more units.
(by augmenting sales personnel, increasing testing machines & demonstration printers at showrooms, and reinforcing the marketing setup)
- ✓ "MR 30", injection molding machine designed exclusively for metal-3D-printed molds, will be offered together to help our printers establish greater presence in the market of metal molding machines for plastic products.
- ✓ Expand the product lineup, improve processing performance & speed, and offer models capable of processing a greater variety of metal powder.

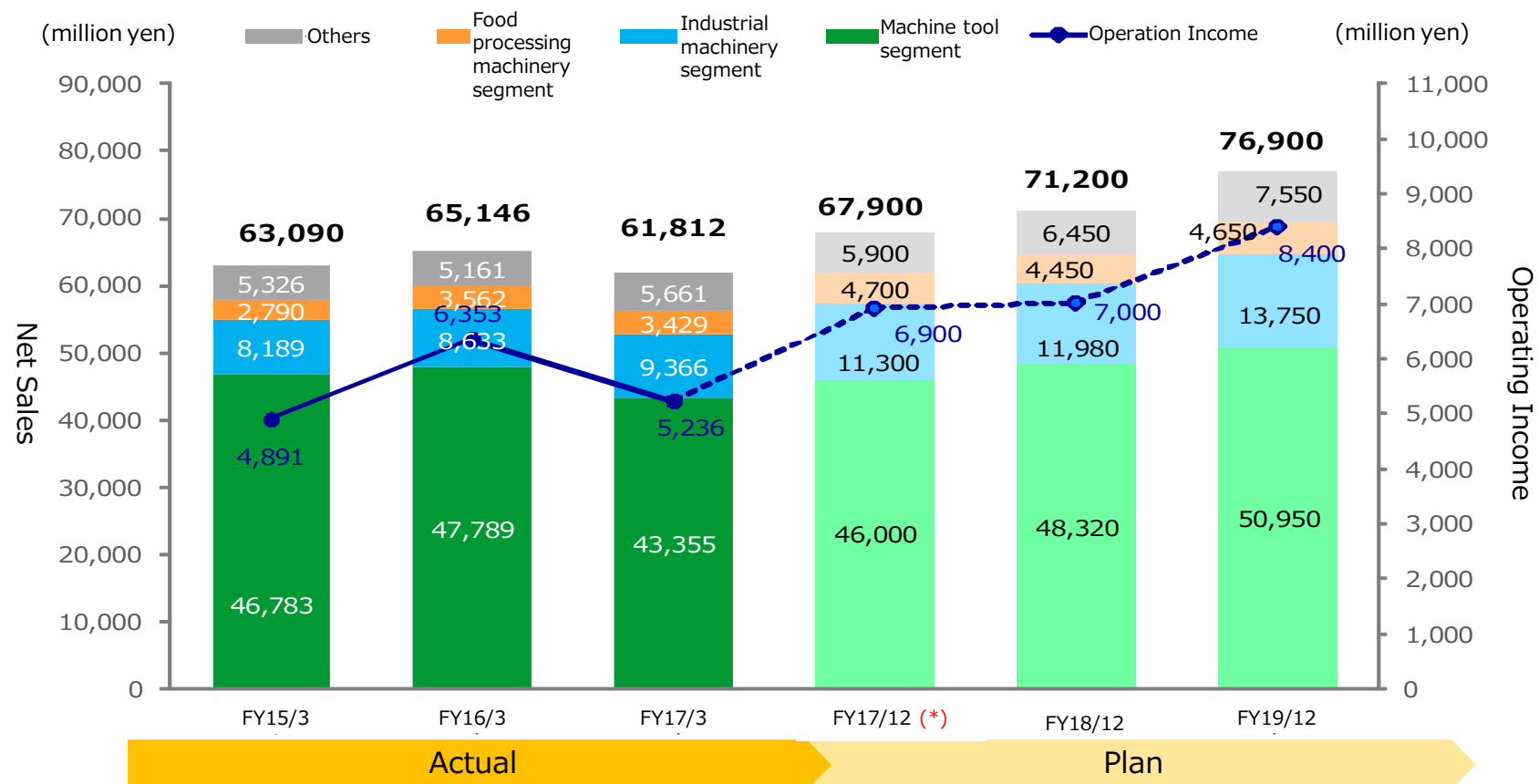
Statement of extraordinary losses (462 million yen of loss on valuation of shares of subsidiaries and associates)

- ✓ To have the delay in the progress of the Metal 3D Printer Operations reflected in the financial statements for FY17/3, valuation losses are stated for shares of OPM Laboratory Co., a non-consolidated subsidiary engaged in metal 3D printer processing by contract, consulting, software development, development of metal power materials, etc.

Medium-term Management Plan



Targeting sales of 76.9 billion yen with operating income of 8.4 billion yen by FY19/12



* Figures for FY17/12 are those for 12 months from January to December 2017, indicated only for reference.

Machine tool segment

- ✓ **Expansion of market shares in all regions**
 - ⇒ Strengthen sales of low-price "VL Series" machine models in the markets of emerging economies
 - ⇒ In the markets of industrialized countries, expand sales of high-precision "AL Series" wire electric discharge machines, a main product line of Sodick
- ✓ **Accelerate sales and research and development in metal 3D printers**
 - ⇒ Initiate full sales activities to markets in Greater China & Asia
 - ⇒ Expand markets by enhancing object forming speed, maintenance properties, and the range of materials for use with metal 3D printers
- ✓ **Reduce manufacturing costs through efficiency gains in production and through consolidation of models**

Industrial machinery segment

- ✓ **Raise overseas sales ratio to at least 70%**
 - ⇒ Reduce manufacturing costs, restructure sales systems, strengthen marketing
 - ⇒ Develop and market injection molding machines adjusted to overseas users' needs
- ✓ **Create new demand by further expanding the product line-up**
 - ⇒ Develop new models adjusted to new materials and with enhanced forming methods
 - ⇒ Develop injection molding machines suited for use with metal 3D printers
- ✓ **Initiate efforts at cost of sales reduction projects aimed at strengthening earnings**

Food processing machinery segment

- ✓ **Enhance earning power through new plant start-ups**
 - ⇒ Strengthen product development and sales promotions by making the most of new showrooms and research facilities inaugurated in April 2016
- ✓ **Expand overseas sales through product development for overseas markets**

(Reference Materials)



Domestic and Overseas Sites



Head Office

Production Site

Research and Development Site

Sales and service sites

Information on Participation in Major Exhibitions

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

期間	開催地		展示会	概要
May 16~19	China	Guangzhou	CHINAPLAS 2017	
Jun. 13~16	Japan	Tokyo	FOOMA JAPAN 2017	
Jun. 13~16	China	Shanghai	DMC (Die & Mold China) 2017	
Jun. 21~24	Thailand	Bangkok	Intermold Thai	
Jul. 4~7	Vietnam	Ho Chi Minh	MTA Vietnam(International Precision Engineering, Machine Tools and Metalworking Exhibition & Conference)	
Jul. 12~15	Indonesia	Surabaya	MachineTools&manufacturingIndonesia-Surabaya	
Aug. 23~26	Philippines	Manila	PhilippineDie&MoldMachineTools	
Sep. 12~14	US	LA	Westec2017	
Sep.18~23	Germany	Hannover	EMO2017	One of the world's largest machine tool exhibitions
Oct. 11~13	Vietnam	Hanoi	MTA Vietnam	
Oct. 12~14	Vietnam	Ho Chi Minh	METALEX VIETNAM (Vietnam's International Machine Tool & Metalworking Solutions Expo)	
Oct. 18~21	Japan	Nagoya	M E C T 2017	
Oct. 24~28	Japan	Chiba	I P F 2017	
Nov. 22~25	Thailand	Bangkok	Metalex Thai (Thailand's International Machine Tool & Metalworking Solutions Expo)	
Nov.28~Dec. 1	China	Dongguan	Dongguan DMP2017 (Dongguan International Mold and Metalworking Exhibition)	
Dec. 6~9	Indonesia	Jakarta	Machine Tools Indonesia	

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Contact for inquiries concerning this material

Management Administration Division, Sodick Co. Ltd.

3-12-1, Nakamachidai, Tsuzuki-ku, Yokohama, Kanagawa, 224-8522, Japan

TEL: +81-45-942-3111 FAX: +81-45-943-5835