



ANNUAL  
REPORT  
2017

**Sodick**

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Editorial Policy

The Sodick Group discloses information in accordance with the needs of our stakeholders. This report offers operating and financial information, while also providing an annual report in a manner designed to supplement the non-financial information that is necessary for understanding our company. We also offer the latest information over our website.

Investor Information (IR) Website

<http://www.sodick.jp/ir/>



Precautions concerning Forecasts

The current plans, strategies, and so forth of Sodick and the Sodick Group listed in this report that are not based on historical fact are nothing more than future forecasts, and contain elements of risk and uncertainty. Please note that there is the possibility that the results of our actual performance may deviate significantly from these forecasts for a variety of reasons. There are a number of important factors that could potentially impact our actual performance. These include the economic climates surrounding the business areas of Sodick and the Sodick Group in Japan, the Americas, Europe, Asia, the Greater China region, and other regions; downward pressure on prices due to changes in demand for Sodick's products and services and intensifying competition; our ability to continue to provide products and services that are well-received by customers in markets where competition is intense; exchange rates; and more. Factors that could potentially impact our performance are not limited to those mentioned here.

Create your Future



“We create things if they do not exist in the world”

Sodick is a pioneering manufacturer of numerical control (NC) electrical discharge machines (EDMs). Since our founding, our company has dramatically improved machining accuracy and contributed to manufacturing throughout the world through research on EDM control and the development of NC units.

The origin of Sodick's company name is derived from the Japanese words for “Create (So),” “Implement (di),” and “Overcome difficulties (ck),” which has become the company motto of Sodick. This incorporates our fervent principle to “Create” new things and make them a reality through “Implementation” and “Overcoming difficulties” within this process in order to contribute to manufacturing by our customers.

Our mission is to create machinery that our customers can use with pleasure. By constantly putting our company motto of “Create, implement, and overcome difficulties” into practice, we are further improving our technologies, promoting their applied development to new product groups, and contributing to society through manufacturing.

Points from the March 2017 Fiscal Year

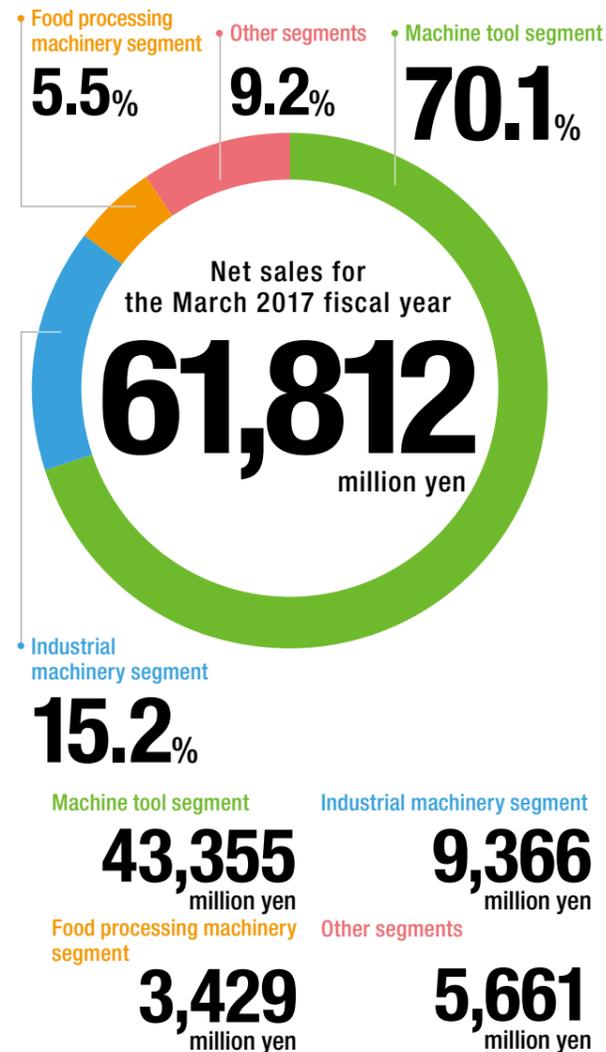
Net sales Operating income

**61,812** million yen  
(Down 5.1% from the previous FY)

**5,236** million yen  
(Down 17.6% from the previous FY)

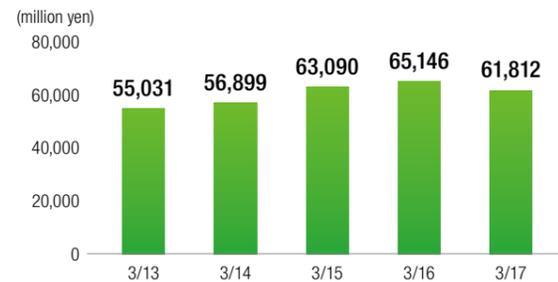
- While the number of electrical discharge machines (EDMs) and injection molding machine units we sold surpassed the number from the previous fiscal year, our profits fell as a result of the exchange rate's move towards a strengthening yen.
- Operating income declined due to factors like the rise in R&D costs and the increase in selling, general, and administrative (SG&A) expenses at our overseas subsidiaries.

Sales Composition Ratios for Each Segment



Net sales

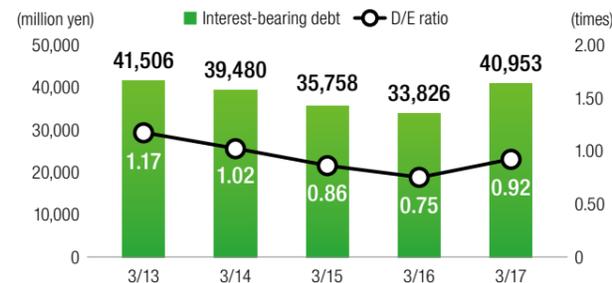
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Interest-bearing debt/Debt-to-equity ratio\*

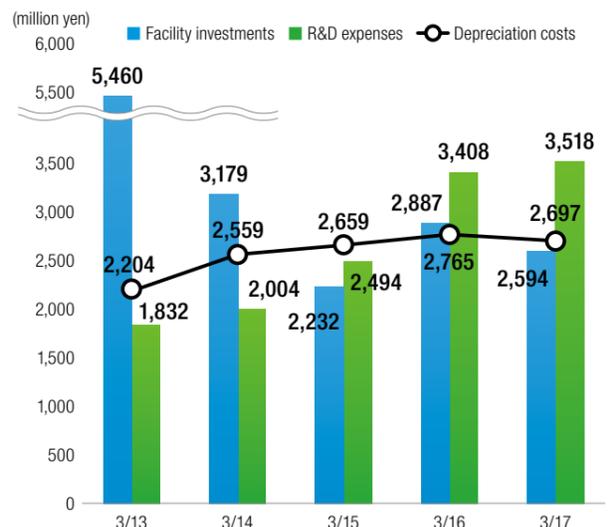
We raised 8,000 million yen via convertible bonds with stock subscription rights, due to which our interest-bearing debt rose substantially.

\*D/E ratio (debt-to-equity ratio) = Interest-bearing debt/Shareholders' equity



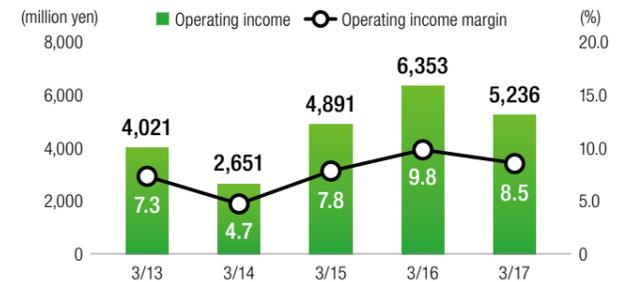
Facility investments, R&D expenses, and Depreciation costs

For facility investments, we invested in semiconductor R&D facilities pertaining to next-generation elemental technologies. As for depreciation costs, the depreciation of ERP has come around, so this has fallen slightly. R&D expenses increased by about 100 million yen in relation to metal 3D printers costs.



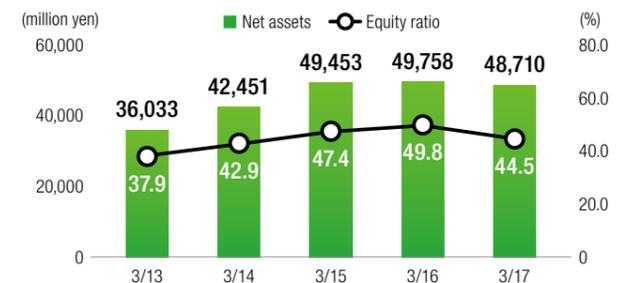
Operating income/Operating income margin

Operating income declined due to factors like the rise in R&D costs and the increase in selling, general and administrative (SG&A) expenses at our overseas subsidiaries.



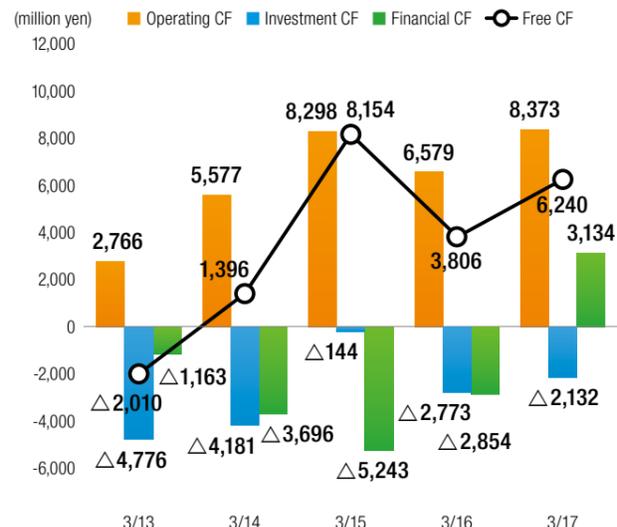
Net assets/Equity ratio

While our earned surplus has increased, the foreign currency translation adjustment calculations generated have declined due to capital conversions of overseas subsidiaries. Owing to this and the acquisition of approximately 3,000-million-yen worth of our own shares, net assets declined slightly.



Cash flow

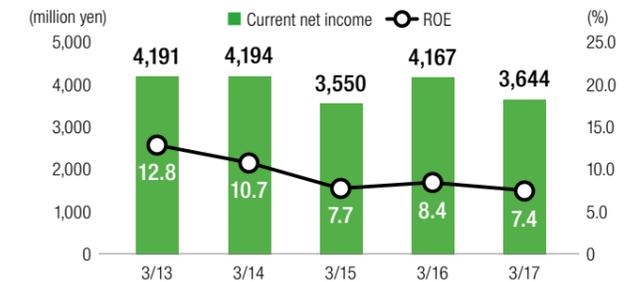
Free cash flow came to 6,240 million yen, marking a substantial increase from the previous year and remaining at a high level.



Profit attributable to owners of the parent company/ROE\*

While net assets declined due to acquisitions of our own shares, current net income attributable to owners of the parent company fell and ROE declined relative to the previous fiscal year.

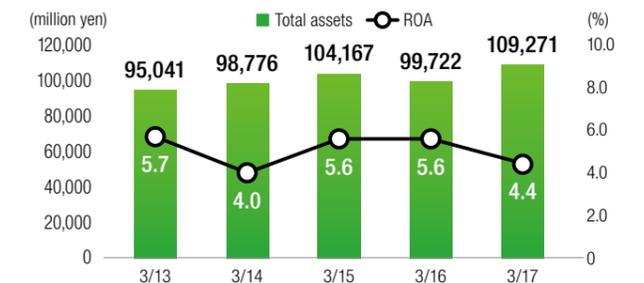
\*ROE (return on equity) = Current net income/(Net assets - Stock warrants - Minority interests)



Total assets/ROA\*

Total assets rose substantially and ordinary income fell, leading to a decline in ROA relative to the previous fiscal year.

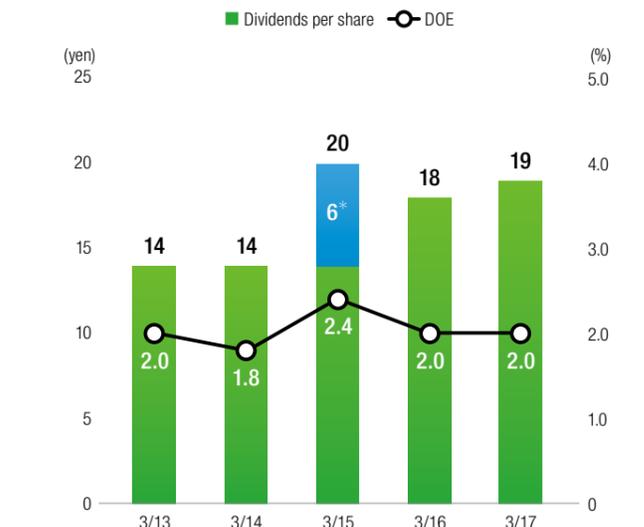
\*ROA (return on assets) = Ordinary income/Total assets (Average during the period)



Dividends per share/DOE\*

As per our dividend policy, our aim for this is DOE of 2% or greater. Dividends for the March 2017 fiscal year came to 19 yen.

\*DOE (dividend yield on equity) = Total dividends/Shareholder's equity



\*Commemorative dividends for our listing to the First Section of the Tokyo Stock Exchange

# Sodick Group = Total Manufacturing Solutions

We support all manner of manufacturing processes and provide optimal solutions for resolving challenges.

The Sodick Group provides total support to all manner of manufacturing processes through our flagship EDMs products, including everything from design to machining dies and parts, finishing machined surfaces, and molding. Through this, we provide optimal solutions for resolving our customers' challenges.

We entered the food processing machine field in 2007. We offer support to a variety of different manufacturing dimensions by harnessing our technical capabilities to expand the scope of our businesses and by manufacturing and selling the machinery that is indispensable for manufacturing.



## Food Processing Machinery Segment

Development, manufacturing, and sales of noodle production plants and food processing machines such as noodle-making machines

We provide customers with the single most suitable machine for producing the raw noodles for the udon, soba, and ramen products sold at convenience stores and supermarkets.

In recent years, overseas demand has been increasing as a result of the growing boom for Japanese foods.



## Other Segments

### Precision die and precision molding operations

Die design and manufacturing, production of plastic molded parts

### Elemental technology operations

Development, manufacturing, and sales of products that make use of linear motors and other control devices, ceramic products, LED lighting, and more

### Leasing operations

Leasing EDMs, etc.

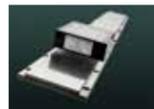


# Core Technologies We Now Manufacture In-house

## Linear motors

**Achieving high-speed, high-precision movements and successfully saving energy**

Linear motors are said to be superior in terms of their transition speed and positioning accuracy compared to motors with a ball screw structure. What is more, since there is limited mechanical contact, they offer excellent responsiveness and long-term stability. Sodick has accumulated a wealth of technologies when it comes to linear motors, including our know-how for designing and producing linear motors that are perfectly suited to a variety of different mechanical devices.



## Motion controllers

**Created with the duty of ensuring accurate operation of linear motors no matter how fast they run**

The role of the motion controller is to control the high-speed, high-precision operation of linear motors based on instructions provided by the NC unit. Sodick possesses manufacturing technologies for linear motor motion controllers that use PID control and modern control to achieve high-speed, high-acceleration control, as well as the copyrights for the duplication and use of linear motor control software.



## Ceramics

**The material that forms the "backbone" of Sodick products**

Ceramic is a material that is optimally suited for EDMs, which use electricity, due to the fact that it is stiff, light, heat-resistant, and abrasion-resistant. Sodick has manufacturing technologies for things like ceramic-made highly-durable mechanical structural components and hydrostatic bearings, which enable high-precision positioning. The ceramics that we produce in-house are used for major parts within machines, thereby forming mechanical structures that are light weight and offer excellent durability.



## Programmable logic controllers (PLCs)

**Promoting automation through the development of generalizable PLCs**

PLCs are control devices that are used to control various types of automated machinery. They do this by running software described via a programming language known as ladder diagrams that encodes relay circuits. PLCs have a wide range of uses, and so they must offer generalizability and flexibility for the system structure. Sodick's PLCs can be expanded from a minimum of 16 I/O points to a maximum of 65,536 I/O points. In addition, they can control up to a maximum of 60 motor bearings.

- Linear motors
- Motion controllers
- Ceramics
- Programmable logic controllers
- NC units
- Electrical discharge power units



## NC units

**Superior control towers that elicit the capacities of Sodick products to the maximum extent possible**

NC units are numerical control units that use numeric information and servo mechanisms to control the movement of machine tools and robots. Sodick has the technology to produce NC units (including display units and input units) capable of simultaneously controlling up to eight axes, as well as copyrights for duplicating and using the numerical control software used in high-speed milling centers. Since our NC units were developed in order to elicit the capacities of our products to the maximum extent possible, they enable ultra-precise, high-quality machining unavailable anywhere else.



We strive to develop technologies and manufacture the core technologies that are the source of our competitive edge in-house.

As a result of striving to develop technologies designed to provide our customers with even better products and services, we have successfully shifted to manufacturing the core technologies that are the source of our competitive edge in-house. Our company

has achieved an in-house manufacturing rate that is higher than those seen anywhere else, which just serves to demonstrate our outstanding technical capacities.

- V-LINE® System
- Straight-hydraulic mold clamping system
- Hybrid system



## V-LINE® System

**We developed a zero backflow system that separates the processes of plasticization and injection**

With our V-LINE® System, the passage is actively cut off after the measurement is carried out and the injection operation is then performed. This way all of the measured resin gets injected into the mold.

The appearance of the V-LINE® System enabled accurate measurements of the injection amount, and control by numerical values became possible for the first time.

\*V-LINE is a registered trademark of Sodick Co., Ltd.



## Straight-hydraulic mold clamping system

**Sodick's proprietary locking straight-hydraulic mold clamping system minimizes damage to the mold**

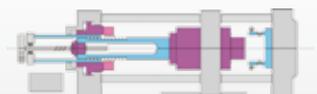
Molds must be engineered so that the resin does not extrude out when the clamping force is applied, to ensure that they do not succumb to pressure when the melted materials are injected. At Sodick, we place importance on the idea of the clamping force being consistent with what the mold was designed for in order to release the product from the mold without the application of stress. That is why we developed our proprietary locking straight-hydraulic mold clamping system. It uses four technologies: long-span support, LM guide platen support, a central ball screw driving mechanism, and a tie-bar holdless platen to dramatically improve mold positioning and trajectory repeatability. Through this, we have achieved the creation of delicate molds that would have been difficult with conventional toggle clamping systems.



## Hybrid system

**We use a hybrid system that makes the most of the advantages of dual drive sources**

Sodick's molding machine employ a hybrid system whereby hydraulics are used for injection/plasticization and electric motors are used to open and close the mold and to release the product. Hydraulics offer high output and excellent responsiveness and are therefore perfect for rapidly injecting melted resin into the mold and applying strong clamping force onto the mold. The electric motor has superior position control with the benefit of enabling the speed to be altered at will.

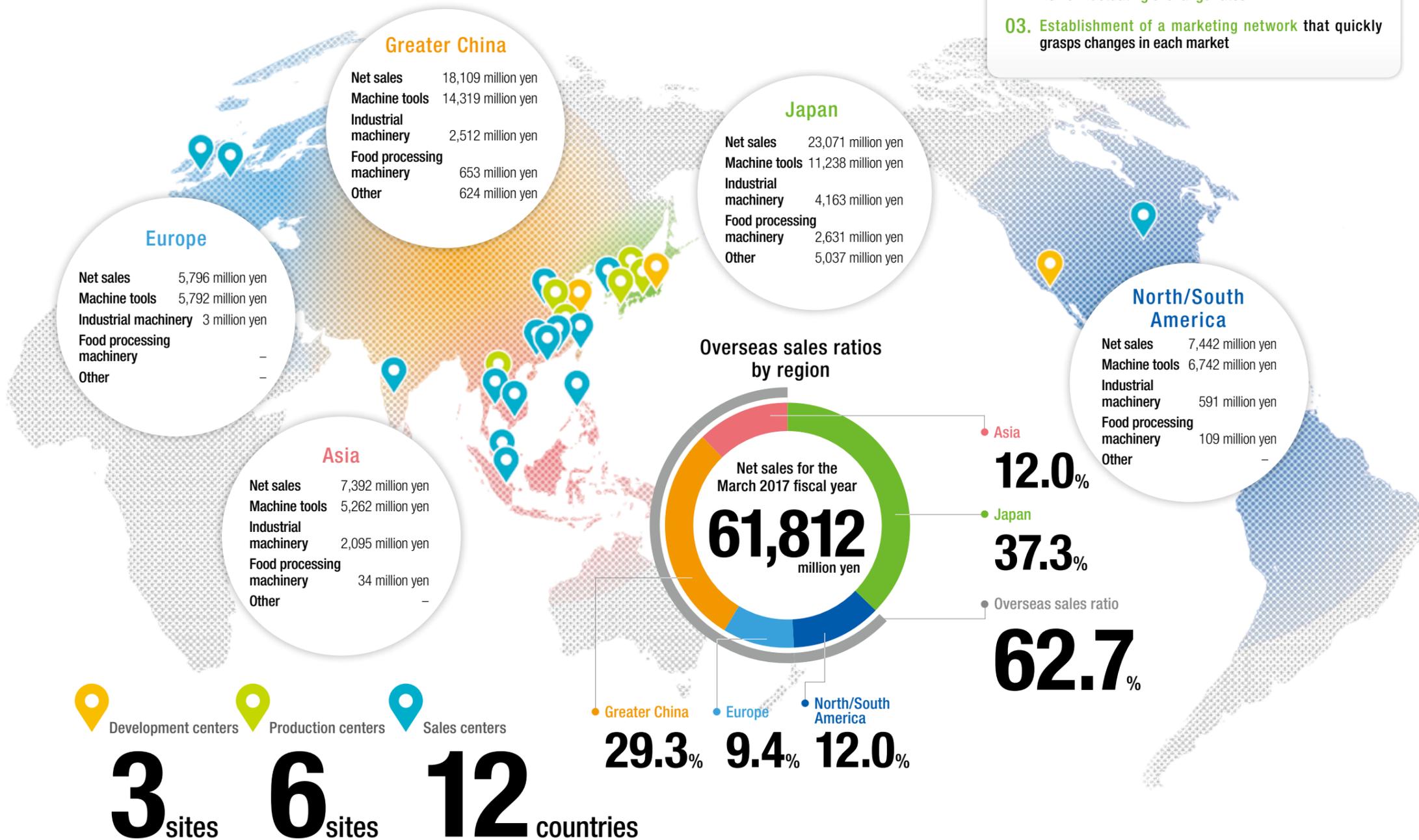


# Global Business Expansion Targeting Five Major Global Markets

Sodick has been expanding its business from a global perspective since early on. As such, we have grown into a corporate group with a solid presence in global markets.

## Main points in our global expansion

- 01. Production/sales structures and strategies focusing on the special characteristics of each area**
  - ▶ Mature markets: Release products with a competitive edge to increase our market share, enhance services to existing users
  - ▶ Newly emerging markets: Develop low-cost models that reflect local needs and strengthen sales
- 02. High overseas production/sales rate that minimizes the risk of fluctuating exchange rates**
- 03. Establishment of a marketing network that quickly grasps changes in each market**



- 1980 - Established Sodick Inc. in the United States
- 1988 - Established Sodick (Thailand) Co., Ltd. in Thailand
- 1991 - Established Shanghai Sodick Software Co., Ltd. in Shanghai, China
- 1993 - Established Sodick Singapore Pte., Ltd. in Singapore
- 1994 - Established Suzhou Sodick Special Equipment Co., Ltd. in Suzhou, China
- 1996 - Established Sodick (Taiwan) Co., Ltd. in Taiwan  
 - Established Sodick Technology Malaysia Sdn., Bhd in Malaysia
- 1997 - Established Sodick Electromechanical (Shanghai) Co., Ltd. in Shanghai, China  
 - Established Sodick (H.K.) Co., Ltd. in Hong Kong
- 2000 - Established Sodick Europe Ltd. (U.K.) in Birmingham, United Kingdom  
 - Established Sodick America Corporation in the United States
- 2001 - Established Sodick International Trading (Shenzhen) Co., Ltd., a sales affiliate, in Shenzhen, China
- 2002 - Established Sodick Korea Co., Ltd. in South Korea
- 2004 - Established Sodick Deutschland GmbH in Stuttgart, Germany  
 - Established Sodick Enterprise (S.Z.) Co., Ltd., a sales affiliate, in Shenzhen, China
- 2006 - Established Sodick Amoy Co., Ltd. in Amoy, China
- 2008 - Established Sodick Technologies India Private Ltd., a sales affiliate, in India
- 2012 - Established Sodick Vietnam Co., Ltd., a sales affiliate, in Vietnam
- 2015 - Established Sodick Philippines Inc., a sales affiliate, in the Philippines  
 - Established PT. Sodick Technology Indonesia in Indonesia

# History of the Sodick Group

◆ Products 
 ● Production centers 
 ● Development centers 
 ● Other

## 1976- Genesis

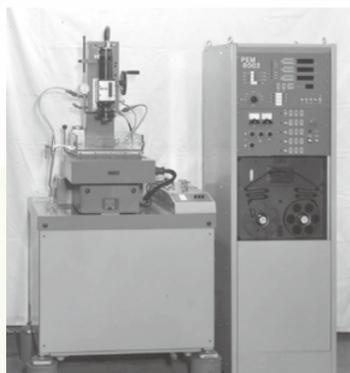
### ◆ Founding



▲ Toshihiko Furukawa, our founder

### ◆ Developed EDMs

Developed the world's first NC die-sinker EDM with a microcomputer



▲ MD5B

## 1980- Breakthrough

- 1980 ● Fukui Office completed (Sakai City, Fukui Prefecture)
- 1986 ● Listed on the Second Section of the Tokyo Stock Exchange
- 1987 ● Kaga Office completed (Kaga City, Ishikawa Prefecture)

### ◆ Supporting manufacturing by our customers through the fast-paced development of new technologies

- PIKA-1 mirror surface finishing circuit
- 330W NC wire-cut EDM equipped with simultaneous 5-axis control
- FINE Sodick A Series NC die-sinker EDM
- NC EDM with 4 positive rotation main axes



▲ A3C-R, an NC die-sinker EDM

## 1988- Overseas expansion

- 1988 ● Established a factory in Thailand
- 1989 ● Technical & Training Center completed in Kohoku New Town, Yokohama City
- 1989

### ◆ First foray into the industrial machine business

- Developed and began selling injection molding machines using our proprietary V-LINE® System



▲ TR50S2 injection molding machine

- 1991 ● Established Shanghai Sodick Software Co., Ltd. in Shanghai, China
- 1994 ● Established Suzhou Plant in Suzhou, China

### ◆ Promoting the globalization of our development, production, and sales centers



We divided the global market into five areas: Japan, China, Asia (excluding China), North/South America, and Europe, and established development, production, and sales centers with a view towards the market trends in each area

### ◆ Began development and sales of machining centers

## 1998- Technical Innovation

- 2000 ● Established Sodick America Corporation in San Jose, United States
- 2001 ● Sodick Plusstech Co., Ltd. listed on the JASDAQ stock market
- 2005 ● Sodick Hightech Co., Ltd. listed on the stock market of Hercules of the Osaka Securities Exchange
- 2006 ● Established Amoy Plant in Amoy, China

### ◆ Further technological advancements

- Announced the AM Series, the world's first linear motor-driven, high-speed die-sinker EDM
- Developed the NANO-100, the highest class nano-level precision processor in the world
- Announced the AQ325L/AQ550L, a high-speed, high-precision NC wire-cut EDM equipped with a linear servo motor, as well as the MC180L, a machining center



▲ AQ550L, a high-speed, high-precision NC wire-cut EDM

## 2007- Linear technological progression

### 2007

#### ◆ First foray into food processing machine business



▲ DDM noodle-making machine

- 2009 ● Sodick absorbed and merged with its subsidiary Sodick High Tech Co., Ltd.

### ◆ Innovations in linear motor technology

- Linear motor technology enabling high-speed, high-precision, and excellent responsiveness
- Sodick motion controller (SMC) designed to control the high-speed, high-precision operation of linear motors based on instructions from an NC unit



▲ AG35L, a linear motor-driven, high-speed die-sinker EDM

## 2012- Further advances

- 2012 ● New factory for the EWS Division of Sodick F.T Co., Ltd. completed (Miyazaki City)
- Sodick absorbed and merged with Sodick Plusstech Co., Ltd.
- 2013 ● New factory completed at the Thailand Plant (Factory No. 2)
- New factory for the Metal Molding Division of Sodick F.T Co., Ltd. completed (Miyazaki City)

### 2014

- ◆ Developed a metal 3D printer  
Developed a metal 3D printer to realize dreams and aspirations for future manufacturing



▲ OPM250L metal 3D printer

- 2015 ● Listed on the First Section of the Tokyo Stock Exchange



- 2016 ● Completed a new factory for our food processing machine business at our Kaga Office

- ◆ Developed a large metal 3D printer and specialized injection molding machine  
Aiming to further revolutionize plastic molding

We have worked to advance manufacturing while keeping pace with the technological innovations in Japan.

At Sodick, we are single-mindedly devoted to the goal of contributing to the manufacturing performed by our customers. Based on this philosophy, we listen carefully to our customers' requests, no matter how trivial, and work with them to solve problems by taking on and surmounting technical challenges regardless of how difficult they may be. Our company has always adhered to the approach that if what you need to solve a problem is not to be found anywhere, then you have to solve the problem by developing it yourself. Innovations like our linear motors

and ceramics, which sparked a revolution in EDMs, as well as our V-LINE® System for injection molding machines, were all developed by our company in order to solve problems facing our customers, and now serve as sources of our products' competitive edge.

The origin of Sodick's company name is derived from the Japanese words for "Create (So)," "Implement (di)," and "Overcome difficulties (ck)," which are things we are always willing to do for our customers. As such, this has become the company motto of Sodick.

Message from the President

“We create things  
if they do not exist in the world”  
Our goal is to contribute to society through  
manufacturing under this principal.



Yuji Kaneko  
President and Representative Director

## Reflecting Back on the March 2017 Fiscal Year and Its Challenges

For the March 2017 fiscal year, our results for the number of units of both EDMs and injection molding machines surpassed the numbers from the previous fiscal year. But due to the impact from the move towards a stronger yen compared with the exchange rate from the previous fiscal year and other factors, our net sales came to 61,812 million yen for a 5.1% decrease compared with the previous fiscal year.

In terms of income, our operating income fell as a result of increases in our R&D expenses and selling, general and administrative (SG&A) expenses at our overseas subsidiaries, despite the partial contributions from things like improved production efficiency and decreased procurement costs.

Viewing this by region reveals that there was demand from the auto and smartphone-related industries within Japan, but with the sense that this was slowing down in the latter half of the quarter as a result of waiting for the subsidies that were adopted in March 2017. In North America, demand from auto, aerospace, and medical device-related industries remained strong, while signs of a recovery were seen with energy-related industries. In Europe, harsh conditions persist in places like Russia and Turkey, but demand remains strong on the whole. In the Greater China region, we have continued to receive orders at a high rate on account of the rising demand for high-precision machinery from the auto and smartphone-related industries. Stringent conditions have

persisted in Asia, but signs of a recovery were seen in the latter half of the fiscal year centered on auto-related industries. In addition, orders were received at a high rate from smartphone-related industries.

We began selling our metal 3D printers in October 2014, but progress has lagged behind our initial plan for these. This is due to a number of reasons, like the fact that this involves new production technologies, and the benchmark tests and evaluations prior to the adoption of the machines by customers took longer than expected. In addition, the approval procedures for the export applications to places like China and Asia were also time consuming. In the March 2017 fiscal year, we had planned to sell 50 units but only shipped about 30 of these units, roughly half of which were sold externally. As for net sales, our results here fell short of our initial plan, amounting to roughly 800 million yen.

### Actual performance in the March 2016/ March 2017 fiscal years

(Unit: million yen)

|                  | March 2016 FY | March 2017 FY | Comparison |
|------------------|---------------|---------------|------------|
| Net sales        | 65,146        | 61,812        | 94.9%      |
| Operating income | 6,353         | 5,236         | 82.4%      |
| Ordinary income  | 5,719         | 4,620         | 80.8%      |
| Net income       | 4,167         | 3,644         | 87.5%      |

## Outlook for the December 2017 Fiscal Year

For the December 2017 fiscal year, we are planning on an increase in sales for the new product groups we released last year, while also forecasting growth in our existing businesses such as EDMs and injection molding machines. What is more, we are forecasting an improvement in our profit margin due to an increase in machinery sales and the results of mass production. The December 2017 fiscal year ended up being an irregular accounting term of nine months due to the changes in our accounting period. But on an adjusted basis for January – December 2017, which takes into account the March account settlement for the company’s performance from January –

March 2017, the expectation is that real revenue will rise compared with the previous fiscal year.

With regard to our metal 3D printer business, an end is in sight regarding export applications to the Greater China region and Asia, so our global sales will pick up speed. What is more, we are bolstering our presence in the plastic die molding market by rolling out our MR30 injection molding machine exclusively for dies formed by the metal 3D printer we released last year. We plan to sell about 50 units between January and December 2017 for net sales of around 2,500 million yen.

### Actual performance and forecasts for the full fiscal year starting December 2017

(Unit: million yen)

|                  | March 2017 FY      |               | December 2017 FY<br>(April–December 2017:<br>9-month irregular period) |               | December 2017 FY*<br>(FY from January–December<br>2017) |               |
|------------------|--------------------|---------------|--|---------------|---|---------------|
|                  | Actual performance | Income margin | Projection   | Income margin | Projection  | Income margin |
| Net sales        | 61,812             | –             | 55,800   | –             | 67,900  | –             |
| Operating income | 5,236              | 8.5%          | 5,300  | 9.5%          | 6,900   | 10.2%         |
| Ordinary income  | 4,620              | 7.5%          | 5,200  | 9.3%          | 6,600   | 9.7%          |
| Net income       | 3,644              | 5.9%          | 3,700  | 6.6%          | 4,800   | 7.1%          |

\*Figures converted to a one-year basis from January–December 2017 are listed for comparison and reference.

## Medium to Long-term Policies and Priority Measures

With respect to the machine tool segment, we will strive to expand our market share by accurately determining worldwide demand for precision machinery, including that in the newly emerging markets where advances in the sophistication of manufacturing are being seen, and offering products with an understanding of market needs. Even though metal 3D printers are still in the market creation phase, they represent an innovative technology with the possibility to shorten lead times for manufacturing dies, cut production costs, and shorten the molding cycle. As such, we are confident that this product can be expected to demonstrate growth over the medium to long-term. We aspire to be the top company in the field of precision metal printers by means of further promoting R&D on subjects like improving molding speed and rounding out our lineup of metal powders.

As for the industrial machinery segment, we are strengthening sales of our fully electric injection molding machines, for which there is a great need, in order to boost our domestic market share for injection molding machines to 10%. In addition to our entry-level models, we are also rounding out our lineup of small and medium-sized machines to consolidate our position in the market for fully electric injection molding machines. What is more, demand is anticipated for our aluminum injection molding machines from business replacing their die-cast machines, with the expectation being that this will open up potential markets for things like auto parts (where lighter weight is always in demand) and IT device parts. As for overseas, we are aiming

to expand our unit sales in the high-precision molding sector where we hold a competitive advantage, such as for things like smartphone lenses and silicon molding machines, in order to attain an overseas sales ratio of 70% or greater.

With our food processing machinery segment, we foresee continued demand for equipment designed with the goal of manufacturing higher quality noodles, primarily for domestic convenience stores, supermarkets, and restaurant chains. From overseas, we foresee demand for equipment to manufacture noodles with a long shelf life and frozen noodles. What is more, we are starting to cater to needs from outside the noodle manufacturing industry, such as precooked rice packages and prepackaged side dishes, as well as the confection industry, and are cultivating our food processing machine business as a mainstay of this for the future.

At present, orders received for EDMs and injection molding machines remain strong, with our backlog of orders on the rise. To eliminate opportunity loss due to the increase in the number of units ordered, and we are working to augment our factory's production capacity in order to meet the deadlines and demand from our customers. For our Thailand Plant in particular, we plan to expand the No. 2 Factory in order to substantially enhance its production capacity. What is more, we are making progress on rebuilding our production structures for around the world in order to meet the increased demand from overseas.

## Aiming for Sustainable Growth

In order for companies to continue to grow in a sustainable manner, they must continue to contribute to their stakeholders through their business activities.

As a research and development-based company, we at Sodick have adopted the managerial philosophy of contributing to the development of society by providing superlative products to support the manufacturing performed by our customers. We feel that it is only by putting this philosophy into practice that we are able to grow sustainably and lead to boosting corporate value over the medium to long-term.

Traditionally, we have carried out management based around the criteria of our Managerial Philosophy and our Charter of Corporate Ethics and Corporate Code of Conduct. But based on the increasingly sophisticated and diverse expectations placed on us by society, in addition to fulfilling our corporate social responsibility (CSR) we have launched a CSR Promotion Committee in order to promote CSR activities in a cross-cutting manner.

We also strive to further enhance our initiatives for the environment, society, and governance, while also boosting our corporate value.



## Dividend Policy

Our basic policy aims for stable, continuous dividends with a target of dividends on equity (DOE) of 2% or more while still ensuring that we strike a balance between investments for growth and strengthening our financial structure. Therefore, for the March 2017 fiscal year we have decided to set annual dividends per share at 19 yen.

For the December 2017 fiscal year, we plan to add an additional one yen to this to reach annual dividends per share of 20 yen.

With respect to the intended uses for the internally reserved capital, we plan to put this to effective use for our future business activities and to strengthen our management base.

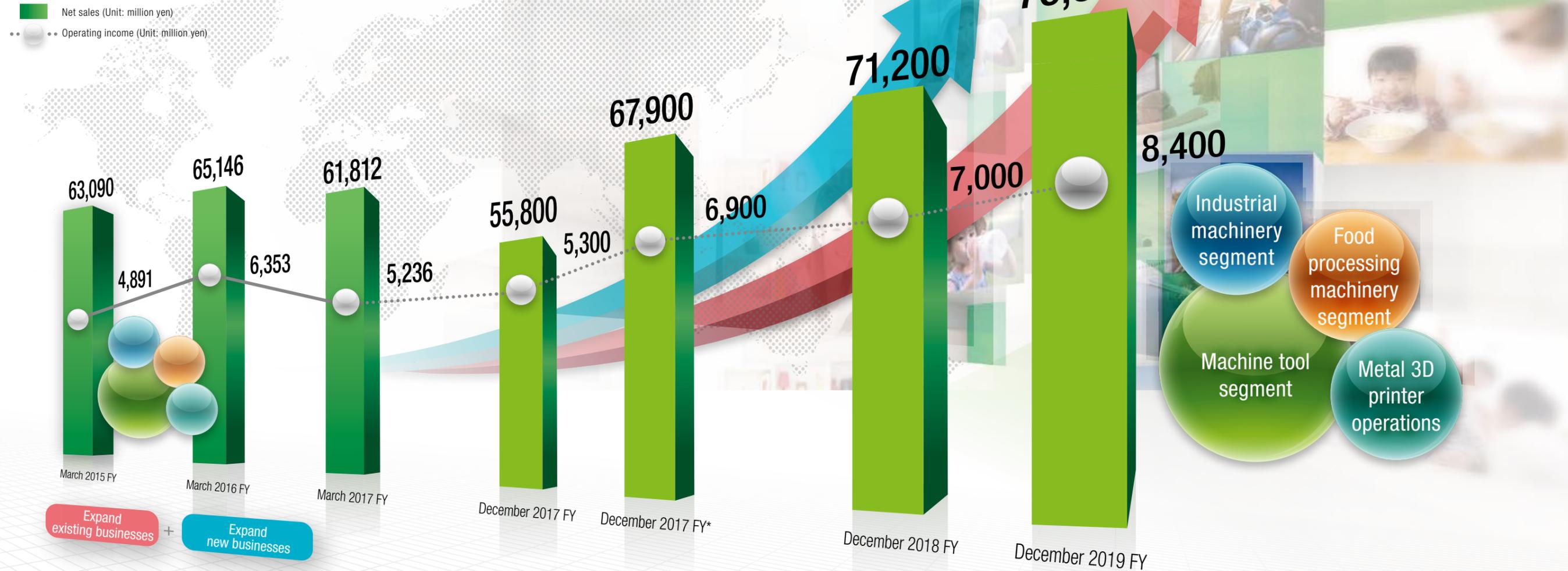
## In Conclusion

Under the principle that "We create things if they do not exist in the world" we strive to further improve our technologies, promote their applied development to new product groups, and contribute to society through manufacturing.

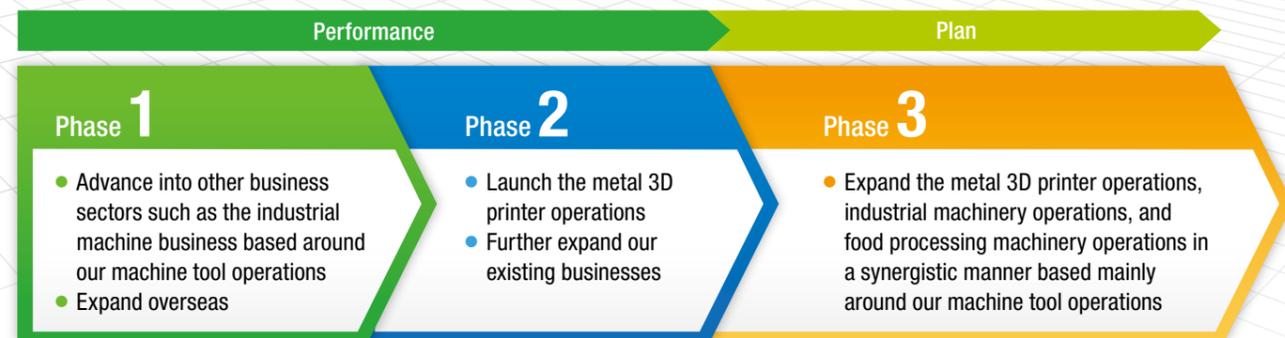
Moving forward, we will continue to act on our company motto of "Create (So)," "Implement (di)," and "Overcome difficulties (ck)," from which our company name is taken. In addition to further strengthening our corporate governance, we will promote diversity in management and other efforts to produce diverse innovations, thereby aiming for stable and continuous development. As such, we would like to ask for your ongoing understanding, support, and patronage in this.

# Medium to Long-term Strategy: Achieving Even More Remarkable Growth

We will promote the expansion of our existing businesses and cultivate our metal 3D printer operations to serve as a new driver of growth in order to enhance our performance in a continuous manner.



\*Figures converted to a one-year basis from January–December 2017 are listed for comparison and reference.



We will continue to grow our existing businesses in a synergistic manner by positioning the metal 3D printer operations as the central pillar of our new businesses.

We will further accelerate R&D on and sales of our metal 3D printers in order to grow this into the central pillar of our new businesses as quickly as possible. In addition, we will also develop product groups that harness our “one-stop” solutions in an effort to synergistically grow our existing businesses (machine tool segment, industrial machinery segment).

What is more, by rounding out our lineup of metal powder for metal 3D printers, we will widen our scope to encompass the machining of high value-added parts for next-generation automobiles, aerospace,

and medical devices. This will also allow us to boost our presence in the market in the aim of being the top company for precision metal 3D printers over the medium to long-term.

For our industrial machinery segment and food processing machinery segment, we will strengthen our global deployment and work to expand our market share.

We will boost our profit margins by improving productivity and cutting procurement costs in aiming for net sales of 76,900 million yen and operating income of 8,400 million yen.

01

SPECIAL FEATURE

# Precision Injection

by Sodick achieve impressive stable molding

## Meeting demand for auto parts, smartphones, and other high-end markets

The uses for injection molding machines span all manner of areas, including automobiles, IT, and medical devices. As a recent trend, demand has been robust in so-called high-end markets that require ultra-precise machining.

Auto parts in particular contribute significantly to fuel consumption performance by reducing the gross weight of the car frame. As such, progress is being made with substituting plastic materials in place of metallic materials. In recent years, manufacturers have pursued thinner lenses and increasingly complicated shapes for the lens units used in

compact cameras, smartphones, and other devices. As a result, the degree of difficulty required of the injection molding, which is the typical manufacturing technique used for these, has risen remarkably.

Sodick's precision injection molding machines enable high stability, high reproducibility, and excellent yield rates. The number of units we have sold has grown significantly together with the growing needs of the high-end market. Sodick will continue to meet the needs of this high-end market, which are expected to expand further in the future, through our ultra-precise machining technology.

# Molding Machines

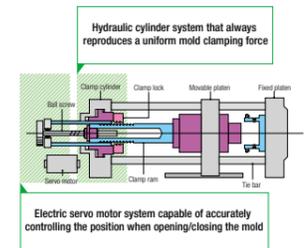
and high quality

**GL60-LP**  
V-LINE® injection molding machines

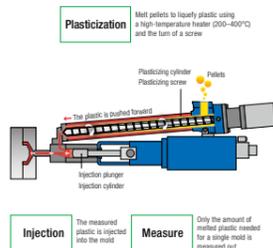


## Two major systems when it comes to plastic injection molding machines

Electric hybrid straight hydraulic mold clamping system



V-LINE®



The lens units used in compact cameras and smartphones are formed by overlaying multiple layers of optically designed aspherical lenses over top of one another. Precision machining techniques that can reproduce complex shapes in a stable, high-grade manner are required when it comes to the manufacture of such lens units.

In recent years, the number of pixels on cameras has increased and multiple lenses are equipped on a single camera, which means that they must have thinner lenses. The molding of these sorts of lenses demonstrates the advantages of our molding machines.



## Plastic auto parts Achieved through the high productivity offered by V-LINE®

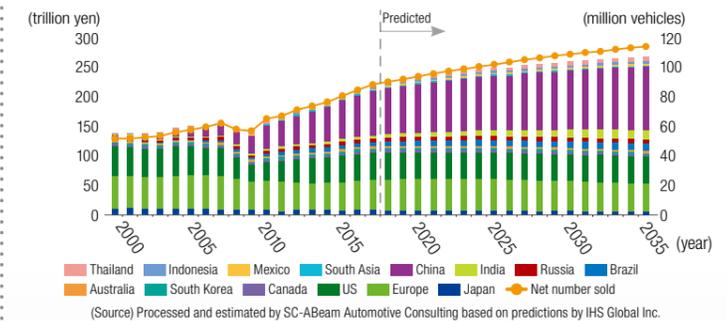
Our V-LINE® injection molding machines have earned rave reviews from auto-related industries, where there is a particular emphasis on yield ratios for molded parts.

- Cooling parts** (GL Series/EH3 Series): High horse-power injection for structures with different wall thicknesses made of super engineering plastics
- Actuator** (VRE Series): High yield rates from insert molding
- Sensors** (VRE Series): High yield rates from insert molding
- Interior parts** (GL Series/EH3 Series): Offers superior gas mileage
- Intake system parts** (VRE Series): High yield rates from insert molding
- Fuel cell parts** (GL Series/EH3 Series): High horse-power injection for structures with different wall thicknesses made of super engineering plastics
- Headlight and rear lamp parts** (GL Series/EH3 Series): Excellent transferability from transparent resin molding
- Hybrid car parts** (VRE Series): High yield rates from insert molding
- Navigation parts** (GL-HSP Model): Superiority of thin light guide plate molding
- Monitor parts** (GL Series/EH3 Series): Superiority of thin lens molding
- Fuel system parts** (VRE Series): High yield rates from insert molding

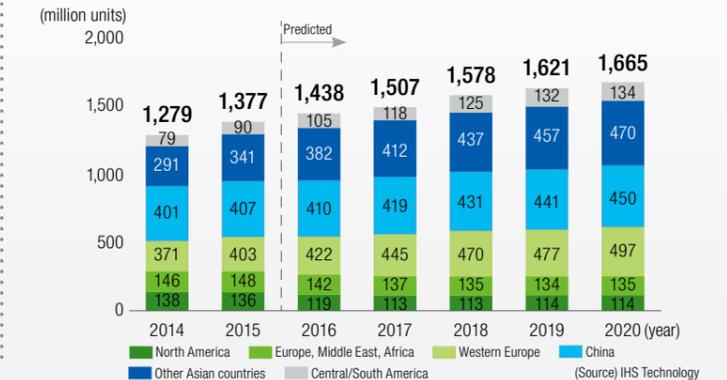
The automobile and smartphone markets, where there is great need for high-precision plastic molded parts, will be on an expansionary trajectory in the future

We foresee an increased need for our high-precision machines.

### Trends in the number and value of automobiles sold in major countries and regions



### Size of the smartphone market



02

SPECIAL  
FEATURE

# Simultaneously achieving high-precision machining, high-quality production, and total cost-cutting

## The Advancing Revolution in Plastic Molding

### Sodick solutions that successfully improve productivity, shorten lead times, and cut costs

There is a growing need for elaborate and detailed dies in the auto industry, consumer electronics industry, and electrical and electronic parts industry, which are undergoing remarkable technological innovations. To meet this need, Sodick proposes a revolution in plastic molding through our OPM Series of metal 3D printers and our MR30 injection molding machine exclusively for dies formed by our metal 3D printers.

This new production system is an important unit for molding and machining plastics that will transform the way dies are made from the ground up. What is more, it can handle everything from the production of dies to the molding of parts in a one-stop manner. It thereby achieves productivity improvements for molded parts that were impossible with conventional production systems, while also substantially shortening lead times and cutting costs significantly.

#### An integrated metal 3D printer and cell production system

Until now, dies were formed from a combination of a great many parts, where each part would be machined and manufactured using multiple machine tools. As a result, it was said to be difficult to create an automated production system.

Our OPM Series of metal 3D printers uniformly spreads out the metal powder (recoating process), exposes this metal powder to laser light ten times to melt and solidify it, and then employs high-speed milling to perform high-precision cutting and machining. This process is repeated to perform the 3D printing (through the accumulation of layers). These printers are capable of molding and machining complex three-dimensional shapes with a great degree of freedom, and performing high-precision finishing and processing. Dies made using the OPM series essentially have an integrated structure, which vastly simplifies the production process.

The OPM350L can handle maximum molded object dimensions of 350 mm × 350 mm × 350 mm (width × depth × height) and a maximum load weight of 300 kg. Compared with the OPM250L in the same series, it can handle large molds with molded object volumes that are 2.7-times larger and molded object weights that are three-times greater.

What is more, these printers are equipped with a parallel mode function that makes it possible to simultaneously mold multiple



### OPM350L

A precision metal 3D printer revolutionizing the creation of dies for plastic parts that is a sized-up version of the OPM250L

sections by controlling a single laser at high-speeds. Substantially improving their fume collection function has enabled them to perform high-speed molding while maintaining high quality. What is more, we have also developed an automatic material feed/discharge unit that allows for continuous automated operation over extended periods of time.

Conversely, the MR30 is an injection molding machine that was developed to maximize the capabilities of dies with built-in three-dimensional cooling channels (OPM dies) molded using our OPM Series of precision metal 3D printers. Inserting the dies into a cassette-type system makes it possible to drastically shorten the die replacement times. The machine also elicits the maximum cooling effects possible when molding resins, shortens the molding cycle for plastic molded parts, and also successfully curbs the deformation of molded parts and boosts yield rates.

This combination of two revolutionary products that are shaking up the world of manufacturing will further advance Sodick's plastic molding revolution and make us a market leader through our technical prowess.



### MR30

An exclusive injection molding machine that maximizes the capabilities of dies with built-in three-dimensional cooling channels

### Director's Message

Sodick develops and sells metal 3D printers aimed at dies that require high-precision machining. At last year's JIMTOF2016 we exhibited our OPM350L, which is a sized-up version of our conventional OPM250L precision metal 3D printer. It enables the machining of even larger mold objects, while also speeding up the molding speed and offering improved performance that is a cut above the competition. In conjunction with this we have also developed an injection molding machine exclusively for dies formed by this metal 3D printer, thereby further advancing the plastic molding revolution we set in motion and contributing to boosting our customers' productivity.

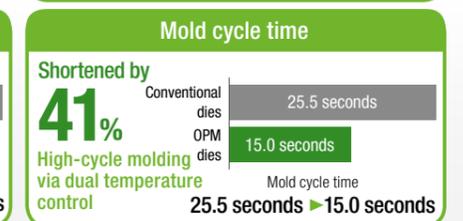
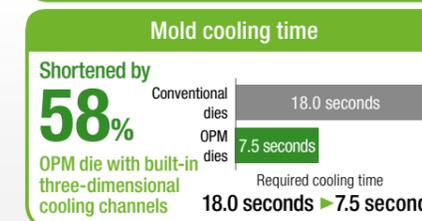
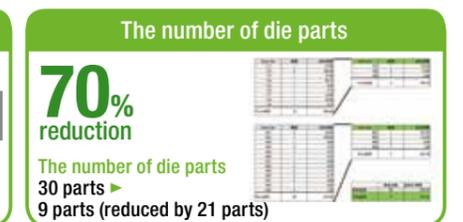
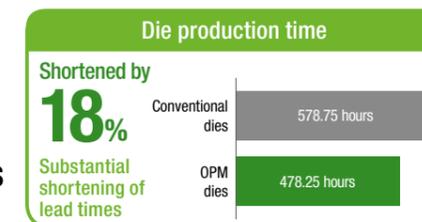
Sadao Sano

Senior Executive Managing Director  
(Chief Machining Center and ULT  
Development Division Officer)



### Examples of molds with built-in three-dimensional cooling channels and waterproof connector molds

Stable quality during mold release  
Shortens cooling time

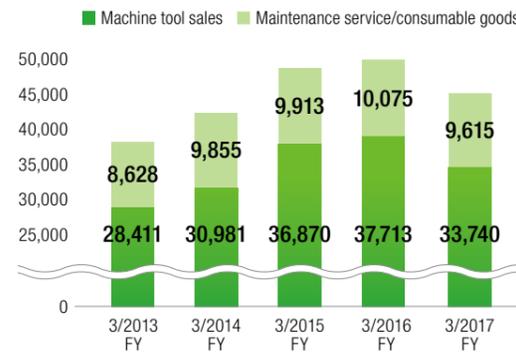


Composition ratios of net sales by region

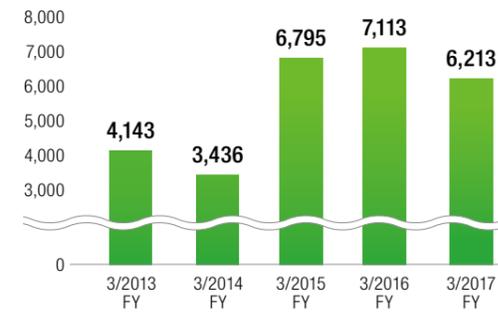
Machine tool segment



Net sales (Unit: million yen)



Segment income (Unit: million yen)

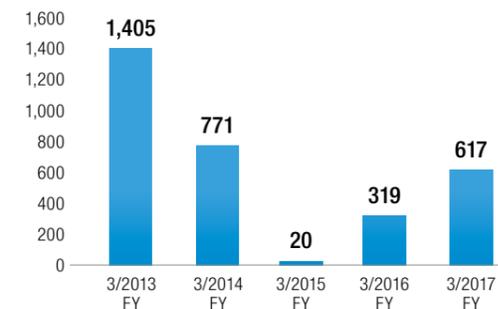
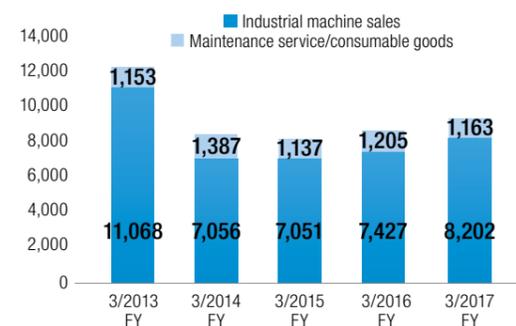


Overview of the March 2017 fiscal year

While the impacts of subsidy measures have been seen within Japan, demand remains strong mainly in the West and China.

While demand has been seen mainly from automotive and smartphone industries in Japan, the end result has been stagnation partially as a result of waiting on the subsidies adopted in March 2017. Overseas, in North America demand from automotive, aerospace, and medical equipment-related industries remained strong, on top of which demand in Europe was robust. In China, orders were received from automotive and smartphone industries at a steady rate, while demand has been on a recovery track in the Asian region as well. However, as a result of exchange rates moving towards a stronger yen, our net sales declined compared with the previous fiscal year.

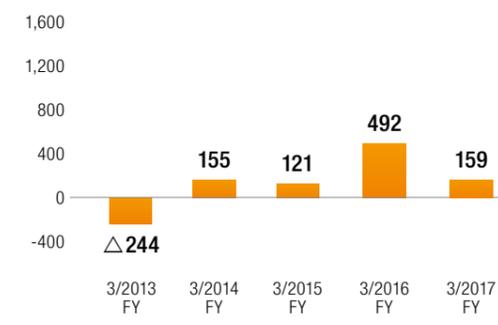
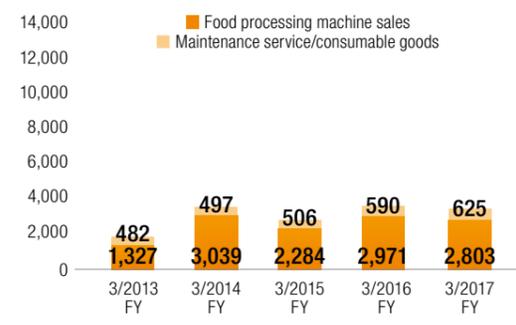
Industrial machinery segment



In addition to robust demand within Japan, strong demand from China and Asia will persist.

In Japan, demand for high precision injection molding machines for high value-added parts like onboard connectors for vehicles as well as smartphone-related electronic parts and lenses has remained robust. Overseas, we have continued to see strong demand for smartphone lenses and silicon molding that can support waterproof applications, as well as in relation to onboard connectors for vehicles, in China and the Asian region. As a result, both our net sales and income have risen substantially compared with the previous fiscal year.

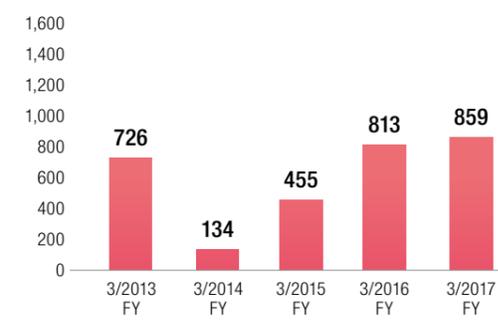
Food processing machinery segment



In addition to the steady demand from within Japan and overseas, demand has been on the rise from the confectionary, precooked rice pack, and side dish industries.

In Japan, demand for equipment designed to improve the quality of cooked noodles has persisted, mainly from convenience stores, supermarkets, and restaurant chains, with demand on the rise from the confectionary, precooked rice pack, and side dish industries as well. Overseas, there is demand from North America and the Asian region due to factors like the impact from the Japanese food boom. We have been receiving orders largely according to plan. However, acceptance inspections for a number of deals have been pushed back until the next fiscal year, leading to a drop in our net sales compared with the previous fiscal year. Moreover, some new product launch costs arose on a temporary basis, and so income for this segment fell substantially compared with the previous fiscal year.

Other segments



Our precision die and mold businesses have seen continued robust demand from automotive-related industries, while direct sales of linear motors and ceramics have remained strong. As a result, our net sales have increased substantially relative to the previous fiscal year.

# Machine Tool Segment

## Machine Tools



- Main uses: **Die manufacturing, component machining**
- Main customers: **Automobiles, IT, smartphones, aerospace, medical equipment, etc.**

We will enhance our market share in every market in aiming to expand the scope of our business.

**Takashi Matsui**  
Senior Executive Managing Director  
(Chief Electric Discharge Machinery Division Officer)

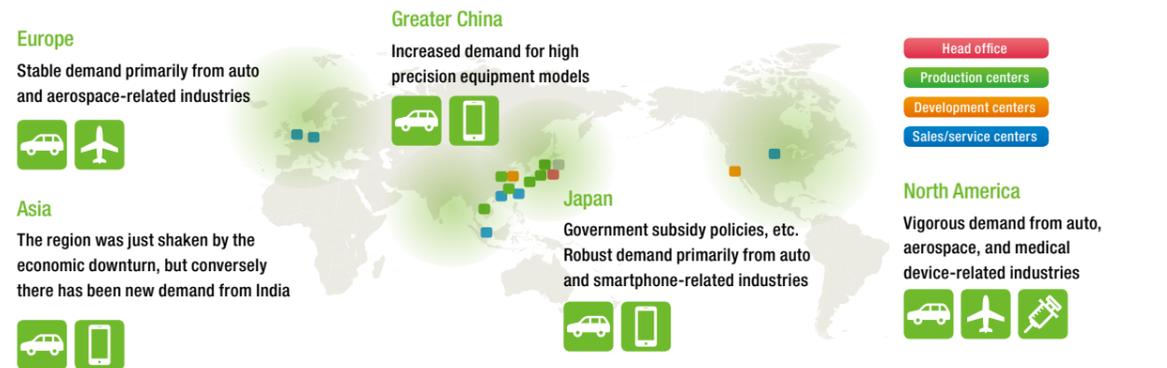


## Market environment

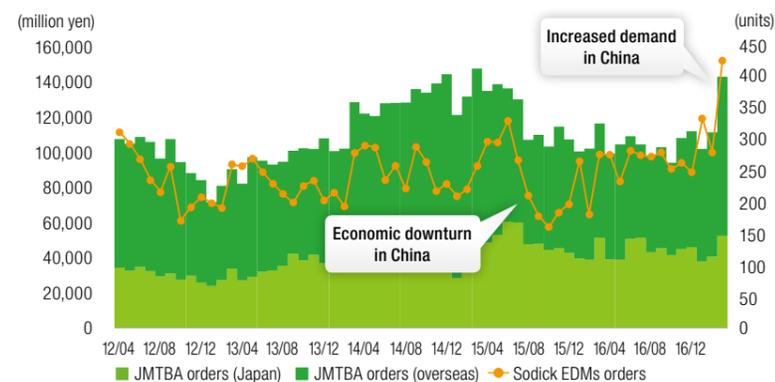
### Demand from Japan, the West, and other regions remains robust

In the markets of developed countries (Japan, North America, Europe), demand is steady from automotive, aerospace, and medical device-related industries, with the expectation being that this will continue to perform well. In the automotive industry in particular, the production of next-generation vehicles such as electric vehicles (EVs) and plugin HVs is increasing due to trends with environmental regulations in each country, with the expectation being that demand will increase for products like connectors and wiring parts. In the Chinese market, demand for accommodating automation is on the rise backed by the surging personnel expenses and other factors, while

demand is rising for high-precision equipment backed by the increasing sophistication of industry. Sodick was ahead of other companies in entering the Chinese market, and so our strengths include a large number of machines in operation and a great many operators who handle our machinery in the country. Therefore, we will continue to receive orders at a strong rate for the time being. Conditions remain stringent in Southeast Asia and other regions due to the effects of the economic downturn. However, signs of recovery have been witnessed primarily from auto-related industries in countries like Thailand and Indonesia.

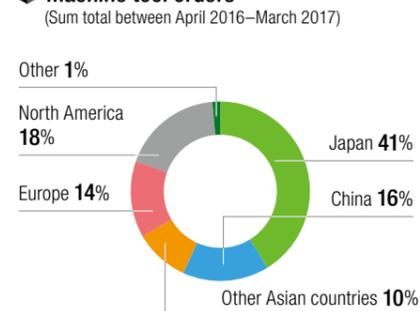


### JMTBA Machine Tool Orders (value) Sodick EDM Orders (units)



Source: Japan Machine Tool Builders' Association (JMTBA)

### machine tool orders



Source: Japan Machine Tool Builders' Association (JMTBA)

## Medium to long-term strategies and initiatives

### Basic policy Aim to expand our market share in every region by promoting sales of new products

The increasing sophistication of manufacturing is picking up pace in not only developed countries, but in newly emerging countries as well, with the auto and smartphone industries representative of this. As such,

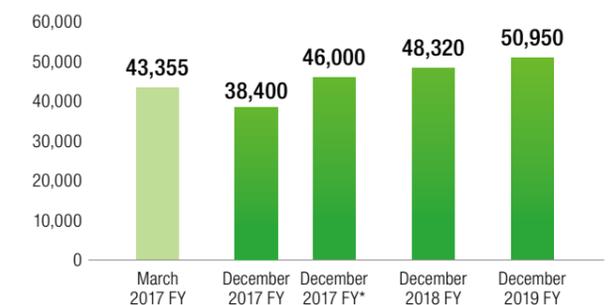
demand for high-precision machinery is on the rise. We will accurately determine such needs and develop products suited to the needs of each market and sector in order to boost our global market share.

### Priority measures Accelerate sales and R&D of metal 3D printers. Reduce manufacturing costs by improving production efficiency and integrating machinery

For our metal 3D printer business, we are working to increase our number of salespeople and expand our test processing equipment and show room models in aiming to speed up our business activities globally and increase the number sold. Moreover, by rolling out the MR30 injection molding machine exclusively for the metal 3D printer dies we released the previous fiscal year together with this, we will boost our presence in the plastic die and molding market. In addition, we are working to expand our product lineup, improve machining performance and accuracy, round out the variations of metal powders our machines can handle, and work to produce new demand.

In terms of manufacturing, we are working to reduce manufacturing cost prices by improving production efficiency, integrating machinery, and making components modular.

### Trends in planned sales figures with our machine tool segment (Unit: million yen)



\*Figures converted to a one-year basis from January–December 2017 are listed for comparison and reference.

## TOPiCS -Machine Tools-

### Establishment of a new office to serve as a sales base in Schaumburg, Illinois, US

We established a new office for Sodick, Inc., which serves as our sales base for North America, in Schaumburg, Illinois not far from Chicago in the United States. The new office was built on a five-acre plot, and is roughly twice as large as our previous office.

It is equipped with a showroom that displays precision metal 3D printers and EDMs. We will leverage the establishment of the new office to meet the rising demand and increase in the number of units we sell in North America.



▲ Image of the completed new office

# Industrial Machinery Segment

## Industrial Machines



- Main uses: **Manufacturing plastic components**
- Main customers: **Automobiles, IT, smartphones, electronic parts, etc.**

Demand for auto-related industries has been favorable, thus ensuring increased earnings and income. We will continue to promote activities to reduce cost prices in aiming to enhance our earnings potential.

Misao Fujikawa

Senior Executive Managing Director (Chief Injection Molding Machinery Division Officer)

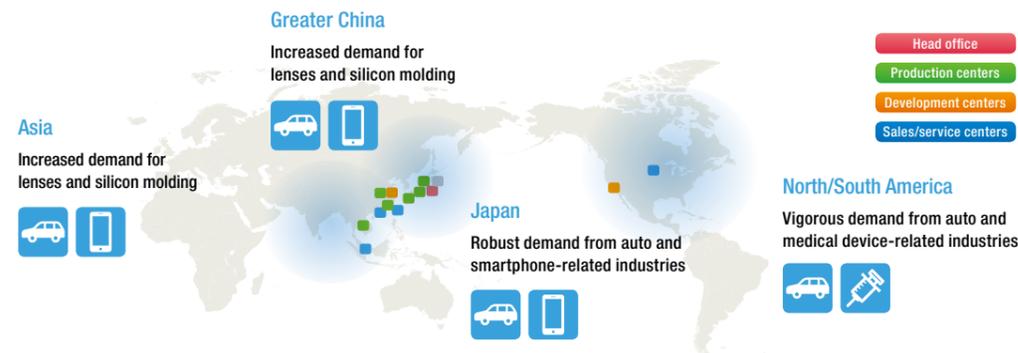


## Market environment

### Demand remains strong in Japan, China, Asia

In Japan, there is growing demand for high-precision injection molding machines geared towards high value-added parts, such as onboard connectors on vehicles as well as smartphone-related electronic parts and lenses. Overseas, in China and the Asian region there is growing demand for not only increasingly-precise smartphone

lenses and silicon molding that can support waterproof applications, but also for onboard connectors for vehicles, with the market environment expected to remain strong. In North America, demand for capital investment from auto-related industries is expected, as is robust demand from medical device-related industries for things like endoscopic surgical instruments and implant components.



## TOPiCS -Industrial Machines-

### Development of ALM450, an injection molding machine capable of handling aluminum alloys

Die-cast parts are the norm when it comes to molding light metals. But these are problematic in that they offer extremely low yield rates compared with plastic molded parts. Sodick has developed an injection molding machine that uses our V-LINE® Direct Casting. This is the first machine in the world for aluminum alloys, which were deemed difficult to implement in a practical manner.

It is equipped with a melting cylinder for melting aluminum and an injection cylinder for injecting it into the die. Dividing up the melting and injection processes offers advantages like stabilizing the amount of metal injected into the die and allowing for accurate molding to be performed with great efficiency. With typical casting techniques, when the aluminum melted by the melting furnace is injected into the die,

## Medium to long-term strategies and initiatives

Basic policy  
Priority measures

### Strive to expand our market share and improve our overseas sales rate by strengthening initiatives to cut cost prices and enhancing our product lineup

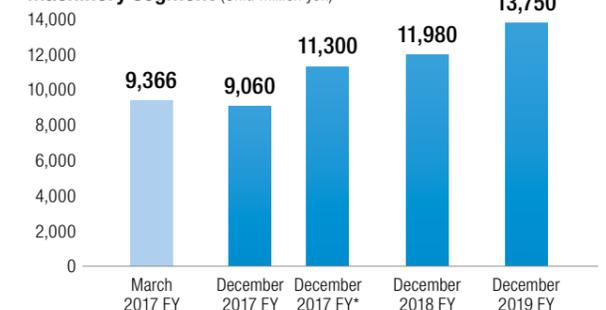
In Japan, we are aiming to expand our share to 10% of the domestic market by enhancing sales to auto-related industries, which are performing well, as well as by proactively expanding sales in sectors where we have a low market share.

In addition to the MS100 entry-level model of our fully-electric injection molding machines that we released last year, we are rounding out our lineup of small to mid-sized models and enhancing sales of fully-electric models for which there is strong demand by the market. We will also work to create new demand by promoting sales of our MR30 injection molding machine that is exclusively for the dies formed by our metal 3D printers. What is more, our ALM450 aluminum injection molding machine is expected to see demand as a replacement for die-cast machines. It can also be expected to open up potential markets such as for auto parts, where weight savings are sought after, IT device-related sectors, and more. As for overseas, our aim is to proactively accommodate needs from precision molding sectors in which we predominate, such as smartphone lenses and silicon molding machines (which are currently seeing increasing demand) as well as to expand the number of units we sell. This is designed to achieve an overseas sales

rate of 70% or greater, which has been a target of ours from before.

We will work to further improve our earning potential by continuing to focus our efforts on the cost price reduction projects that we have been promoting for some time now, as well as by increasing production at our overseas factories.

### Trends in planned sales figures with our industrial machinery segment (Unit: million yen)



\*Figures converted to a one-year basis from January–December 2017 are listed for comparison and reference.

air is incorporated in with this and cavities (air bubbles) form in the molded part. But the ALM450's unique sealing structure allows the aluminum to be injected into the mold without allowing air to enter, thereby producing high-quality molded aluminum parts.

We anticipate demand in markets for applications like the cases for IT devices such as tablets and smartphones, as well as auto parts where the aim is for lightweight and compact parts.



▲ ALM450, an injection molding machine capable of handling aluminum alloys

# Food Processing Machinery Segment

## Food Machines



- Main uses: **Uncooked noodles (udon, soba, Chinese noodles, etc.), frozen noodles, long shelf-life noodles**
- Main customers: **Large noodle manufacturers, restaurant chains, frozen food manufacturers, etc.**

Our aim is to use and develop our noodle-making machine technology to create demand in new sectors, like the confection and precooked rice pack industries.

Kenichi Osako

Executive Managing Director (Chief Food Processing Machinery Division Officer)



## Market environment

The impact from the Japanese food boom is growing overseas, and there is vigorous demand in Japan and abroad. There is also demand from outside of the noodle making industry

In Japan, there is ongoing demand for capital investments designed to improve the quality of cooked noodles, primarily aimed at convenience stores, supermarkets, noodle manufacturers, and restaurant chains. There is also growing demand for machinery that applies noodle-making machinery technology from the confectionary, precooked rice pack, and packaged side dish industries. Due to the effects of the Japanese food boom overseas, we are seeing demand for noodle-

making equipment for noodles with a long shelf life that have sell-by dates far in the future and frozen noodles in North America and the Asian region. Demand is also expected for automation equipment in order to reduce personnel as a result of soaring personnel costs. There is also a growing need for safe and secure products that are high in quality, such as gluten free foods, and so robust demand for capital investments can be expected to continue.



## TOPiCS -Food Machines-

Our air locker type vacuum chamber won the “CHO” MONODZUKURI Innovative Parts and Components

In recent years, supermarkets, convenience stores, and restaurant chain companies have been putting their efforts into improving the quality of udon, soba, pasta, and other cooked noodles. As a result, marked improvements in both their taste and texture have been achieved. An air locker type vacuum chamber developed by Sodick in order to improve the quality of cooked noodles in this manner recently won the 2016 Thirteenth “CHO” MONODZUKURI Innovative Parts and

Components Award and Machinery Component Award sponsored by the MONODZUKURI Nippon Conference and the Nikkan Kogyo Shimbun, Ltd.

This product is able to manufacture noodle dough by performing vacuum processing within a completely sealed-off device during the process for mixing the noodle dough. Performing vacuum processing makes it possible to manufacture noodles (100% buckwheat soba

## Medium to long-term strategies and initiatives

Basic policy  
Priority measures

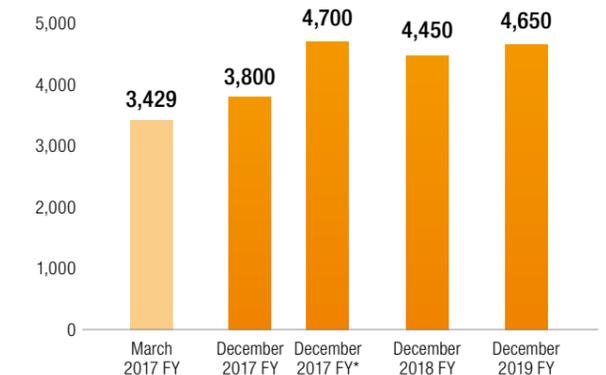
Aim to improve profits, develop products, and strengthen sales promotions through our new factory that began operating in April 2016

We are aiming to improve our production efficiency through the launch of our new factory. In addition, we will also use the newly established showroom and research laboratory to develop products and strengthen sales promotions through scientific research on noodles. We will apply and develop the technologies we have cultivated thus far not only to the noodle-making sector, but also to industries that are experiencing growing demand, like the confectionary and precooked rice pack industries, in aiming to create demand in new sectors.

When it comes to noodle making, we have initiated cost price reduction projects, such as improving production efficiency, thoroughly ensuring budgetary management, and reducing procurement costs in an effort to improve our earning potential. We will continue to move forward in reducing manufacturing cost prices for some of our budget products aimed at the Chinese market, such as by producing them at our Amoy Plant.

What is more, we will work to enhance demand by developing products suited to the needs of overseas markets where further growth is expected in the future, thereby working to strengthen the Sodick brand.

Trends in planned sales figures with our food processing machinery segment (Unit: million yen)



\*Figures converted to a one-year basis from January–December 2017 are listed for comparison and reference.

## Award and Machinery Component Award

noodles, rice noodles, uncooked pasta, etc.) with greater springiness and firmness than before. We also expect to apply and expand this out beyond the food processing industry, such as to pharmaceuticals. The product is also characterized by its ease of maintenance due to its fluorine coating and removable internal design. It has been praised for its ability to bring about a positive impact in food manufacturing sites that pursue safety and must reduce their personnel.



▶ Air locker type vacuum chamber

# Other Segments

## Others



For our other segments, Sodick puts the various products and technologies we have developed since our founding to use on our own so as to develop as a creator and provider of new business models that support the manufacturing performed by our customers.

We design and manufacture dies, produce plastic molded parts, and more.

We also develop, manufacture, and sell products that use linear motors, the control devices for them, ceramic products, and LED lighting, while also leasing EDMs, among other businesses.

## Market environment

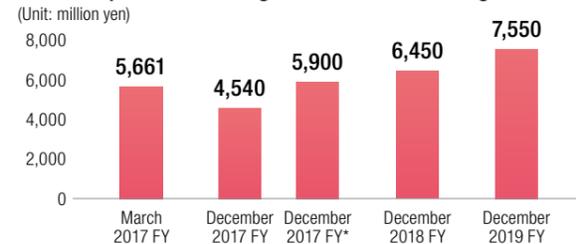
We anticipate an increase in demand for auto-related industries for our precision die and mold business. Furthermore, we are projecting favorable performance with direct sales of linear motors and control devices for them due to the increasing sophistication of manufacturing in China. We also expect to continue receiving orders at a strong rate when it comes to sales of ceramics to semiconductor device manufacturers.

Our precision die and mold business uses our own machine tools to design and manufacture dies, including precision connectors, and to produce precision plastic molded parts. We construct specialized production lines that perform everything from die design to resin molding and assembly in an integrated manner, which we provide to our customers. This is done as part of the ever-increasing sophistication of products like the multi-pin connectors seen in electronic devices, high pressure connectors for the auto industry, and narrow pitch connectors for IT devices.

Our products that use linear motors and ceramic products were originally developed by us to improve the performance of our products. But we do not just use them internally, we also sell them externally. What is more, the ceramics that we developed on our own to achieve stable electrical discharge processing were previously only produced for use in our products. But since we are capable of producing large, high precision ceramics, we no longer just use them on our own products, but also provide them to other sectors such as for measuring instruments and semiconductor devices.

What is more, we are working on LED lighting that takes environmental aspects into consideration, such as preventing global warming. In addition to straight tube LED lights, we also manufacture and sell LED floodlights that have won the Environmental Components Award at the "CHO" MONODZUKURI Innovative Parts and Components Award sponsored by the Nikkan Kogyo Shimbun, Ltd. They have achieved a long operating life and energy savings, and the floodlights in particular are supplied to schools and sports facilities such as soccer pitches.

### Trends in planned sales figures with our other segments



\*Figures converted to a one-year basis from January–December 2017 are listed for comparison and reference.



▲ Molded parts



▲ Product groups that use technology we developed

▲ PIKA101, an LED high intensity unit light source floodlight

## TOPiCS -Exhibition report-

### Sodick held displays at some of the largest machine tool exhibitions in the world

In the March 2017 fiscal year, Sodick held displays at IMTS 2016 (held in Chicago, United States in September) and JIMTOF 2016 (held in Tokyo in November), which are two of the largest machine tool exhibitions in the world, where we worked to strengthen the Sodick brand.

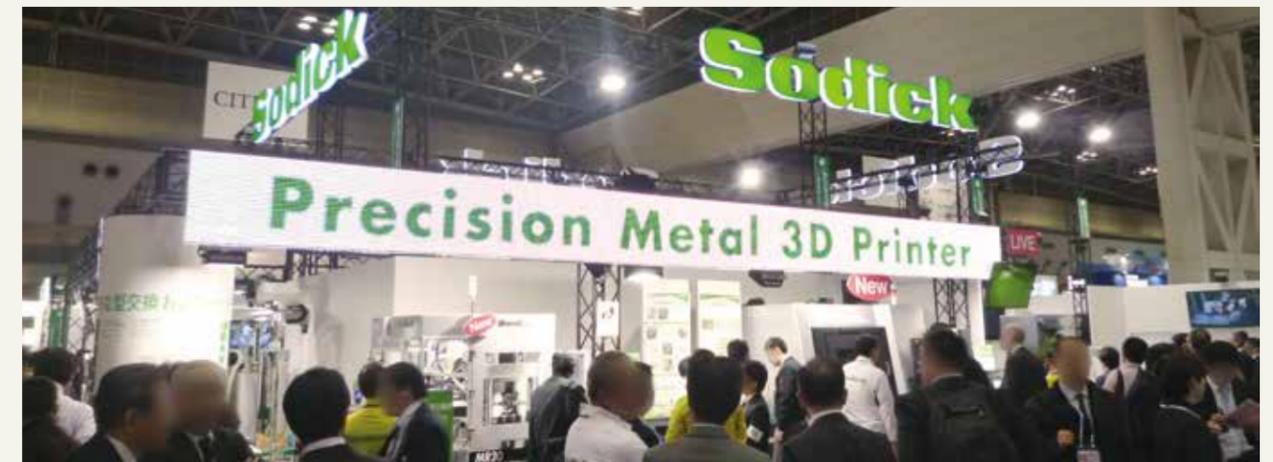
At IMTS, among the expanding number of displays of metal 3D printers, we displayed our OPM250L precision metal 3D printer that we began selling in the West in April 2016. We gave machining demonstrations and held presentations that were viewed by a great many customers. This served as an advance market for our metal 3D printers, which offered customer visibility for our products. Here, our booth was in a constant state of activity.

At JIMTOF, we unveiled our OPM350L metal 3D printer for the first time ever. This product, which is a sized-up version of our conventional metal 3D printers, can not only machine larger molded objects, but also offer

improved machining speeds and performance that is a cut above the rest. We also displayed this in conjunction with our MR30 injection molding machine exclusively for dies formed our metal 3D printers. We presented our plastic molding revolution, and presented new technologies and new products that will contribute to improving the productivity of our users, such as solutions related to the IoT.



▲ IMTS 2016 (International Manufacturing Technology Show)



▲ JIMTOF 2016 (28th Japan International Machine Tool Fair)



# Thailand Plant

**Our flagship factory accounts for 40% of Sodick's total production rate and handles every process from design to assembly in an integrated manner**

Our first Thailand Plant was established in 1988, and is the flagship manufacturing center of the Sodick Group. It handles everything from the design and development to the assembly of die-sinker EDMs, wire-cut EDMs, injection molding machines, and more in an integrated manner.

The factory performs everything from the manufacturing, machining, and assembly to the final inspections of the core

components incorporated into EDMs. It features a Design Division that uses 3D CAD and a Precision Assembly Division with skilled engineers. It uses the latest technologies and skilled techniques to achieve high precision and high quality.

Our Thailand Plant accounts for roughly 40% of the total number of machines produced by Sodick, which are then exported worldwide.



## Plant profile

**Established:** 1988 (Factory No. 1), 2012 (Factory No. 2)  
**Address:** 60/84 Moo 19, Soi 19, Navanakorn Industrial Estate Zone 3, Phaholyothin Road., Klongnueng, Klongluang, Pathumthani 12120, Thailand (about 50 km north of Bangkok)  
**Site area:** Factory No. 1—Nava Nakorn Industrial Estate 97,600 m<sup>2</sup>  
 Factory No. 2—Chumnumsap Industrial Park 60,000 m<sup>2</sup>  
**Items produced:** Wire-cut EDMs, die-sinker EDMs, injection molding machines, printed boards, ceramics, linear motors, etc.



## Message from the President of the Thailand Plant

To date, our Thailand Plant has mainly engaged in the production of EDMs, but starting in 2013 we began manufacturing injection molding machines as well. We already account for the lion's share of the number of EDM units sold. Since I cannot predict rapid growth in the future, we will proactively take on new challenges while keeping in mind the development of the Thailand Plant moving forward.

For the future, we intend to pursue an original approach for our Thailand Plant to ensure we can provide machinery with unique specifications that other companies cannot handle over short turnaround times and at low costs, by way of example. We will steadily work to address issues like improving quality and boosting efficiency out of our desire to support global manufacturing.

**Hideki Tsukamoto**  
 President  
 Thailand Plant



## Focus

# Capacity to Develop and Design Mass-produced Models on Our Own

At the Thailand Plant, both Thai and Japanese employees join forces in working every day to deliver the highest quality products via the best production structure under the Sodick motto of "Create (So)," "Implement (di)," and "Overcome difficulties (ck)."

When the factory was first founded, it mainly manufactured models for overseas. But it has gradually increased the models it produces, and currently handles everything from the drafting of product plans through to development, design, and manufacturing.



## Features of the Thailand Plant

All of Sodick's technical centers, development centers, factories, and sales centers spread out throughout the world are connected via an intranet. Through this, they share invaluable information conducive to future development, such as requirements and complaints from customers around the world, via a borderless communication system. This information is directly absorbed by the Thailand Plant and used for development.

Our company has an extremely high in-house production rate, with the key components incorporated into machinery, linear motors, ceramics, and printed boards all produced here at our Thailand Plant. In addition, a wide-range of products are manufactured here through the joint cooperation of our Japanese and Thai staff members, including sheet metal, machining, resistance, transformers, wire harnesses, and more.

To date, we have developed and produced numerous new products and new features at our Thailand Plant. As a result of this, the skills, comprehension, and proficiency of our Thai staff have all improved enormously. At present, the factory supports global manufacturing as Sodick's flagship factory.

## Processes leading to product completion



## Augmenting the production equipment at the No. 2 Factory to handle the increase in orders received

We are augmenting the production equipment at the No. 2 Factory to handle the increase in orders received for EDMs and injection molding machines. Currently, our injection molding machines are mainly produced at our Kaga Plant in Japan. But we aim to reduce cost

prices and enhance our profitability by gradually raising the production capabilities of our Thailand Plant and elevating their overseas production rate, just like we did with our EDMs.



▲ The linear motor production line



▲ Design Division



▲ Printed board manufacturing process



▲ Manufacturing ceramic parts

## Basic Thinking

Sodick's managerial principle is to contribute to the development of society by supplying superior products and supporting the manufacturing performed by our customers based on our guiding spirit of "Create," "Implement," and "Overcome difficulties."

The company believes that the most important element of this is to manage itself in ways that are transparent and readily

comprehensible at all times by all of its stakeholders, including its shareholders and investors, customers, and employees.

Sodick strives to make efficient use of its management resources, strengthen itself in the areas of risk management and compliance, and maximize corporate value for all of its shareholders and investors.

## Corporate Governance Structure

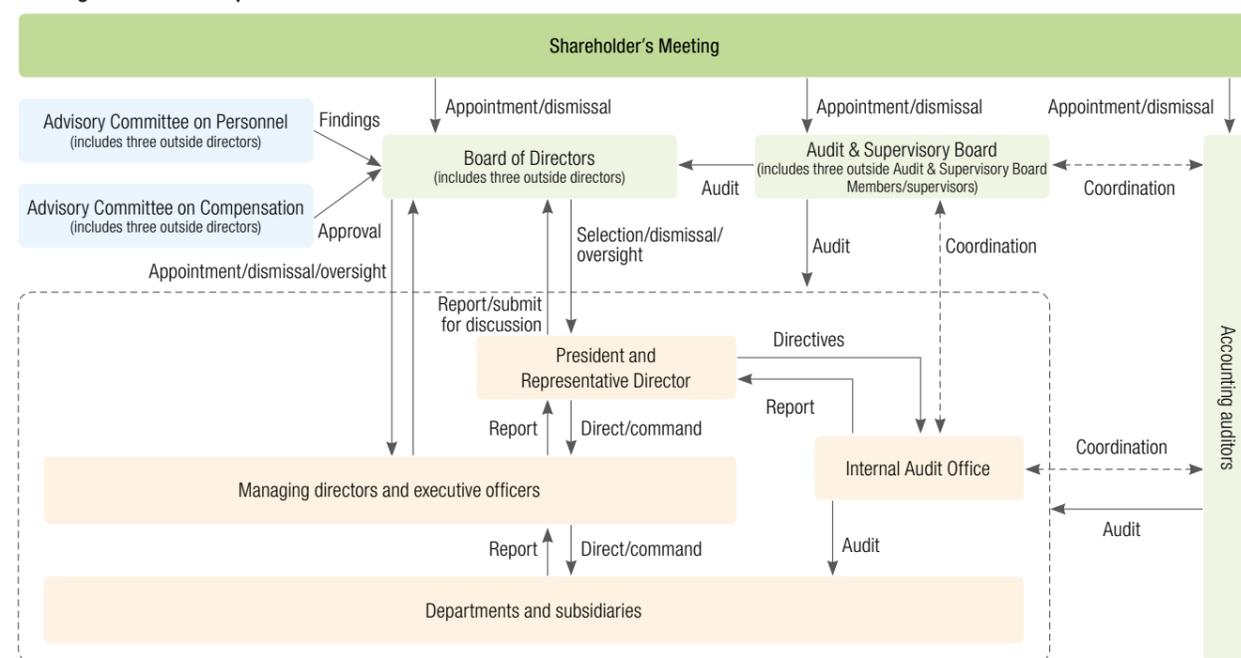
### Overview of the Structure

■ Sodick has chosen "Company with an Audit & Supervisory Board" as its organizational plan in line with the Companies Act. The Board of Directors engages in decision-making regarding important management issues and carries out its supervisory function with respect to general management. The fairness and transparency of management are ensured by giving full rein to management oversight from an independent standpoint as carried out by Audit & Supervisory Board Members.

■ Sodick has adopted an executive officer system to realize corporate management that is prompt and highly efficient. The Board of Directors entrusts the execution of business to executive officers based on the management organization and segregation of duties.

■ To supplement the functions of the Board of Directors, Sodick has established advisory committees on personnel and compensation whose members may include outside directors on an optional basis. It has also created a governance structure that has increased the transparency of decision-making and further enhanced the Board's monitoring and oversight functions.

### Diagram of Our Corporate Governance Structure



### Structure at a Glance (as of June 2017)

|   |   |                      |
|---|---|----------------------|
| Organizational configuration                  | Company with Audit & Supervisory Board  |                      |
| Executive management structure                | Executive officer system  |                      |
| Matters concerning directors                  | No. of directors  | 13 <sup>Note 1</sup> |
|   | Term of appointment for directors per the articles of incorporation               | 2 years              |
|   | Chair of the Board of Directors   | President            |
| Matters concerning auditors                   | Audit & Supervisory Board to be established?                                      | Yes                  |
|   | No. of Audit & Supervisory Board Members  | 5 <sup>Note 2</sup>  |
| Matters concerning outside directors/auditors | No. of outside directors (of which, independent officers)                         | 3 (3)                |
|   | No. of outside Audit & Supervisory Board Members (of which, independent officers) | 3 (1)                |

Note 1: The number of directors as per the articles of incorporation will be no more than 15.

Note 2: The number of Audit & Supervisory Board Members as per the articles of incorporation will be no more than five.

### Role of Each Organization

#### Board of Directors

- Oversees supervisory functions over decision-making on important issues and management in general as stipulated in the Board of Directors regulations, including setting basic policy on management and appointing executive officers.
- Regular meetings of the Board of Directors take place once per month, and when necessary the board also convenes extraordinary meetings.
- The board is comprised of 13 directors who supervise management and make important management decisions. They include internal directors who are not serving as executive officers (3), internal directors who are also serving as executive officers (7), and outside directors (3).
- Opinions, advice, and cross-checking from outside directors serve to improve and revitalize the transparency and credibility of the Board of Directors while also strengthening its management supervision functions.
- Business meetings, joint technical meetings, quality control meetings, and business report meetings may be held to broaden and deepen understanding of the company and manage it effectively. Directors attend these meetings in order to flexibly make decisions about basic and important items related to the execution of business.

#### Audit & Supervisory Board

- The Audit & Supervisory Board is comprised of five Audit & Supervisory Board Members, three of whom are outside auditors.
- The function of the Audit & Supervisory Board is to supervise management from an outside perspective. It determines policies on auditing and the assignment of duties, and receives reports on the implementation and results of audits from the auditors. In addition, it receives reports from directors and accounting auditors on the state of their execution of their duties, and requests explanations thereof as necessary.

#### Advisory Committee on Personnel

- The Advisory Committee on Personnel is comprised of six directors, three of whom are outside directors.
- It formulates criteria and policies regarding personnel matters involving directors, Audit & Supervisory Board Members, and executive officers; selects candidates for those positions; and evaluates the current holders of said positions.

#### Advisory Committee on Compensation

- The Advisory Committee on Compensation is comprised of six directors, three of whom are outside directors.
- It formulates policy on compensation for directors and executive officers, and deliberates over compensation standards, appraisals, and amounts.

## Strengthening Management Supervisory Functions

### Outside Directors and Outside Audit & Supervisory Board Members

- Three of Sodick's 13 directors are outside directors. They apply their objective perspectives and wealth of knowledge and experience to management, strengthening the corporate governance structure. Furthermore, three of the five Audit & Supervisory Board Members are outside Audit & Supervisory Board Members, increasing the objectiveness and fairness of management supervision.
- Prior to meetings of the Board of Directors, the outside directors and outside Audit & Supervisory Board Members and supervisors issue reports to the board in writing about any necessary information, and about any items to be decided or investigated by the board. The outside Audit & Supervisory Board Members and supervisors also convene regular monthly meetings of the Audit & Supervisory Board with every Audit & Supervisory Board Members and supervisor in attendance, where they exchange a wide range of information and opinions.

### Main Activities of the Outside Directors and Outside Auditors and the Reasons for Their Appointments (March 2017 fiscal year)

|   | Name               | Independent officer | Board of Director meetings (14) | Audit & Supervisory Board meetings (13) | Reason for appointment   |
|---|--------------------|---------------------|---------------------------------|---|--|
| Outside directors                         | Kenichi Tsugami    | Yes                 | Attended 14 (100%)              | —                                       | Possesses abundant experience and insights as an enterprise proprietor, and was appointed as an outside director to make use of that experience. Additionally, was nominated as an independent officer because he has no stake in the company — guaranteeing full independence from the president and other managers of corporate affairs — and there is no concern that any conflicts of interest with general shareholders would arise.  |
|   | Toshiaki Kurihara  | Yes                 | Attended 13 (92.8%) (Note 1)    | —                                       | In addition to abundant experience at financial institutions, possesses broad insights cultivated from serving as a director and Audit & Supervisory Board Members at business corporations. Was appointed as an outside director to receive the benefit of his useful advice regarding Sodick's management strategy. Additionally, was nominated as an independent officer because he has no stake in the company — guaranteeing full independence from the president and other managers of corporate affairs — and there is no concern that any conflicts of interest with general shareholders would arise.                                       |
|   | Katsuhisa Furuta   | Yes                 | Attended 10 (100%) (Note 2)     | —                                       | Possesses broad insights about control and robot engineering cultivated through many years of research at universities, as well as experience with engaging in organizational operations as a university president and academic society chairman. Was appointed as an outside director to receive the benefit of his useful advice regarding Sodick's management strategy. Additionally, satisfies the requisites for an independent officer based on the rules of the Tokyo Stock Exchange as well as the requisites set down in Sodick's Criteria for the Independence of Outside Officers. As such, was also nominated as an independent officer. |
| Outside Audit & Supervisory Board Members | Takashi Nagashima  | Yes                 | Attended 14 (100%)              | Attended 13 (100%)                      | Asked to serve as a Sodick Audit & Supervisory Board Members in order to apply his highly specialized knowledge and broad insights as a certified public accountant and licensed tax accountant to strengthening the company's structures. Additionally, was nominated as an independent officer because he has no stake in the company — guaranteeing full independence from the president and other managers of corporate affairs — and there is no concern that any conflicts of interest with general shareholders would arise.  |
|   | Kazuhiro Shimoyama |                     | Attended 14 (100%)              | Attended 12 (92.3%)                     | Asked to serve as a Sodick Audit & Supervisory Board Members in order to objectively monitor the extent to which internal governance has been established and the soundness of management for handling risk.   |
|   | Tomio Okuyama      |                     | Attended 14 (100%)              | Attended 13 (100%)                      | Asked to serve as a Sodick Audit & Supervisory Board Members in order to objectively monitor the extent to which internal governance has been established and the soundness of management for handling risk.   |

Note 1. In the event that this individual cannot attend a Board of Directors meeting, they are sent an appropriate report on the details of the meeting and asked for their opinions and advice regarding the management of the company.

Note 2. Outside Director Katsuhisa Furuta was appointed at the regular Shareholder's Meeting on June 29, 2016, and ten Board of Directors meetings have been held since his appointment.

### Sodick Co., Ltd., Criteria for the Independence of Outside Officers<sup>\*1</sup>

#### 1 None of the following criteria may apply to outside officers.

\*If said officer is an organization such as a corporation, this shall refer to the person who manages corporate affairs for said organization.

- Corporate affairs manager for the group<sup>\*2</sup>
- Person considered to be a major business partner of the group<sup>\*3</sup>
- Major business partner of the group<sup>\*3</sup>
- Attorney, certified public accountant, licensed tax accountant, or consultant, who, in addition to officer compensation from the group, receives cash or other property benefits that exceed a certain amount<sup>\*4</sup>
- Individual who receives donations or assistance from the group that exceed a certain amount
- Shareholder who in essence owns 10% or more of general voting rights in the company
- Corporate affairs manager for a corporation that in essence owns 10% or more of general voting rights in the group

- Individual who has a serious business relationship with or stake in the group
- Individuals for whom any of items (1) through (8) above applied during the past three years
- In the event that a person who corresponds to any of items (1) through (9) above is a person of importance,<sup>\*5</sup> that person's spouse or a relative who is a second-degree relative or closer

- \*1. Outside directors and outside Audit & Supervisory Board Members  
 \*2. Corporate affairs manager for a public company, executive, executive officer, individual who carries out business for a non-company corporation or organization, or user (employee) of a corporation or organization including companies  
 \*3. Individual with business dealings whose transaction value with the group in the most recent business year is 2% or more of consolidated sales for either party (in the event that the business partner concerned is an organization such as a corporation, that entity's corporate affairs manager)  
 \*4. The total price of which exceeds 10 million yen in one business year in the case of individuals, or exceeds 2% of consolidated sales for either party in the case of organizations such as corporations  
 \*5. Among corporate affairs managers, an individual who executes important business such as a director (excluding outside directors), executive, or executive officer

#### 2 Additionally, individuals must not have any circumstances such that it could be reasonably judged that they cannot perform their duties as an independent outside officer.

### Prerequisites for Ensuring the Effectiveness of the Board of Directors and Audit & Supervisory Board

#### Evaluating the Effectiveness of the Board of Directors

- Every fiscal year, each director performs a self-evaluation regarding the extent to which they have fulfilled their professional duties. This is done to see if Sodick's Board of Directors is performing its professional duties in accordance with our guidelines in order to boost the effectiveness of our corporate governance.
- Based on the aforementioned self-evaluations by each director, the Audit & Supervisory Board Members analyze and evaluate the effectiveness of the Board of Directors on the whole and disclose an overview of the results of this.
- On the basis of the aforementioned policy, in March 2017 the directors performed self-evaluations regarding the effectiveness of the Board of Directors on the whole. Afterwards, at the meeting of the Audit & Supervisory Board held in April 2017, the effectiveness of the Board of Directors was analyzed and deliberated over based on the self-evaluations from the directors. The results of this were that the Board of Directors was assessed to be functioning satisfactorily for its effectiveness in terms of its management status, deliberation status, and management and oversight functions.
- For its part, Sodick has determined that the effectiveness of the Board of Directors has been adequately ensured as of this point in time based on the results of the aforementioned evaluation. However, we will deduce problems and draft and implement countermeasures to them in order to further boost the effectiveness of the Board of Directors based on the results of analyses and evaluations regarding the effectiveness of the Board of Directors.

#### Training for the Board of Directors and Audit & Supervisory Board

- Newly appointed directors and Audit & Supervisory Board Members take part in training by the Japan Audit & Supervisory Board Members Association.
- Independent outside directors and independent outside auditors look at descriptions of business and observe major business centers and so forth, while also explicating business strategies where appropriate.
- Other directors, Audit & Supervisory Board Members, and executive officers acquire the knowledge and ways of thinking necessary in order to improve corporate value through e-learning by the Tokyo Stock Exchange.

## Improving the Transparency of Management

### Officer Compensation

#### Process for Determining Officer Compensation

- The annual shareholders' meeting determines the broad framework regarding compensation for directors. As for the amount of compensation for each director, representative directors drafts proposed amounts after discussions based on the decisions of the Board of Directors. The actual amounts are set after approval has been received from the Advisory Committee on Compensation, which is comprised of representative directors and outside directors.
- The annual shareholders' meeting decides on the broad framework of compensation for Audit & Supervisory Board Members. Within those limits, the amounts of compensation for each Audit &

Supervisory Board Members are decided by discussions among the Audit & Supervisory Board Members.

#### Guidelines for Determining Compensation for Officers

Compensation for Sodick officers entails computing benchmark amounts for each officer based on increases and decreases in the following three sums and then adjusting the whole and individual amounts based on this.

- Standard amount for each officer
  - Increase or decrease in amounts linked to business performance according to consolidated current net income
  - Amount appropriate to the officer's job responsibilities
- Compensation for outside directors is a fixed amount, and no performance-linked compensation is provided.

#### Details for Officer Compensation (March 2017 Fiscal Year)

| Officer category  | Total compensation (million yen) | Total compensation by type (million yen) |               |         |                                  | No. of eligible officers (people) |
|---|----------------------------------|--|---------------|---------|----------------------------------|-----------------------------------|
|   |                                  | Basic compensation                       | Stock options | Bonuses | Retirement benefits for officers |                                   |
| Director (excluding outside directors)  | 274                              | 274                                      | –             | –       | –                                | 10                                |
| Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members) | 30                               | 30                                       | –             | –       | –                                | 2                                 |
| Outside officer   | 40                               | 40                                       | –             | –       | –                                | 6                                 |
| Total   | 344                              | 344                                      | –             | –       | –                                | 18                                |

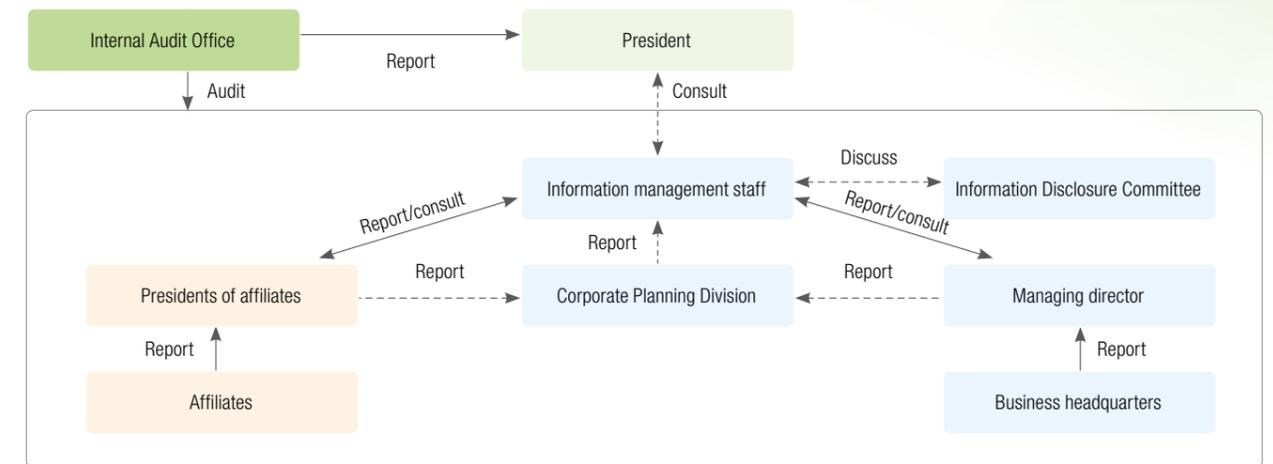
\*At present, the company does not confer compensation in the form of stock options, bonuses, or retirement benefits.

### IR Activities

Sodick regards all of its shareholders and investors as important stakeholders, and places importance on constructive dialogue to improve corporate value. Our Investor Relations Department handles these dialogues with shareholders. In cases where shareholders have individual requests, we consider having directors and others respond to them within reasonable limits by taking into consideration factors like the purpose of the meeting and the importance of the topic. The opinions we receive from our shareholders and investors are reported to the Board of Directors and Business Report Committee as needed, and will be put to use for the future management of the company.

- For all of our shareholders and investors, the company makes every effort to provide information swiftly based on the principles of transparency, fairness, and continuity, and promotes IR activities conducive to further improving corporate value. The Investor Relations Department is responsible for dialogue with our shareholders and investors. To respond to dialogues from shareholders reasonably and smoothly, it coordinates with the relevant departments, including Accounting and Financial Affairs, Legal Affairs, and Compliance for the promotion of IR activities.
- Financial results briefings for institutional investors and analysts are held two times per year to serve as a dialogue initiative that is separate from the individual meetings. The annual shareholders' meeting is also seen as a valuable and important opportunity for dialogue with our shareholders, and efforts are made to set aside adequate question-and-answer time.
- For our individual investors, a dedicated page has been created at the company's website. There, we plan to post information about the company's businesses, financial information, corporate philosophy, and etc.
- Regarding measures for controls applying to insider information, Sodick has formulated a Disclosure Policy that is available via our homepage.

### Our Structure for Timely Disclosures



## Enhancing Internal Management

### Internal Governance

Based on the Companies Act, Sodick enacted its Basic Policy on Internal Governance Systems at the Board of Directors meeting on April 17, 2015, in order to guarantee propriety in our operations. The internal governance system strives to create more optimal and efficient structures through continuous reassessment and improvement.

(See "Corporate Governance Reports" (<http://www.sodick.jp/ir/governance.html>) for details.)

### Compliance Structure

Sodick evaluates the effectiveness of its internal governance systems through its Internal Audit Office. The results of these evaluations are reported to the directors and Audit & Supervisory Board Members. The company has also established a Compliance Helpline (whistle-blower system) whose purpose is to quickly discover and rectify compliance infractions or potential instances thereof.

Sodick has set down compliance regulations as well as the Sodick Group Action Guidelines for Corporate Ethics and Standards for Corporate Behavior (Compliance Guidelines). These form a code of conduct whose purpose is to encourage group officers and employees to act in ways that conform to laws, the articles of incorporation, and social codes. To ensure that they are thoroughly adhered to, the company provides training and education on them to its officers and employees.

### Risk Management Structure

Sodick has established basic rules for risk management. The company works to determine, analyze, evaluate, and take appropriate measures to avoid the risks present in each department. To prepare for the occurrence or potential occurrence of unforeseen situations that would have a major impact on management, the company has also established a Risk

Management Committee and set up the necessary preemptive policies on responding.

The Risk Management Committee engages with monitoring and overseeing the company-wide risk management situation, and reports important risks to the directors and auditors.

An outside perspective

# Sodick's Corporate Governance

## It is crucial for the company's growth that it has the ability to adapt by recognizing social and technological changes and translating them into concrete action. As outside directors, we strive for better governance to ensure that our contributions to

When it comes to corporate governance, I feel that having outside directors perform monitoring and supervision of whether governance for the growth of the company is functioning to fulfill the company's goals and its responsibilities to its stakeholders (shareholders, creditors, employees, those involved with the company, etc.) based on a recognition of how the company should be governed and managed is an important role.

What is more, it is extremely important to continue going through the PDCA cycle to ensure that governance is functioning. Outside directors recognize that monitoring whether the company is fulfilling all of its responsibilities and legal compliance with respect to its corporate social responsibility (CSR) and its stakeholders from an outside perspective is an important role when it comes to having them serve as checkers.

I have served as an outside director since June 2016. In that time, I have taken part in deliberate discussions of important matters at meetings of the Board of Directors to constantly ensure that fair voting is carried out and a high level of transparency is maintained. I feel that Sodick's corporate governance functions incredibly well.

A company must have the ability to adapt to social changes and technological changes in order to continue growing. On this point, they must be aware of changes happening in the world in every area to adapt.

It is also important that they harness the knowledge they gather based on this awareness and translate it into concrete action.

Sodick's directors each have their own unique backgrounds, giving the company an incredibly broad-ranging array of sensors for picking up on changes. They are also knowledgeable about a variety of areas, and so our discussions are carried out in a multifaceted manner. I feel that we function in a generally suitable manner when it comes to our role of improving communication and openness with stakeholders and society, as well as pointing out technical problems.

Not to get repetitive, but in order for the company to continue growing and boosting corporate value in the future, it is essential that it has the ability to adapt to get a grasp of changes and needs out in the world in every area and translate these into concrete action.

On the technical front, Sodick has developed numerous materials and products, such as EDMs and linear motors, power source units, and ceramics. For example, when it comes to machine tools the company has newly developed machines with brand new machining techniques, such as metal 3D printers. With its injection molding machines, it has developed machines that can mold not only resin, but also metals like magnesium and aluminum. As these indicate, it is developing its businesses according to market needs and

We adopted a corporate governance code in 2015, and have further recognized the importance of corporate governance over these past few years. We asked one of our outside directors and one of our outside auditors about their thinking on corporate governance and the challenges it faces.

## and technological changes and translating them into concrete action. Stakeholders lead to the growth of the company.

expanding its lineup of products. I feel that properly functioning corporate governance forms the foundation for this growth and development. When it comes to boosting corporate value, it is crucial to secure outstanding human resources and further promote globalization. As such, it is extremely important that we accurately determine the current conditions in each country, pick up on needs, and agilely respond to them flexibly and with a forward-facing perspective.

My areas of expertise lie in control engineering and robotics. But since my appointment, my understanding of Sodick has been deepened through factory tours and meetings with staff members at our distributors. When I toured the Kaga Office a few days ago I witnessed its ties with the local community and the various initiatives going on within the factory. As part of the current rapid increases in the production of injection molding machines there, I couldn't help but sense Sodick's true strength and potential in its approach of carry out this manufacturing through skillful coordination and cooperation. Sodick's motto of "Create, Implement, and Overcome difficulties" truly expresses the basis for its governance. We will work to soundly recognize social and technological changes, and we as outside directors will work together to ensure that contributions to our stakeholders lead to the growth of the company.

Katsuhisa Furuta  
Outside Director



## It is important that we increase the number of "Sodick fans" over the long-term in order to improve corporate value and grow. As auditors, we enhance the soundness of the company and the transparency of its management, while also striding ahead in facilitating information

Tomio Okuyama  
Outside Audit & Supervisory Board Member



As an outside Audit & Supervisory Board Member, I feel it is important to monitor the company's activities from an outside perspective. As but a single auditor, I think it is important to properly monitor things like the state of compliance with laws and the articles of incorporation and the extent to which professional duties are being fulfilled from an independent standpoint when it comes to the actual monitoring, while being conscious of the advice given to the top management. I keep a close eye on the company's financial management, including fundraising and exchange contracts designed to avoid exchange risks, by harnessing my 30-years of work experience at a bank. Moreover, I engage in my work with an emphasis on the auditing status for areas subject to auditing, particularly regarding whether the policies and measures of the leaders of each business site have thoroughly been set in place.

The Audit & Supervisory Board is comprised of two full-time auditors, three outside auditors, and one secretariat official. Meetings of the board are also attended by legal advisers who provide us with legal advice.

The Audit & Supervisory Board engages in discussions by having other

## the long-term in order to improve corporate value and grow. Auditors actively offer their opinions, questions, and proposed improvements with regard to auditing reports that cover every country worldwide, including Japan, based on our annual plans.

At the same time, I feel that the Board of Directors is satisfactorily fulfilling its function of determining the course of the company. It does this by having executive officers earnestly take in information regarding all resolutions and reported items and engage in spirited exchanges of opinions.

I also feel that everything is functioning satisfactorily when it comes to corporate governance. Generally speaking, there are numerous cases at our overseas locations in which the thinking and policies of the head office have not made it down to every last employee. So when it comes time to audit them, we particularly focus on whether the policies and measures of the head office have been thoroughly set in place. Through this, the company ensures thorough management at its overseas locations and affiliates.

Since my appointment as an Audit & Supervisory Board Member, I have traveled to locations in the United States, Europe, and Asia on a number of occasions. The top managers at our overseas locations have had long

careers and have profound knowledge of Sodick's businesses, and so they have successfully set in place the head office's thinking and policies among every last employee and carry out management in a scrupulous manner.

In order for Sodick to grow and boost its corporate value in a sustainable manner, it will be important for it to continue to develop new technologies and deliver new products to society. In addition, it is also crucial that it make its customers, investors, and other stakeholders aware of its growth potential and boost its market capitalization through proactive IR activities. I feel that an important challenge for the future when it comes to governance will be increasing the number of "Sodick fans" over the long-term. Therefore, we must work to disclose easy-to-understand information to all of our shareholders and investors in a readily-comprehensible manner. We must also focus in on examining measures that offer advantages to our shareholders other than dividends.

I plan to forge ahead with my sights set on governance that will allow us to improve the soundness of the company and the transparency of its management through audits, as well as lead to increasing the number of "Sodick fans" over the long-term through information disclosures.



1. Chairman and Representative Director  
**Toshihiko Furukawa**

2. President and Representative Director  
**Yuji Kaneko**

3. Vice President and Representative Director  
**Kenichi Furukawa**

4. Senior Executive Managing Director (Chief Machine Tool and Industrial Machinery Sales Division Officer)  
**Keisuke Takagi**

5. Senior Executive Managing Director (Chief Electric Discharge Machinery Division Officer)  
**Takashi Matsui**

6. Senior Executive Managing Director (Chief Injection Molding Machinery Division Officer)  
**Misao Fujikawa**

7. Senior Executive Managing Director (Chief Machining Center and ULT Development Division Officer)  
**Sadao Sano**

8. Executive Managing Director (Chief Food Processing Machinery Division Officer)  
**Kenichi Osako**

9. Executive Managing Director (Chief Corporate Planning Division Officer)  
**Hirofumi Maejima**

10. Executive Managing Director (Chief Production Managing Officer)  
**Hideki Tsukamoto**

11. Outside Director  
**Kenichi Tsugami**

12. Outside Director  
**Toshiaki Kurihara**

13. Outside Director  
**Katsuhisa Furuta**

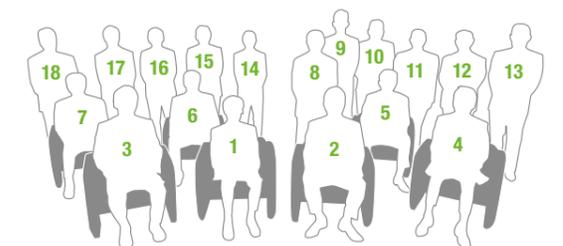
14. Full-time Audit & Supervisory Board Member  
**Akio Hosaka**

15. Full-time Audit & Supervisory Board Member  
**Yuichi Watanuki**

16. Outside Audit & Supervisory Board Member  
**Takashi Nagashima**

17. Outside Audit & Supervisory Board Member  
**Kazuhito Shimoyama**

18. Outside Audit & Supervisory Board Member  
**Tomio Okuyama**



# CSR Initiatives

## Thinking behind Our Corporate Social Responsibility (CSR)

Based on our founding spirit of "Create, Implement, and Overcome difficulties," the Sodick Group has adopted the management principle of contributing to the advancement of society by providing superior products and supporting the manufacturing of our customers. In order to achieve this, we work to address wide-ranging activities for CSR rooted in the practice of sincere business activities in line with the

Sodick Group Action Guidelines for Corporate Ethics and Standards for Corporate Behavior (Compliance Guidelines). We feel that the most important elements for this are complying with laws and social norms, as well as constantly engaging in management that is transparent and easy to understand for all of our stakeholders, including each and every one of our shareholders, investors, customers, and employees.

### List of ESG Issues and Initiatives

| Item          | Main initiatives   | Actual activities  |
|---------------|--|--|
| Social        | <ul style="list-style-type: none"> <li>Promoting diversity</li> </ul>  | <ul style="list-style-type: none"> <li>Encouraging women in the workforce (taking maternity/childcare leave and being reinstated afterwards)</li> <li>Making the most of global human resources</li> <li>Hiring disabled workers</li> <li>Hiring senior citizens</li> </ul>  |
|               | <ul style="list-style-type: none"> <li>Creating a comfortable workplace environment</li> </ul>               | <ul style="list-style-type: none"> <li>Offering job training</li> <li>Encouraging employees to take paid vacation</li> <li>Initiatives for safety, sanitation, and disaster prevention</li> <li>Well-rounded benefits packages</li> <li>Training for new employees, etc.</li> </ul>  |
|               | <ul style="list-style-type: none"> <li>Contributing to local communities</li> </ul>                          | <ul style="list-style-type: none"> <li>Holding the Manufacturing Summer School</li> </ul>  |
| Environmental | <ul style="list-style-type: none"> <li>Promoting and developing environmentally-friendly products</li> </ul> | <ul style="list-style-type: none"> <li>Promoting environmentally-friendly products Tsubame Wire Plus, Eco-Ion R, Eco Filter SHF-25R</li> <li>Developing environmentally-friendly products CIP Fully Automatic Noodle Boiling Machine</li> </ul>  |
|               | <ul style="list-style-type: none"> <li>Green procurement</li> <li>Reducing CO<sub>2</sub></li> </ul>         | <ul style="list-style-type: none"> <li>Promoting green procurement</li> <li>Installing solar power at our head office and Sodick F.T.'s Miyazaki Office</li> </ul>   |
|               |  |  |
| Governance    | <ul style="list-style-type: none"> <li>Strengthening corporate governance</li> </ul>                         | <ul style="list-style-type: none"> <li>Setting in place corporate governance structures</li> <li>Enhancing internal management</li> <li>Strengthening management oversight functions</li> <li>Improving the transparency of management</li> <li>Holding dialogues with stakeholders</li> <li>Setting in place structures to promote CSR</li> </ul> |
|               |  |  |
|               |  |  |

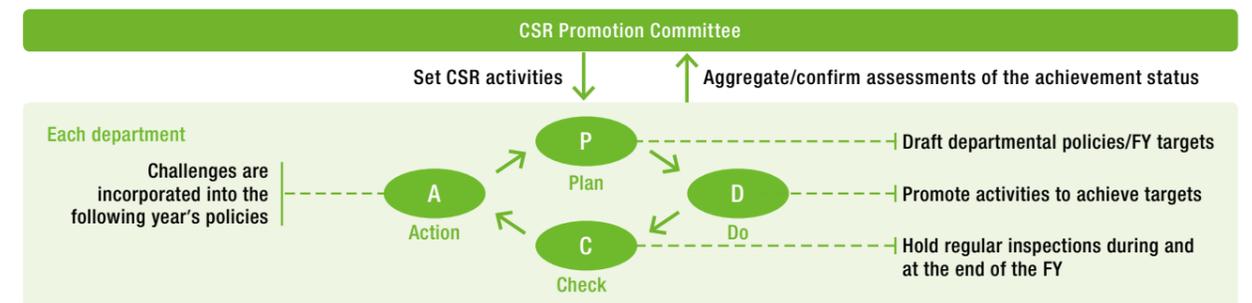


## The Launch of Our CSR Promotion Structure

We have launched the CSR Promotion Committee, which is chaired by the president, in order to promote CSR activities in a systematic manner through the combined efforts of the entire company. The CSR Promotion Committee, led primarily by the Management Department at the head office, will systematically promote CSR activities. It will do this by setting targets related to CSR centered

around important themes like compliance, social responsibility, fostering human resources, quality control, and the environment and going through the PDCA cycle. By establishing such a structure, we are aiming to further invigorate and enhance the CSR activities that each operating department had been working on from before.

### Overview of Our CSR Promotion Structure



### Structural Diagram



## TOPiCS -CSR Activities-

### Holding the Manufacturing Summer School

We hold the Manufacturing Summer School at the Sodick Kaga Office for third through sixth graders in elementary school in the Komatsu District. This provides the participating elementary school students with the opportunity to tour an actual manufacturing site. Not only that, it also uses video sample to provide them with a visual understanding of the social significance and value of manufacturing, as well as its importance.



▲ Injection molding machine production line



▲ Injection molding machine production line



▲ Precision metal 3D printer



▲ Food processing machines

# Initiatives for the Environment

The Hokuriku region where Sodick has a production base is a place where traditional culture lives in symbiosis with beautiful natural surroundings. In our work of developing and manufacturing so many products in this well-favored region, we have come to see that treating the natural environment with care is a practice that leads to richness in the lives of the people in itself.

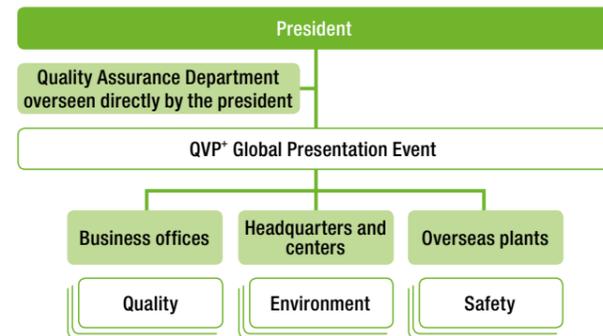
## Sodick's Policies and Structures

At present, Sodick has set in place an Environmental Policy and has acquired ISO 14001 certification for its Kaga Office and Fukui Office, as well as for all of its sales offices throughout Japan. To continue making improvements in terms of our environmental impact, every year we reassess our Environmental Policy and enact particular topical issues and objectives for it. At the QVP\* Global Presentation Event\* held annually by the Quality Assurance Department, representatives from each department and group company detail the results and items meriting reassessment from the previous fiscal year in regard to the environment, as well as quality and safety. They also declare their respective unit's targets for the new fiscal year and share their courses of action. This is connected to continuous improvements that also take medium- and long-term targets into account.

\* QVP\* Global Presentation Event: "QVP" stands for "Quality Victory Plan." This annual event is for the various departments to look for ways to make improvements in the areas of quality, the environment, and safety in keeping with the policies and targets set down by the president.

### Structure for Promoting Environmental Concerns

Sodick has created a structure for promoting environmental concerns around the three core pillars of quality, the environment, and safety.



## Promoting Green Procurement

In May 2000, the Japanese government enacted the Act on Promoting Green Purchasing. This law was established to actively promote green procurement based on the perspective that demand-side initiatives were of equal importance to supply-side initiatives when it comes to forming a recycling-oriented society. It encourages procurement that puts priority on goods with a small environmental impact while still bearing in mind the unique features of a given business, the strength and durability required, the preservation of

### Environmental Policy

#### 環境方針

株式会社ソディックは、主な製品としては放電加工機、マシニングセンター、金属3Dプリンター、射出成形機、マグネシウム合金対応射出成形機、食品機械、また関連するリニアモーター、リニアモータードライバ、CNC装置、砥石、精密ステージ、その他のシステムも含めた開発、設計、製造、販売およびサービスをグローバルに展開しております。これらの製品が地球環境に配慮したかたちで届わり、世の中に貢献したいと考えます。また、生産拠点としては、加賀事業所、福井事業所、更に販売営業・サービスの拠点に対しての地域の自然環境にも配慮しつつ、人々の豊かな生活に貢献することを認識し、当社の環境活動を全社的に進め、環境保全に努めます。

1. 環境マネジメントシステムを確立し、実施し、維持し、継続的な改善と汚染の予防を推進します。
2. 事業活動の開展範囲に關して適用可能な法的要求事項及び当社が同意したその他の要求事項を遵守します。
3. 事業活動における環境への影響を低減させるため、以下の項目を重点的に取り扱います。
  - 1) 地球環境を大切にしたい製品づくりで社会に貢献します。
  - 2) 省エネ・省資源化を考えた生産活動の推進に努めます。
  - 3) 環境負荷物質の低減に努めます。
4. この環境方針を具体的に推進するために、環境目的・目標を設定し、定期的に見直し、継続的に改善活動を展開します。また、その改善活動の有効性についても確認し、効果的な環境活動の推進を行います。
5. 環境方針を文書化し、全従業員および常駐する外部社員への教育を実施し、環境方針の理解と環境に関する意識向上に取り組みます。
6. 本環境方針は、一般に公開するとともに、社外からの要求に応じて公表します。

2016年3月16日 制定  
株式会社ソディック  
代表取締役社長  
金子雄二

functionality, and cost considerations.

In conjunction with this, Sodick is creating its own ERP-linked harmful chemical substances control system (SHCSCS). This enables the company to control whether or not our products contain harmful chemical substances in a systemic way. The Procurement Division, General Affairs Department, and Quality Assurance Department will be working hand-in-hand to thoroughly investigate whether any materials that we newly purchase in the future contain harmful substances.

## Promoting Environmentally-Friendly Products

Sodick is actively working to come up with products that are environmentally-friendly.

We have been making every effort to reduce waste by offering such ecofriendly or recyclable products as the Tsubame Wire Plus, the world's first product adapted to used-wire recovery systems; the Eco-Ion R, whose construction permits the main component to be washed, its functions restored, and the unit to be reused; and the Eco Filter SHF-25R recyclable filter.

What is more, Sodick works to develop environmentally-friendly products. The CIP fully automated noodle boiling machine from our Food Processing Machinery Division offers improved cleaning performance over that of conventional machines, which boiled water using indirect piping, because in this device steam is pumped directly across the bottom of the tub used for boiling to heat the water and bring it to a boil. Furthermore, the device can reduce the amount of water supplied and discharged by reusing the water discharged from the tub

to resupply it. In addition, employing a waste heat recovery system that reuses the boiling water made it possible to greatly reduce the amount of steam used. Reducing the amount of steam contributes to both energy conservation outcomes and reducing CO<sub>2</sub> emissions.



▲ CIP fully automated noodle boiling machine



### Tsubame Wire Plus

The world's first product in this area adapted to used-wire recycling systems. Built using high-quality and high-precision production processes to offer superior straightness and an extremely smooth surface quality. It fully elicits machining performance that is highly reliable.



### Eco-Ion R

Suited for long-term machining with its extended operating life. Its 18-L capacity is approximately twice that of conventional types. The "canister" itself is replaceable, so there is no need to do the work of refilling the resin. The product is environmentally-friendly.



### Eco Filter SHF-25R

Inherited the performance of our extended life SHF-25E model. Its operating life is approximately twice that of conventional products (compared with Sodick's HF-25A). Type of filter with a structure that allows for disassembly (filter paper and outer frame). Depending on the rental contract, the product can be put into the distribution cycle and collected.

## Initiatives for Reducing CO<sub>2</sub>

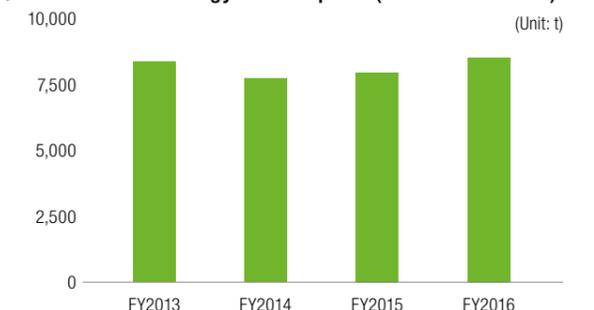
Sodick is setting our focus on using natural energy. Solar power systems have been installed on rooftops at our head office and at the Miyazaki Office of Sodick F.T. The solar cells at the head office have a capacity of 49.88 kW, while those at the Miyazaki Office operate at 800 kW. We are also making efforts to sell the electricity generated via solar power at our head office, thus illustrating the multifaceted approach to environmental conservation that we are pursuing.



▲ The rooftop solar power array at the Sodick F.T. Miyazaki Office

What is more, Sodick's head office and offices have all adopted LED lighting produced by Sodick LED Co., Ltd. The Kirameki SL-series LED light consumes approximately half the power of a normal fluorescent light, resulting in an approximately 210 kg reduction in CO<sub>2</sub> emissions annually based on continuous 24-hour-per-day use. This is equivalent to the amount of CO<sub>2</sub> that about 19 beech trees absorb.

### Trends in our energy consumption (converted to CO<sub>2</sub>)



# Promoting Efforts to Make the Most of Human Resources

Since our founding, Sodick has expanded its businesses under the motto of “Create,” “Implement,” and “Overcome Difficulties.” The very mettle and ability to take action that each and every one of our employees possesses provides the backbone for this endeavor. All of our employees — not only technical staff, but also sales and management — maintain a high level of motivation at their respective stages in the process and are actively engaged in their work as specialists.

The diversity of our workforce, with employees offering different perspectives and values, is conducive to further globalizing our business. Based on this thinking, Sodick is promoting efforts to employ a wide-ranging workforce that includes foreigners, the disabled, and senior citizens. Furthermore, we are also working hard to create an environment in which women can continue to flourish even after they marry and have children.

## Promoting Diversity

### Encouraging Women in the Workforce

Sodick is working to create an environment that allows employees to balance work with child-rearing so that everyone in its workforce can fully demonstrate their abilities. It is giving the matter close attention, taking such steps as setting up a variety of special measures that enable employees who take maternity or childcare leave to return to the departments and positions they held prior to going on leave. This system has allowed a high percentage of female employees to take maternity or childcare leave. Five women opted to do so in the previous fiscal year, and all of them have returned to their positions and are again playing an active role in their respective departments.

An action plan has also been drafted with the goal of enabling female employees to fully demonstrate their abilities in a variety of fields. The percentage of new graduates hired between 2015 and 2017 that were female stands at 24%. Sodick will actively continue its efforts to hire women and put together a working environment that enables them to remain in the workforce, providing them — and all employees — the support to achieve their desired work-life balance.



▲ A female employee engaged in research



▲ One of the female employees working at Sodick also has her sights set on competing in the Paralympics

### Hiring Senior Citizens

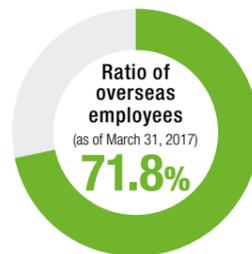
In April 2013, the government enacted the Revised Act on Stabilization of Employment of Elderly Persons. The law’s objective is to create environments in which senior citizens can continue to work based on their desires and abilities, at the very least until they have reached the age at which they qualify to receive their pensions.

Sodick has set the day an employee turns 60 as the age limit and point for retirement. However, 100% of those retirees who wished to continue working have been rehired. The skills, knowledge, and experience that veteran employees have cultivated over the years provides a model to be used in training their successors. It provides sustenance for Sodick’s venture spirit of creating things that are not in the world by ourselves that can be handed down to our junior employees.

### Making the Most of Global Human Resources

Sodick was quick to adopt a global perspective in developing its business. More than 70% of its employees are currently working overseas, and the company has also actively sought out non-Japanese hires.

Having foreign employees will be absolutely indispensable for our efforts to further globalize our business in the future. Understanding their perspectives and thinking is extremely important when it comes to understanding the unique characteristics of each part of the world. This is also conducive to promoting the strategies pursued at our overseas sites and in developing and strengthening our marketing networks. We are also striving to hire locally for executive positions at our overseas sites as part of our overall goal of making good use of global human resources. Women are also serving as presidents at some of these overseas locations.



### Hiring Disabled Workers

Sodick affiliate Kibi NC Training Center Corp. is an enterprise that uses the latest machine tools to conduct skills-development training for the physically disabled with the goal of helping them to become socially independent. Sodick itself is also making efforts to actively hire disabled persons and create an environment that promotes such hiring goals broadly in order to provide them with stability.



▲ Since Kibi NC’s founding, 81 trainees have completed the course and are now playing active roles at worksites around the country



▲ One of our employees working at Sodick who graduated from Kibi NC has competed in the Paralympics as a track and field athlete

## Creating a Comfortable Workplace Environment

The organization of the workplace environment is closely connected to improving awareness among employees regarding their jobs. At Sodick, we are working to achieve a workplace environment where all employees can stay highly motivated and work with peace of mind. Maintaining a favorable workplace environment serves to keep new hire retention rates high and create a foundation that makes it easy to nurture superior human resources.

We are also focusing our energies on creating an employee training system to help individual employees further develop their abilities. Through employee training in a variety of fields and nurturing a global workforce via overseas training for new hires, our aim is for employees to acquire the know-how and skills to serve as driving forces for the company in the future. Furthermore, Sodick has also adopted stratified training methods in which trainees are broken up into groups based on their number of years of service and type of position, as well as internet-based e-learning for employee education and corporate training.

### Encouraging Employees to Take Paid Vacation

Sodick has designated specific Saturdays as days for which we encourage employees to use their paid vacation time and actively encourage them to take days off. Doing so creates a virtuous cycle, as they are refreshed from taking the break and thus tackle their work with renewed motivation.

### Initiatives for Safety, Sanitation, and Disaster Prevention

Ensuring that the employees who underpin the company stay healthy in mind and body and can work in an energetic manner is a crucial factor when it comes to the company’s growth. Creating a management structure and providing safety and sanitation training that conform to the Industrial Safety and Health Act protects our employees from dangers and health impairments in the course of their work, and also prevents occupational injuries. The company is focusing its efforts on initiatives for not only the physical, but also mental wellbeing of our employees, and is working to create follow-through structures to prevent mental and physical disorders from arising.

Sodick has also adopted a Compliance Helpline (whistle-blowing system) with the objective of preventing and rapidly responding to wrongdoing or unethical behavior perpetrated by employees or corporate officers. We have also set up and operate internal and external points of contact for addressing such matters.

#### ► Sodick’s Initiatives

- **Safety and Sanitation Committee, Safety and Sanitation Rules**  
Inspection patrols are carried out throughout the company once a month.
- **Training for Managers by Industrial Physicians**  
Training is provided to management-level employees regarding mental health.

### Well-Rounded Benefits Packages

Sodick makes efforts to fully round out our benefits packages and relevant facilities so that our employees can attend to their duties without worrying about their daily lives or health.

As part of this, the company offers financial incentives of 20% from its employee stock ownership association system, provides regular health examinations, and offers financial assistance for cancer examinations using positron emission tomography (PET), which is a treatment technique that has recently been much talked about, among other benefits.

Also, in terms of facilities for employees to refresh themselves, Sodick has resort houses in Yatsugatake and Miyazaki, and has concluded corporate contracts that allow for preferential treatment at designated theme parks and similar facilities. Club activities are also actively carried out, including clubs for tennis, marathon running, cycling, futsal, badminton, and golf, which are useful for stimulating interactions with employees from other departments.



▲ Dining hall



▲ Tennis court



▲ Cafeteria



▲ Nobeyama Resort Village

## TOPiCS -Making the Most of Human Resources-

### Offering On-the-job Training and Training for New Hires

Sodick provides training at plants throughout the country and overseas for new hires so they can learn the actual manufacturing process used at the company. To start with, at our main domestic plant in the Hokuriku region they learn about the flow of operations in the main departments of manufacturing, technology, and machining at each office. Next, at the company’s main overseas plant in Thailand, they increase their

knowledge about the company’s mainstay product by working side-by-side with local employees on the EDM manufacturing floor.

The goal here is also to give them the chance to form a broad range of personal contacts through exchanges with employees and workers stationed locally, as well as to dispel any feelings of resistance or anxiety they may have about working overseas.



▲ Training in Hokuriku: Younger employees are put to work as instructors, which also helps them increase their knowledge and presentation skills

## Key Financial Data

|   | 03/2008 FY | 03/2009 FY | 03/2010 FY | 03/2011 FY | 03/2012 FY | 03/2013 FY | 03/2014 FY | 03/2015 FY | 03/2016 FY | (Unit: million yen)<br>03/2017 FY | (Unit: US\$1,000 <sup>1</sup> )<br>03/2017 FY |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|-----------------------------------|---|
| <b>Business performance</b>                                 |            |            |            |            |            |            |            |            |            |                                   |   |
| Net sales   | 75,647     | 54,533     | 36,761     | 54,213     | 53,528     | 55,031     | 56,899     | 63,090     | 65,146     | 61,812                            | 554,973                                       |
| Cost of sales   | 51,941     | 39,456     | 27,877     | 36,592     | 35,957     | 38,296     | 40,232     | 42,215     | 41,369     | 39,318                            | 353,012                                       |
| Gross profit  | 23,706     | 15,077     | 8,883      | 17,621     | 17,570     | 16,734     | 16,667     | 20,874     | 23,777     | 22,494                            | 201,961                                       |
| Selling, general, and administrative expenses               | 18,594     | 17,602     | 11,575     | 12,027     | 12,080     | 12,719     | 14,014     | 15,984     | 17,424     | 17,257                            | 154,946                                       |
| Operating income  | 5,133      | △2,512     | △2,688     | 5,599      | 5,495      | 4,021      | 2,651      | 4,891      | 6,353      | 5,236                             | 47,015  |
| Ordinary income   | 4,498      | △5,717     | △3,073     | 3,944      | 4,577      | 5,356      | 3,886      | 5,647      | 5,719      | 4,620                             | 41,483  |
| Profit before income taxes                                  | 2,825      | △6,914     | △3,422     | 4,003      | 4,473      | 5,170      | 3,857      | 5,129      | 5,748      | 4,193                             | 37,653  |
| Profit attributable to owners of the parent                 | 244        | △8,527     | △3,669     | 5,111      | 3,320      | 4,191      | 4,194      | 3,550      | 4,167      | 3,644                             | 32,723  |
| R&D expenses  | 2,394      | 2,013      | 1,532      | 1,624      | 1,717      | 1,832      | 2,004      | 2,494      | 3,408      | 3,518                             | 31,590  |
| Facility investment   | 8,568      | 3,014      | 945        | 1,465      | 3,621      | 5,460      | 3,179      | 2,232      | 2,887      | 2,594                             | 23,290  |
| Depreciation  | 3,131      | 3,096      | 2,640      | 2,116      | 2,121      | 2,204      | 2,559      | 2,659      | 2,765      | 2,697                             | 24,215  |
| <b>Financial status</b>                                     |            |            |            |            |            |            |            |            |            |                                   |   |
| Total assets  | 103,967    | 84,351     | 72,767     | 79,510     | 92,993     | 95,041     | 98,776     | 104,167    | 99,722     | 109,271                           | 981,070                                       |
| Net assets  | 42,748     | 27,401     | 23,848     | 28,158     | 29,718     | 36,033     | 42,451     | 49,453     | 49,758     | 48,710                            | 437,339                                       |
| Interest-bearing debt                                       | 37,336     | 44,320     | 35,193     | 33,488     | 41,339     | 41,506     | 39,480     | 35,758     | 33,826     | 40,953                            | 367,689                                       |
| <b>Cash flow</b>  |            |            |            |            |            |            |            |            |            |                                   |   |
| Cash flows from operating activities                        | 2,042      | 1,935      | 7,256      | 3,216      | 9,245      | 2,766      | 5,577      | 8,298      | 6,579      | 8,373                             | 75,175  |
| Cash flows from investing activities                        | △7,133     | △7,088     | △693       | △167       | △5,295     | △4,776     | △4,181     | △144       | △2,773     | △2,132                            | △19,148                                       |
| Free cash flow  | △5,091     | △5,153     | 6,563      | 3,049      | 3,950      | △2,010     | 1,396      | 8,154      | 3,806      | 6,240                             | 56,028  |
| Cash flows from financing activities                        | 4,049      | 4,605      | △9,437     | △1,965     | 6,809      | △1,163     | △3,696     | △5,243     | △2,854     | 3,134                             | 28,142  |
| <b>Per-share indicators</b>                                 |            |            |            |            |            |            |            |            |            |                                   |   |
| Earnings per share (EPS) (Yen/US\$ <sup>1</sup> )           | 4.62       | △170.15    | △74.11     | 103.23     | 67.07      | 83.29      | 83.36      | 70.55      | 82.82      | 76.91                             | 0.69  |
| Net assets per share (BPS) (Yen/US\$ <sup>1</sup> )         | 733.52     | 516.38     | 449.54     | 534.25     | 589.28     | 715.26     | 842.40     | 981.47     | 987.01     | 1,035.19                          | 9.29  |
| Dividends per share (Yen/US\$ <sup>1</sup> )                | 20.00      | 10.00      | 0.00       | 6.00       | 11.00      | 14.00      | 14.00      | 20.00      | 18.00      | 19.00                             | 0.17  |
| <b>Key financial indicators</b>                             |            |            |            |            |            |            |            |            |            |                                   |   |
| Ratio of gross profit to sales                              | 31.3%      | 27.6%      | 24.2%      | 32.5%      | 32.8%      | 30.4%      | 29.3%      | 33.1%      | 36.5%      | 36.4%                             |   |
| Ratio of operating income to net sales                      | 6.8%       | –          | –          | 10.3%      | 10.3%      | 7.3%       | 4.7%       | 7.8%       | 9.8%       | 8.5%                              |   |
| Ratio of ordinary income to sales                           | 5.9%       | –          | –          | 7.3%       | 8.6%       | 9.7%       | 6.8%       | 9.0%       | 8.8%       | 7.5%                              |   |
| Return on equity (ROE) <sup>2</sup>                         | 0.6%       | –          | –          | 21.0%      | 11.8%      | 12.8%      | 10.7%      | 7.7%       | 8.4%       | 7.4%                              |   |
| Ratio of ordinary income to total assets (ROA) <sup>3</sup> | 4.4%       | –          | –          | 5.2%       | 5.3%       | 5.7%       | 4.0%       | 5.6%       | 5.6%       | 4.4%                              |   |
| Debt-to-equity (D/E ratio) <sup>4</sup> (multiple)          | 0.98       | 1.62       | 1.49       | 1.17       | 1.30       | 1.17       | 1.02       | 0.86       | 0.75       | 0.92                              |   |
| Equity ratio <sup>5</sup>                                   | 36.6%      | 30.3%      | 30.6%      | 33.3%      | 31.9%      | 37.9%      | 42.9%      | 47.4%      | 49.8%      | 44.5%                             |   |
| Dividend on equity (DOE) <sup>6</sup>                       | 2.8%       | 1.8%       | –          | 1.0%       | 1.7%       | 2.0%       | 1.8%       | 2.4%       | 2.0%       | 2.0%                              |   |
| Ratio of overseas sales                                     | 56.2%      | 52.3%      | 53.0%      | 57.7%      | 60.6%      | 63.7%      | 60.4%      | 64.1%      | 63.8%      | 62.7%                             |   |
| Average exchange rate over the period                       |            |            |            |            |            |            |            |            |            |                                   |   |
| Yen/USD   | 114.44     | 100.71     | 92.89      | 85.74      | 79.08      | 82.91      | 100.17     | 109.76     | 120.15     | 108.34                            |   |
| Yen/EUR   | 161.59     | 144.70     | 131.18     | 113.13     | 109.02     | 106.78     | 134.21     | 138.69     | 132.60     | 118.74                            |   |
| Yen/CNY   | 15.47      | 14.85      | 13.68      | 12.95      | 12.35      | 12.66      | 15.87      | 17.14      | 19.21      | 16.32                             |   |
| Yen/THB   | 3.64       | 2.97       | 2.75       | 2.75       | 2.59       | 2.70       | 3.19       | 3.38       | 3.44       | 3.08                              |   |
| <b>Other</b>  |            |            |            |            |            |            |            |            |            |                                   |   |
| Number of employees (consolidated)                          | 3,622      | 3,158      | 2,575      | 2,793      | 2,956      | 2,921      | 2,999      | 3,183      | 3,216      | 3,415                             |   |

\*1: US\$ amounts are converted at the rate of US\$1 = 111.38 yen observed in trading in the Tokyo foreign currency market as of March 31, 2017.

\*2: Return on equity (ROE) = Current net income/(Net assets – Stock warrants – Minority interests)

\*3: Ratio of ordinary income to total assets (ROA) = Ordinary income/Total assets (Average during the period)

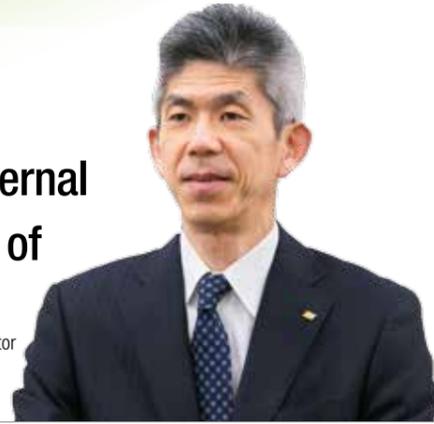
\*4: Debt-to-equity ratio = Interest-bearing debt/Shareholders' equity

\*5: Equity ratio (%) = (Net assets – Stock warrants – Minority interests)/Total assets

\*6: Dividend on equity (DOE) = Total dividends/Shareholders' equity

# Sodick will continue to provide stable and sustainable dividends while retaining the internal reserves needed for the future development of our businesses and to improve our management structure.

**Hirofumi Maejima**  
Executive Managing Director  
(Chief Corporate Planning  
Division Officer)



In terms of our financial status at the end of March 2017, as a result of the shift towards a stronger yen relative to that at the end of the previous fiscal year, our foreign currency-denominated assets decreased. But as a result of issuing 8,000 million yen in convertible bonds (CB) with stock subscription rights in April 2016, our interest-bearing debt and cash and deposits on hand rose substantially. In terms of net assets, our earned surplus increased and we acquired approximately 3,000-million-yen worth of our own shares. On top of this, the foreign currency translation adjustment accounts that arose from converting the capital stocks of overseas affiliates fell by about 1,400 million yen due to the stronger yen, and so our net assets declined slightly. The rise in interest-bearing debt caused our D/E ratio<sup>1</sup> and Equity ratio to worsen, yet our net interest-bearing debt decreased by approximately 2,000 million yen compared with the previous fiscal year. As such, we have been able to maintain the current funds needed for smooth business activities at a high level of liquidity of 200% or greater, thus ensuring a stable financial structure.

However, the machine tool industry of which Sodick is a part is strongly swayed by trends in industrial capital investment, necessitating that we prepare for various operating risks with comparatively high levels of volatility. Sodick's financial structure has been steadily improving, but ensuring the long-term continuity of operations requires a financial structure of even greater resilience. Going forward, Sodick will take a range of relevant measures, including reducing our interest-bearing debt, with a view to attaining a value of 0.5 or less for our D/E ratio, which has been designated as a management target value for the company.

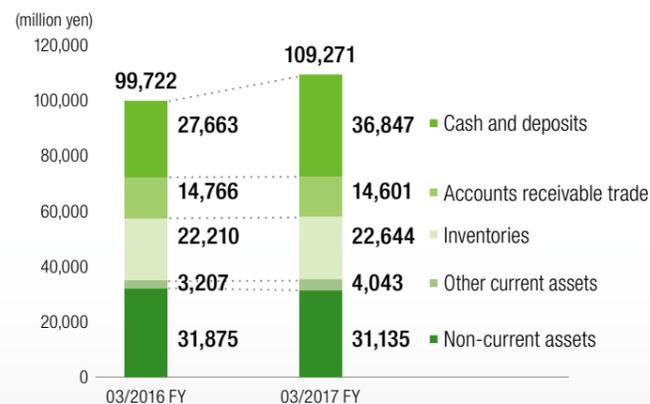
Furthermore, together with strengthening our financial structure, Sodick will pursue management with an emphasis on cash flow in order to accelerate investment in the growth of our operations. Sodick is constantly engaged in R&D and capital investment activities from a long-term perspective in order to

bring to market new products that employ cutting-edge technologies, and in order to solidify our superior competitive position. In the fiscal year that ended in March 2017, we made investments in metal 3D printers, EDMs, injection molding machines, and other basic research totaling approximately 3,500 million yen. Additionally, Sodick devoted about 2,600 million yen to capital investments to renew existing facilities for machine tools, industrial machinery, and food processing machines. Despite these outlays, our free cash flow (which is our operating cash flow minus our investment cash flow) still amounted to about 6,200 million yen. For the fiscal year that ending in December 2017, we plan to make capital investments of approximately 3,400 million yen for outlays like the new office for our sales center in the United States, an R&D building for our head office in Yokohama, and augmenting the production capacity of our Thailand Plant. Moreover, we plan to invest roughly 3,000 million yen in R&D expenses into things like R&D related to metal 3D printers, as well as developing new models of EDMs and injection molding machines. Cash flow-driven management will continue with the focus on balancing ongoing investment in business growth and strengthening our financial structure.

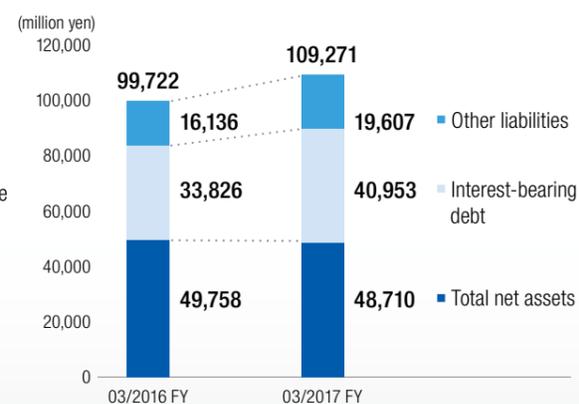
Regarding returns to shareholders, Sodick will continue to pay shareholder dividends in a stable and sustainable manner with a management target value of at least 2% for dividend yield on equity,<sup>2</sup> based on comprehensive judgments of our business performance, cash flows, and the progress made in strengthening our financial structure. As to capital efficiency, ROE<sup>3</sup> in the fiscal year ending in March 2017 came to 7.4%, reflecting a 1% decline compared with the previous fiscal year. However, Sodick aims to improve this by strengthening our earning power and through nimble capital policy measures.

<sup>1</sup>: Debt-to-equity ratio = Interest-bearing debt/Shareholders' equity  
<sup>2</sup>: DOE (dividend yield on equity) = Total dividends/Shareholders' equity  
<sup>3</sup>: ROE (return on equity) = Net income for the period/(Net assets - Stock warrants - Minority interests)

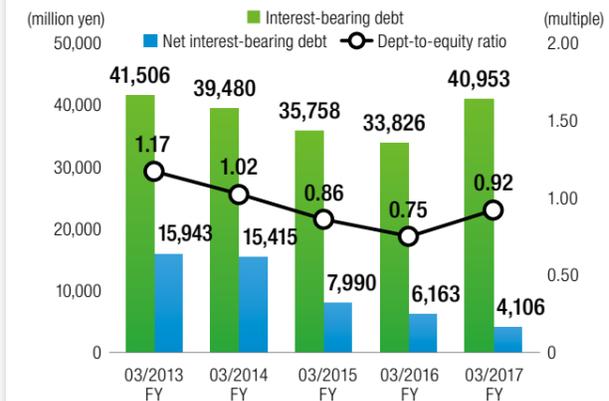
## Assets



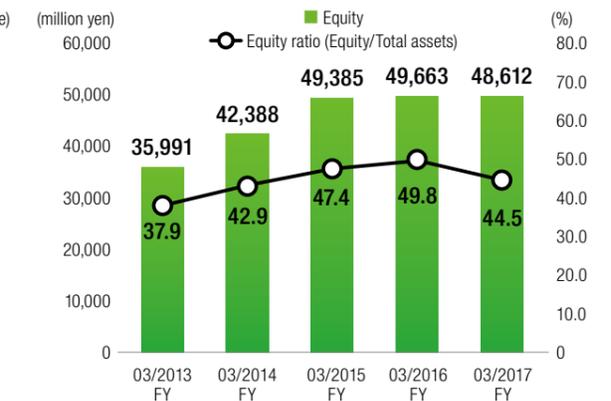
## Liabilities and net assets



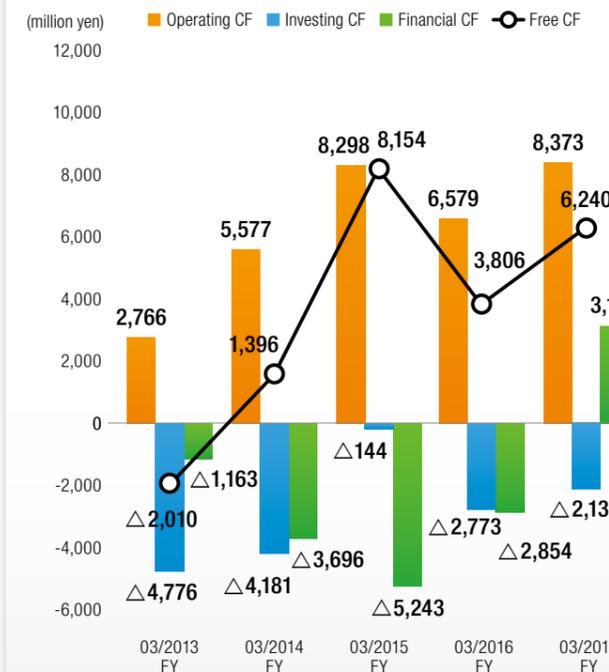
## Fluctuation in interest-bearing debt, net interest-bearing debt, and the Debt-to-equity ratio



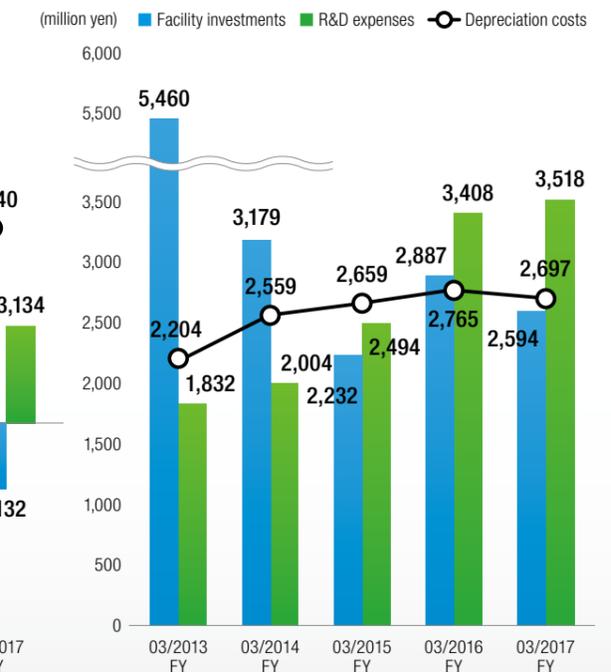
## Fluctuation in equity capital and equity ratio



## Cash flow



## Facility investments, R&D expenses, and depreciation costs



## Changes to Our Accounting Fiscal Year

Starting with the fiscal year ending in December 2017, we changed it so that instead of ending on March 31, our accounting fiscal year now ends on December 31. The fiscal year ending on December 31 is a transitional period representing an irregular account settlement period of nine months. By consolidating accounting periods with our overseas affiliates, we will strive to get a grasp of and disclose management information in a timelier and more accurate manner in aiming to make more appropriate management decisions and act on business strategies faster.

## Consolidated target period for the December 2017 FY

|  | 03/2017 FY |            |            | 12/2017 FY |            |            |
|--|------------|------------|------------|------------|------------|------------|
|  | Jan.-March | April-June | July-Sept. | Jan.-March | April-June | July-Sept. |
| Companies closing accounts in March    | 1Q         | 2Q         | 3Q         | 4Q         | 1Q         | 2Q         |
| Companies closing accounts in December | 12 months  |            |            | 9 months   |            |            |
|  | 12 months  |            |            | 12 months  |            |            |

## Consolidated Balance Sheets

|   | (Unit: million yen) |                 | (Unit: US\$1,000*) |
|---|---------------------|-----------------|--------------------|
|   | 03/2016 FY          | 03/2017 FY      | 03/2017 FY         |
| <b>Assets</b>                                     |                     |                 |                    |
| <b>Current assets</b>                             |                     |                 |                    |
| Cash and deposits                                 | ¥ 27,663            | ¥ 36,847        | \$ 330,823         |
| Notes and accounts receivable-trade               | 14,556              | 14,317          | 128,549            |
| Electronically recorded monetary claims-operating | 209                 | 283             | 2,544              |
| Merchandise and finished goods                    | 7,587               | 7,406           | 66,493             |
| Work in process                                   | 7,338               | 8,006           | 71,884             |
| Raw materials and supplies                        | 7,284               | 7,232           | 64,935             |
| Deferred tax assets                               | 919                 | 1,417           | 12,728             |
| Other   | 2,457               | 2,779           | 24,960             |
| Allowance for doubtful accounts                   | △169                | △154            | △1,386             |
| <b>Total current assets</b>                       | <b>67,846</b>       | <b>78,136</b>   | <b>701,530</b>     |
| <b>Non-current assets</b>                         |                     |                 |                    |
| <b>Property, plant and equipment</b>              |                     |                 |                    |
| Buildings and structures                          | 20,178              | 20,310          | 182,351            |
| Machinery, equipment and vehicles                 | 16,987              | 17,592          | 157,947            |
| Tools, furniture and fixtures                     | 2,746               | 2,926           | 26,278             |
| Land  | 7,224               | 7,234           | 64,958             |
| Leased assets                                     | 665                 | 765             | 6,870              |
| Construction in progress                          | 261                 | 217             | 1,953              |
| Accumulated depreciation                          | △23,728             | △25,278         | △226,954           |
| <b>Total property, plant and equipment</b>        | <b>24,336</b>       | <b>23,768</b>   | <b>213,403</b>     |
| <b>Intangible assets</b>                          |                     |                 |                    |
| Goodwill  | 2,037               | 1,888           | 16,957             |
| Other   | 1,425               | 1,298           | 11,659             |
| <b>Total intangible assets</b>                    | <b>3,463</b>        | <b>3,187</b>    | <b>28,616</b>      |
| <b>Investments and other assets</b>               |                     |                 |                    |
| Investment securities                             | 3,148               | 3,276           | 29,417             |
| Long-term loans receivable                        | 60                  | 28              | 258                |
| Deferred tax assets                               | 47                  | 99              | 894                |
| Other   | 944                 | 884             | 7,940              |
| Allowance for doubtful accounts                   | △125                | △110            | △988               |
| <b>Total investments and other assets</b>         | <b>4,075</b>        | <b>4,179</b>    | <b>37,521</b>      |
| <b>Total non-current assets</b>                   | <b>31,875</b>       | <b>31,135</b>   | <b>279,540</b>     |
| <b>Total Assets</b>                               | <b>¥ 99,722</b>     | <b>¥109,271</b> | <b>\$ 981,070</b>  |

\* US\$ amounts are converted at the rate of US\$1 = 111.38 yen observed in trading in the Tokyo foreign currency market as of March 31, 2017.

|  | (Unit: million yen) |                 | (Unit: US\$1,000*) |
|--|---------------------|-----------------|--------------------|
|  | 03/2016 FY          | 03/2017 FY      | 03/2017 FY         |
| <b>Liabilities</b>   |                     |                 |                    |
| <b>Current liabilities</b>                                     |                     |                 |                    |
| Notes and accounts payable- trade                              | ¥ 4,026             | ¥ 5,501         | \$ 49,390          |
| Electronically recorded obligations-operating                  | 4,820               | 5,776           | 51,864             |
| Short-term loans payable                                       | 4,693               | 4,497           | 40,380             |
| Current portion of long-term loans payable                     | 10,393              | 10,287          | 92,365             |
| Accounts payable-other   | 1,118               | 1,207           | 10,841             |
| Income taxes payable   | 235                 | 595             | 5,347              |
| Provision for product warranties                               | 359                 | 368             | 3,307              |
| Provision for quality guarantee                                | 4                   | 4               | 39                 |
| Provision for bonuses  | 544                 | 550             | 4,943              |
| Provision for point card certificates                          | 1                   | 1               | 15                 |
| Other  | 3,460               | 4,218           | 37,875             |
| <b>Total current liabilities</b>                               | <b>29,656</b>       | <b>33,009</b>   | <b>296,367</b>     |
| <b>Non-current liabilities</b>                                 |                     |                 |                    |
| Convertible bond-type bonds with subscription rights to shares | -                   | 7,995           | 71,781             |
| Long-term loans payable  | 18,740              | 18,173          | 163,162            |
| Provision for directors' retirement benefits                   | 18                  | 23              | 210                |
| Provision for product warranties                               | 241                 | 245             | 2,206              |
| Net defined benefit liability                                  | 738                 | 532             | 4,783              |
| Asset retirement obligations                                   | 99                  | 81              | 733                |
| Other  | 467                 | 499             | 4,488              |
| <b>Total non-current liabilities</b>                           | <b>20,306</b>       | <b>27,551</b>   | <b>247,364</b>     |
| <b>Total liabilities</b>                                       | <b>49,963</b>       | <b>60,560</b>   | <b>543,730</b>     |
| <b>Net Assets</b>  |                     |                 |                    |
| <b>Shareholders' equity</b>                                    |                     |                 |                    |
| Capital stock  | 20,775              | 20,778          | 186,553            |
| Capital surplus  | 5,879               | 5,881           | 52,808             |
| Retained earnings  | 19,870              | 22,735          | 204,125            |
| Treasury shares  | △1,696              | △4,697          | △42,173            |
| <b>Total shareholders' equity</b>                              | <b>44,828</b>       | <b>44,698</b>   | <b>401,313</b>     |
| <b>Accumulated other comprehensive income</b>                  |                     |                 |                    |
| Valuation difference on available-for-sale securities          | 748                 | 1,105           | 9,928              |
| Foreign currency translation adjustment                        | 4,251               | 2,821           | 25,335             |
| Remeasurements of defined benefit plans                        | △165                | △12             | △116               |
| <b>Total accumulated other comprehensive income</b>            | <b>4,835</b>        | <b>3,914</b>    | <b>35,147</b>      |
| <b>Non-controlling interests</b>                               | <b>94</b>           | <b>97</b>       | <b>879</b>         |
| <b>Total Net Assets</b>  | <b>49,758</b>       | <b>48,710</b>   | <b>437,339</b>     |
| <b>Total Liabilities and Net Assets</b>                        | <b>¥ 99,722</b>     | <b>¥109,271</b> | <b>\$ 981,070</b>  |

## Consolidated Statements of Income

|  | (Unit: million yen) |            | (Unit: US\$1,000*) |
|--|---------------------|------------|--------------------|
|  | 03/2016 FY          | 03/2017 FY | 03/2017 FY         |
| <b>Net sales</b>   | ¥65,146             | ¥61,812    | \$ 554,973         |
| <b>Cost of sales</b>                                       | 41,369              | 39,318     | 353,012            |
| <b>Gross profit</b>  | 23,777              | 22,494     | 201,961            |
| <b>Selling, general and administrative expenses</b>        |                     |            |                    |
| Personnel expenses   | 6,835               | 6,750      | 60,610             |
| Provision of allowance for doubtful accounts               | 38                  | △6         | △60                |
| Amortization of goodwill                                   | 146                 | 145        | 1,309              |
| Provision for point card certificates                      | 0                   | 0          | 4                  |
| Research and development expenses                          | 2,064               | 2,148      | 19,294             |
| Other  | 8,339               | 8,218      | 73,790             |
| <b>Total selling, general and administrative expenses</b>  | 17,424              | 17,257     | 154,946            |
| <b>Operating income</b>                                    | 6,353               | 5,236      | 47,015             |
| <b>Non-operating income</b>                                |                     |            |                    |
| Interest income  | 172                 | 146        | 1,318              |
| Dividends income   | 49                  | 48         | 435                |
| Import tax refund, etc.                                    | 102                 | -          | -                  |
| Equity in earnings of affiliates                           | 62                  | 45         | 407                |
| Subsidy income   | 64                  | 75         | 676                |
| Gain on sale of scraps                                     | 30                  | 24         | 223                |
| Other  | 188                 | 176        | 1,586              |
| <b>Total non-operating income</b>                          | 670                 | 517        | 4,645              |
| <b>Non-operating expenses</b>                              |                     |            |                    |
| Interest expenses  | 482                 | 410        | 3,689              |
| Foreign exchange losses                                    | 679                 | 572        | 5,144              |
| Syndicate loan commission fees                             | 12                  | -          | -                  |
| Other  | 130                 | 149        | 1,344              |
| <b>Total non-operating expenses</b>                        | 1,304               | 1,133      | 10,177             |
| <b>Ordinary income</b>                                     | 5,719               | 4,620      | 41,483             |
| <b>Extraordinary income</b>                                |                     |            |                    |
| Gain on sales of non-current assets                        | 63                  | 85         | 767                |
| Gain on sale of investment securities                      | 0                   | -          | -                  |
| Subsidy income   | 59                  | -          | -                  |
| Other  | -                   | 0          | 4                  |
| <b>Total extraordinary income</b>                          | 122                 | 85         | 771                |
| <b>Extraordinary losses</b>                                |                     |            |                    |
| Loss on sales of non-current assets                        | 0                   | 9          | 86                 |
| Loss on retirement of non-current assets                   | 23                  | 40         | 363                |
| Loss on reduction of non-current assets                    | 59                  | -          | -                  |
| Loss on valuation of shares of subsidiaries and associates | -                   | 462        | 4,152              |
| Other  | 9                   | -          | -                  |
| <b>Total extraordinary losses</b>                          | 92                  | 512        | 4,601              |
| <b>Profit before income taxes</b>                          | 5,748               | 4,193      | 37,653             |
| Income taxes - current                                     | 1,169               | 1,134      | 10,186             |
| Income taxes - deferred                                    | 379                 | △599       | △5,381             |
| <b>Total income taxes</b>                                  | 1,549               | 535        | 4,805              |
| <b>Profit</b>  | 4,199               | 3,658      | 32,848             |
| <b>Profit attributable to non-controlling interests</b>    | 32                  | 13         | 125                |
| <b>Profit attributable to owners of the parent</b>         | ¥ 4,167             | ¥ 3,644    | \$ 32,723          |

\* US\$ amounts are converted at the rate of US\$1 = 111.38 yen observed in trading in the Tokyo foreign currency market as of March 31, 2017.

## Consolidated Statements of Comprehensive Income

|   | (Unit: million yen) |            | (Unit: US\$1,000*) |
|---|---------------------|------------|--------------------|
|   | 03/2016 FY          | 03/2017 FY | 03/2017 FY         |
| <b>Profit</b>   | ¥ 4,199             | ¥ 3,658    | \$ 32,848          |
| <b>Other comprehensive income</b>   |                     |            |                    |
| Valuation difference on available-for-sale securities                             | △310                | 356        | 3,205              |
| Foreign currency translation adjustments  | △2,541              | △1,439     | △12,926            |
| Remeasurements of defined benefit plans, net of tax                               | △242                | 152        | 1,372              |
| Share of other comprehensive income of entities accounted for using equity method | -                   | 0          | 1                  |
| <b>Total other comprehensive income</b>   | △3,094              | △929       | △8,347             |
| <b>Comprehensive income</b>   | 1,105               | 2,728      | 24,501             |
| (Comprehensive income attributable to)  |                     |            |                    |
| Comprehensive income attributable to owners of parent                             | 1,078               | 2,724      | 24,460             |
| Comprehensive income attributable to non-controlling interests                    | ¥ 26                | ¥ 4        | \$ 41              |

\* US\$ amounts are converted at the rate of US\$1 = 111.38 yen observed in trading in the Tokyo foreign currency market as of March 31, 2017.

## Consolidated Statements of Changes in Equity

(Unit: million yen)

|   | Shareholders' equity |                 |                   |                 |                            | Accumulated other comprehensive income                |   |   |  | Non-controlling interests | Total net assets |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|---|---|---|--|---------------------------|------------------|
|   | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Accumulated remeasurements of defined benefit plans | Accumulated other comprehensive income |                           |                  |
| FY 2016 (from April 1, 2015 to March 31, 2016)                                |                      |                 |                   |                 |                            |   |   |   |  |                           |                  |
| Balance at beginning of current fiscal year                                   | ¥ 20,775             | ¥ 5,879         | ¥ 16,503          | ¥ △1,696        | ¥ 41,462                   | ¥ 1,058   | ¥ 6,787                                 | ¥ 76  | ¥ 7,923                                | ¥ 67                      | ¥ 49,453         |
| Changes of items during period  |                      |                 |                   |                 |                            |   |   |   |  |                           |                  |
| Dividends of surplus  |                      |                 | △1,106            |                 | △1,106                     |   |   |   |  |                           | △1,106           |
| Reserve for the awards and welfare fund for employees of foreign subsidiaries |                      |                 | △41               |                 | △41                        |   |   |   |  |                           | △41              |
| Profit attributable to owners of parent                                       |                      |                 | 4,167             |                 | 4,167                      |   |   |   |  |                           | 4,167            |
| Change of scope of consolidation  |                      |                 | 109               |                 | 109                        |   |   |   |  |                           | 109              |
| Changes due to the merger of non-consolidated subsidiaries                    |                      |                 | 64                |                 | 64                         |   |   |   |  |                           | 64               |
| Change of scope of equity method  |                      |                 | 175               |                 | 175                        |   |   |   |  |                           | 175              |
| Purchase of treasury shares   |                      |                 |                   | △0              | △0                         |   |   |   |  |                           | △0               |
| Changes of items other than shareholders' equity                              |                      |                 |                   |                 |                            | △310  | △2,535                                  | △242  | △3,088                                 | 26                        | △3,061           |
| Total changes of items during fiscal year                                     | —                    | —               | 3,367             | △0              | 3,366                      | △310  | △2,535                                  | △242  | △3,088                                 | 26                        | 305              |
| Balance at end of current fiscal year   | 20,775               | 5,879           | 19,870            | △1,696          | 44,828                     | 748   | 4,251                                   | △165  | 4,835                                  | 94                        | 49,758           |
| FY 2017 (from April 1, 2016 to March 31, 2017)                                |                      |                 |                   |                 |                            |   |   |   |  |                           |                  |
| Balance at beginning of current fiscal year                                   | 20,775               | 5,879           | 19,870            | △1,696          | 44,828                     | 748   | 4,251                                   | △165  | 4,835                                  | 94                        | 49,758           |
| Changes of items during current fiscal year                                   |                      |                 |                   |                 |                            |   |   |   |  |                           |                  |
| Issuance of new shares - exercise of subscription rights to shares            | 2                    | 2               |                   |                 | 5                          |   |   |   |  |                           | 5                |
| Dividends of surplus  |                      |                 | △875              |                 | △875                       |   |   |   |  |                           | △875             |
| Reserve for the awards and welfare fund for employees of foreign subsidiaries |                      |                 | △9                |                 | △9                         |   |   |   |  |                           | △9               |
| Profit attributable to owners of the parent                                   |                      |                 | 3,644             |                 | 3,644                      |   |   |   |  |                           | 3,644            |
| Change of scope of consolidation  |                      |                 | 104               |                 | 104                        |   |   |   |  |                           | 104              |
| Purchase of treasury shares   |                      |                 |                   | △3,000          | △3,000                     |   |   |   |  |                           | △3,000           |
| Net changes of items other than shareholders' equity                          |                      |                 |                   |                 |                            | 356   | △1,430                                  | 152   | △920                                   | 3                         | △917             |
| Total changes of items during current fiscal year                             | 2                    | 2               | 2,864             | △3,000          | △130                       | 356   | △1,430                                  | 152   | △920                                   | 3                         | △1,047           |
| Balance at end of current fiscal year   | ¥ 20,778             | ¥ 5,881         | ¥ 22,735          | ¥ △4,697        | ¥ 44,698                   | ¥ 1,105   | ¥ 2,821                                 | ¥ △12   | ¥ 3,914                                | ¥ 97                      | ¥ 48,710         |

(Unit: US\$1,000\*)

|   | Shareholders' equity |                 |                   |                 |                            | Accumulated other comprehensive income                |   |   |  | Non-controlling interests | Total net assets |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|---|---|---|--|---------------------------|------------------|
|   | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Accumulated remeasurements of defined benefit plans | Accumulated other comprehensive income |                           |                  |
| FY 2017 (from April 1, 2016 to March 31, 2017)                                |                      |                 |                   |                 |                            |   |   |   |  |                           |                  |
| Balance at beginning of current fiscal year                                   | \$ 186,530           | \$ 52,786       | \$ 178,403        | \$ △15,234      | \$ 402,485                 | \$ 6,723  | \$ 38,175                               | \$ △1,488   | \$ 43,411                              | \$ 850                    | \$ 446,746       |
| Changes of items during current fiscal year                                   |                      |                 |                   |                 |                            |   |   |   |  |                           |                  |
| Issuance of new shares - exercise of subscription rights to shares            | 22                   | 22              |                   |                 | 45                         |   |   |   |  |                           | 45               |
| Dividends of surplus  |                      |                 | △7,860            |                 | △7,860                     |   |   |   |  |                           | △7,860           |
| Reserve for the awards and welfare fund for employees of foreign subsidiaries |                      |                 | △82               |                 | △82                        |   |   |   |  |                           | △82              |
| Profit attributable to owners of the parent                                   |                      |                 | 32,723            |                 | 32,723                     |   |   |   |  |                           | 32,723           |
| Change of scope of consolidation  |                      |                 | 941               |                 | 941                        |   |   |   |  |                           | 941              |
| Purchase of treasury shares   |                      |                 |                   | △26,939         | △26,939                    |   |   |   |  |                           | △26,939          |
| Net changes of items other than shareholders' equity                          |                      |                 |                   |                 |                            | 3,205   | △12,840                                 | 1,732   | △8,263                                 | 29                        | △8,234           |
| Total changes of items during current fiscal year                             | 22                   | 22              | 25,722            | △26,939         | △1,172                     | 3,205   | △12,840                                 | 1,732   | △8,263                                 | 29                        | △9,407           |
| Balance at end of current fiscal year   | \$ 186,553           | \$ 52,808       | \$ 204,125        | \$ △42,173      | \$ 401,313                 | \$ 9,928  | \$ 25,335                               | \$ △116   | \$ 35,147                              | \$ 879                    | \$ 437,339       |

\* US\$ amounts are converted at the rate of US\$1 = 111.38 yen observed in trading in the Tokyo foreign currency market as of March 31, 2017.

## Consolidated Statements of Cash Flows

(Unit: million yen)

(Unit: US\$1,000\*)

|  | 03/2016 FY | 03/2017 FY | 03/2017 FY |
|--|------------|------------|------------|
| <b>Cash flows from operating activities</b>  |            |            |            |
| Profit before income taxes   | ¥ 5,748    | ¥ 4,193    | \$ 37,653  |
| Depreciation   | 2,765      | 2,697      | 24,215     |
| Amortization of goodwill   | 146        | 145        | 1,309      |
| Increase (decrease) in net defined benefit liability   | △137       | 1          | 15         |
| Increase (decrease) in provision of allowance for doubtful accounts                                      | 11         | △21        | △192       |
| Interest and dividend income   | △222       | △195       | △1,754     |
| Interest expenses  | 482        | 410        | 3,689      |
| Share of (profit) loss of entities accounted for using equity method                                     | △62        | △45        | △407       |
| Foreign exchange losses (gains)  | 173        | 8          | 73         |
| Loss (gains) on sale and revaluation of investment securities  | △0         | —          | —          |
| Loss (gains) on sale and retirement of non-current assets  | △38        | △35        | △318       |
| Loss on valuation of shares of subsidiaries and associates   | —          | 462        | 4,152      |
| Decrease (increase) in notes and accounts receivable-trade   | 193        | △85        | △764       |
| Decrease (increase) in inventories   | 980        | △1,051     | △9,438     |
| Increase (decrease) in notes and accounts payable-trade  | △1,274     | 2,432      | 21,836     |
| Increase (decrease) in accounts receivable-other   | 177        | △209       | △1,882     |
| Increase (decrease) in advances received   | △352       | 706        | 6,346      |
| Other  | △307       | 48         | 436        |
| Subtotal   | 8,284      | 9,463      | 84,969     |
| Interest and dividends income received   | 210        | 201        | 1,809      |
| Interest expenses paid   | △487       | △412       | △3,703     |
| Income tax refund (or paid)  | △1,428     | △879       | △7,899     |
| <b>Net cash provided by operating activities</b>   | 6,579      | 8,373      | 75,175     |
| <b>Cash flows from investing activities</b>  |            |            |            |
| Payments into time deposits  | △96        | △551       | △4,952     |
| Proceeds from withdrawal of time deposits  | 112        | 84         | 755        |
| Purchase of property, plant and equipment  | △2,406     | △1,848     | △16,597    |
| Proceeds from sale of property, plant and equipment  | 132        | 507        | 4,557      |
| Purchase of intangible assets  | △358       | △356       | △3,201     |
| Purchase of investment securities  | △80        | △100       | △905       |
| Proceeds from sale of investment securities  | 83         | 5          | 46         |
| Payments of loans receivable   | △111       | △38        | △344       |
| Collection of loans receivable   | 55         | 111        | 998        |
| Other  | △103       | 55         | 496        |
| <b>Net cash used in investing activities</b>   | △2,773     | △2,132     | △19,148    |
| <b>Cash flows from financing activities</b>  |            |            |            |
| Net increase (decrease) in short-term loans payable  | 281        | △159       | △1,436     |
| Proceeds from long-term loans payable  | 11,344     | 11,000     | 98,761     |
| Repayment of long-term loans payable   | △13,168    | △11,661    | △104,696   |
| Proceeds from issuance of bonds with subscription rights to shares                                       | —          | 8,000      | 71,826     |
| Redemption of bonds  | △16        | —          | —          |
| Repayments of finance lease obligations  | △153       | △137       | △1,235     |
| Purchase of treasury shares  | △0         | △3,000     | △26,939    |
| Cash dividends paid  | △1,106     | △875       | △7,860     |
| Other  | △33        | △31        | △278       |
| <b>Cash flows from financing activities</b>  | △2,854     | 3,134      | 28,142     |
| <b>Effect of exchange rate change on cash and cash equivalents</b>                                       | △1,098     | △664       | △5,967     |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | △146       | 8,710      | 78,203     |
| <b>Cash and cash equivalents at the beginning of the period</b>  | 27,396     | 27,328     | 245,358    |
| <b>Increase in cash and cash equivalents from newly consolidated subsidiary</b>                          | 64         | —          | —          |
| <b>Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation</b> | —          | △0         | △4         |
| <b>Increase in cash and cash equivalents resulting from merger with non-consolidated subsidiaries</b>    | 13         | —          | —          |
| <b>Cash and cash equivalents at the end of current period</b>  | ¥ 27,328   | ¥ 36,037   | \$ 323,557 |

\* US\$ amounts are converted at the rate of US\$1 = 111.38 yen observed in trading in the Tokyo foreign currency market as of March 31, 2017.

**Location of head office:** 3-12-1, Nakamachidai, Tsuzuki-ku, Yokohama, Kanagawa, 224-8522 Japan  
Phone: +81-45-942-3111 (main)

**Established:** August 3, 1976

**Capital Stock:** 20,778,256,958 yen

**Total number of authorized shares:** 150,000,000

**Total number of shares issued:** 53,437,354

**Total number of shareholders:** 13,627

**Number of employees:** 661 (3,415 consolidated)

**Stock listing:** Tokyo Stock Exchange, First Section

**Stock code:** 6143

**Fiscal year:** January 1–December 31  
(Our 42nd fiscal year lasted for nine months from April 1–December 31)

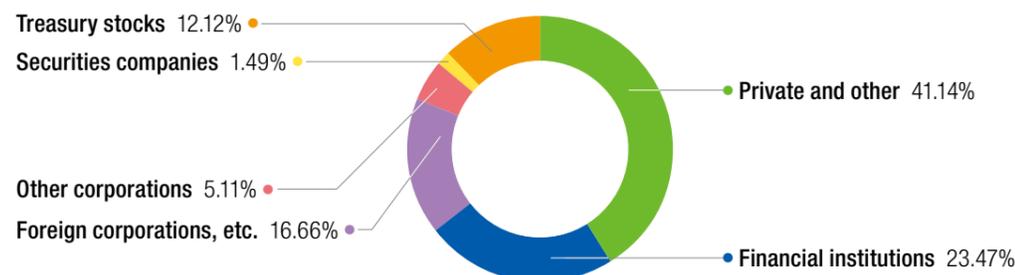
**Annual shareholder's meeting:** March

**Administrator of the shareholder register:** Mizuho Trust & Banking Co., Ltd.  
2-8-4 Izumi, Suginami-ku, Tokyo, 168-8507

**Major Shareholders**

| Shareholder   | No. of shares (shares) | Percent ownership (%) |
|---|------------------------|-----------------------|
| Sodick Co., Ltd.  | 6,476,992              | 12.12                 |
| Japan Trustee Services Bank, Ltd. (trust account)                                   | 3,607,100              | 6.75                  |
| The Master Trust Bank of Japan, Ltd. (trust account)                                | 1,478,000              | 2.77                  |
| Toshihiko Furukawa  | 1,195,975              | 2.24                  |
| BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/FIM/LUXEMBOURG FUNDS/UCITS ASSETS | 1,060,000              | 1.98                  |
| Sodick Business Partner Stock Ownership Association                                 | 997,000                | 1.87                  |
| Japan Trustee Services Bank, Ltd. (trust account 5)                                 | 974,600                | 1.82                  |
| Sumitomo Mitsui Banking Corporation   | 850,000                | 1.59                  |
| TF Co., Ltd.  | 850,000                | 1.59                  |
| Masaaki Suzuki  | 742,260                | 1.39                  |

**Share Distribution by Holder**



**Group Network**

**Domestic Affiliates**

**Sodick F.T Co., Ltd.**  
5th Floor, Nissou 13th Building, 2-5-1, Shinyokohama, Kohoku-ku, Yokohama, Kanagawa 222-0033, Japan  
Phone: +81-45-478-0571 (main)/Fax: +81-45-478-0599  
URL: <http://www.sodick-ft.co.jp>

— **Management Division•Lease Division**  
5th Floor, Nissou 13th Building, 2-5-1, Shinyokohama, Kohoku-ku, Yokohama, Kanagawa 222-0033, Japan  
Business lines: Rental, leasing, and marketing of NC EDMs and other machinery

— **EWS Division**  
Kou-8798-239, Tano-cho, Miyazaki, Miyazaki 889-1701, Japan  
Business lines: Development, manufacture, and marketing of wires and electrode wires for EDMs

— **EMG Division Kaga Plant**  
Ho-49-1, Yokaichi, Kaga, Ishikawa 922-0336, Japan  
Business lines: Development and manufacture of ceramics for machine components; development, manufacture, and marketing of products that use various ceramics for direct sales

— **Die Molding Division**  
5th Floor, Nissou 13th Building, 2-5-1, Shinyokohama, Kohoku-ku, Yokohama, Kanagawa 222-0033, Japan  
Business lines: Manufacture and marketing of precision molds and precision molded articles; development and manufacture of nano processing technology

— **Die Molding Division Tano Plant**  
Kou-8798-255, Tano-cho, Miyazaki, Miyazaki 889-1701, Japan

— **SNM Division**  
Kou-8798-253, Tano-cho, Miyazaki, Miyazaki 889-1701, Japan  
Business lines: Development, manufacture, and marketing of dies for EDMs

**Sodick LED Co., Ltd.**  
5289 Nagatsuta-cho, Midori-ku, Yokohama, Kanagawa 226-0026, Japan  
Phone: +81-45-924-2720 (main)/Fax: +81-45-924-2721  
Business lines: Development, manufacture, and marketing of LED lighting  
URL: <http://www.sodickled.co.jp>

**OPM Laboratory Co., Ltd.**  
B107, Kyoto Research Park Building No. 3, 93 Chuudoujiawata-cho, Shimogyo-ku, Kyoto, Kyoto 600-8815, Japan  
Phone: +81-75-314-3446 (main)/Fax: +81-75-314-3448  
Business lines: CAM for metal laser-machining combined machining processing; simulation software development; and solution marketing, training, and support  
URL: <http://www.opmlab.net>

**Overseas Affiliates**

**Development Centers**

**Sodick America Corporation**  
2180 Bering Drive, San Jose, CA 95131, U.S.A.

上海沙迪克軟件有限公司 / **Shanghai Sodick Software Co., Ltd.**  
中国上海市徐匯区桂平路471号  
471 Guiping Road, Xu Hui District, Shanghai 200233, P. R. China

**Production Centers**

**Sodick (Thailand) Co., Ltd.**  
60/84 Moo 19, Soi 19, Navanakorn Industrial Estate Zone 3, Phaholyothin Road., Klongnueng, Klongluang, Pathumthani 12120, Thailand

蘇州沙迪克特種設備有限公司 / **Suzhou Sodick Special Equipment Co., Ltd.**  
中国江蘇省蘇州市新區竹園路18号  
No. 18 Zhuyuan Road, New District, Suzhou 215011, P. R. China

沙迪克(廈門)有限公司 / **Sodick Amoy Co., Ltd.**  
中国福建省廈門市海滄區陽光西路376号  
No. 376, West Yangguang Road, Haicang District, Xiamen, Fujian Province, 361022, P. R. China

**Sales/Service Centers**

**Sodick, Inc.**  
1605 N. PENNY LANE, SCHAUMBURG, IL 60173-4555. U.S.A.

**Sodick Europe Ltd. (U.K.)**  
Rowley Drive, Coventry, CV3 4FG, England, U.K

**Sodick Deutschland GmbH**  
Muendelheimer Weg 57, D-40472 Dusseldorf, Germany

沙迪克機電(上海)有限公司 / **Sodick Electromechanical (Shanghai) Co., Ltd.**  
中国上海市青浦區徐涇鎮諸光路436号  
No. 436, Zhuguang Road, Xujing Town, Qingpu District, Shanghai, 201702, P. R. China

沙迪克國際貿易(深圳)有限公司 / **Sodick Enterprise (S.Z.) Co., Ltd.**  
中国廣東省深圳市福田區濱河大道9013號嘉洲豪園裙樓1層02  
02, 1/F., Jiazhou Building Department Store 9013 Bin He Street, Fu Tian District, Shen Zhen. P.C.:518048

蘇比克國際貿易(深圳)有限公司 / **Sodick International Trading (Shenzhen) Co., Ltd.**  
中国廣東省深圳市福田區深南中路求是大廈東座1301室  
Rm 1301 East, Qiushi Center, ZhuZiLin, Shen Nan Avenue, Futian, Shenzhen, Guangdong 518000, P.R. China

台灣蘇比克股份有限公司 / **Sodick (Taiwan) Co., Ltd. Taipei Head Office**  
桃園市龜山區文化里19鄰科技一路26號  
No. 26, Keji 1st Road, 19 Neighbor, Wunhua Village, Guishan Dist., Taoyuan City 333, Taiwan

**Sodick (H.K.) Co., Ltd.**  
香港九龍荔枝角長沙灣道910號安泰大廈5字樓  
5/F., Edward Wong Tower, 910 Cheung Sha Wan Road, Kowloon, Hong Kong

**Sodick (Thailand) Co., Ltd.**  
60/84 Moo 19, Soi 19, Navanakorn Industrial Estate Zone 3, Phaholyothin Road., Klongnueng, Klongluang, Pathumthani 12120, Thailand

**Sodick Singapore Pte.,Ltd.**  
Blk 50 Ubi Crescent #01-04 Ubi Techpark, Singapore 408568

**Sodick Technology (M) Sdn Bhd**  
No. C-G-22, Block C, Jalan PJU 1A/3K, Taipan 1 Damansara, Ara Damansara, 47500 Petaling Jaya, Selangor, Malaysia.

**Sodick Korea Co., Ltd.**  
14095, 57, Anyang-ro, Manan-gu, Anyang-si, Gyeonggi-do, Korea

**Sodick Technologies India Private Limited**  
No. 19 Alpine Arch, 2nd Floor, Opp. Divyashree Chambers, Langford Road, Bangalore-560 025, India

**Sodick Vietnam Co., Ltd.**  
14B Song Da Street, Ward 2, Tan Binh District, HCM City, Vietnam

**Sodick Philippines Inc.**  
M201 Unit, GRM Ecozone Storage Inc, Building, 124 East Science Avenue, Laguna Technopark Binan, Laguna, Philippines

**PT Sodick Technology Indonesia**  
Ruko Mall Bekasi Fajar Block B-22, MM2100 Industrial Town, Cikarang Barat, Bekasi 17842

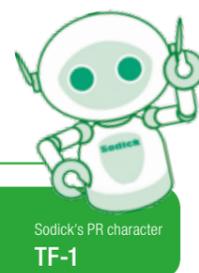
**Information on Our IR Site**

Please feel free to use our IR site.  
<http://www.sodick.jp/ir/>

Access our IR site via smartphone



- **Sodick at a glance**  
Lists details on our businesses, our strengths, and our growth strategy in an easy-to-understand manner.
  - **Answers to frequently asked questions**  
Provides detailed answers to frequently asked questions.
- Now accepting questions.**  
Please use our inquiry form for questions not found among the frequently asked questions.



"TF-1" is the name of Sodick's PR character. TF-1 offers an introduction to the worldwide Sodick Group and information about its manufacturing, together with a special feature on metal 3D printers.

Sodick's PR character TF-1

