

3Q FY20/12

Results Briefing

November 13, 2020

Sodick Co., Ltd.

I. 3Q FY20/12 Financial Results Summary

II. FY20/12 Financial Results Projections

III. Shareholder Return Policy

(Reference Materials)

Financial Results Highlights



- ✓ Due to the impact of the COVID-19 pandemic, sales of electrical discharge machines (EDMs) decreased sharply.
- ✓ Operating income fell about 70% from the same period of the previous year, mainly on account of a decline in the profitability of the plants associated with a decrease in production volume.

(million yen)

		3Q FY19/12		3Q FY20/12		YoY change		FY20/12 Full-year projection (Revised on Nov.13)	
		Actual	Income margin	Actual	Income margin	Amount	Rate	Amount	Income margin
Net sales		49,707	-	40,744	-	-8,962	-18.0%	55,400	
Gross profit		16,480	33.2%	12,859	31.6%	-3,620	-22.0%		
Operating income		2,746	5.5%	827	2.0%	-1,918	-69.9%	1,300	2.3%
Ordinary income		2,577	5.2%	893	2.2%	-1,683	-65.3%	1,300	2.3%
Net income		1,177	2.4%	619	1.5%	-558	-47.4%	750	1.4%
Ratio to salesRatio to sales									
Capital investment		3,353	6.7%	1,566	3.8%				
Depreciation		2,542	5.1%	2,521	6.2%				
R&D expenses		2,870	5.8%	2,364	5.8%				
Average exchange rate over the period	USD	109.12 yen		107.55 yen		1.57 yen up	106.50 yen		
	EUR	122.62 yen		120.93 yen		1.69 yen up	121.50 yen		
	CNY	15.88 yen		15.37 yen		0.51 yen up	15.40 yen		
	THB	3.49 yen		3.41 yen		0.08 yen up	3.40 yen		

*Reference information

Exchange rate at end of Sep. 2020	USD: 105.80 yen	EUR: 124.17 yen	CNY: 15.54 yen	THB: 3.34 yen
Exchange rate at end of Sep. 2019	USD: 107.92 yen	EUR: 118.02 yen	CNY: 15.13 yen	THB: 3.53 yen

Financial Results Highlights (Quarterly)



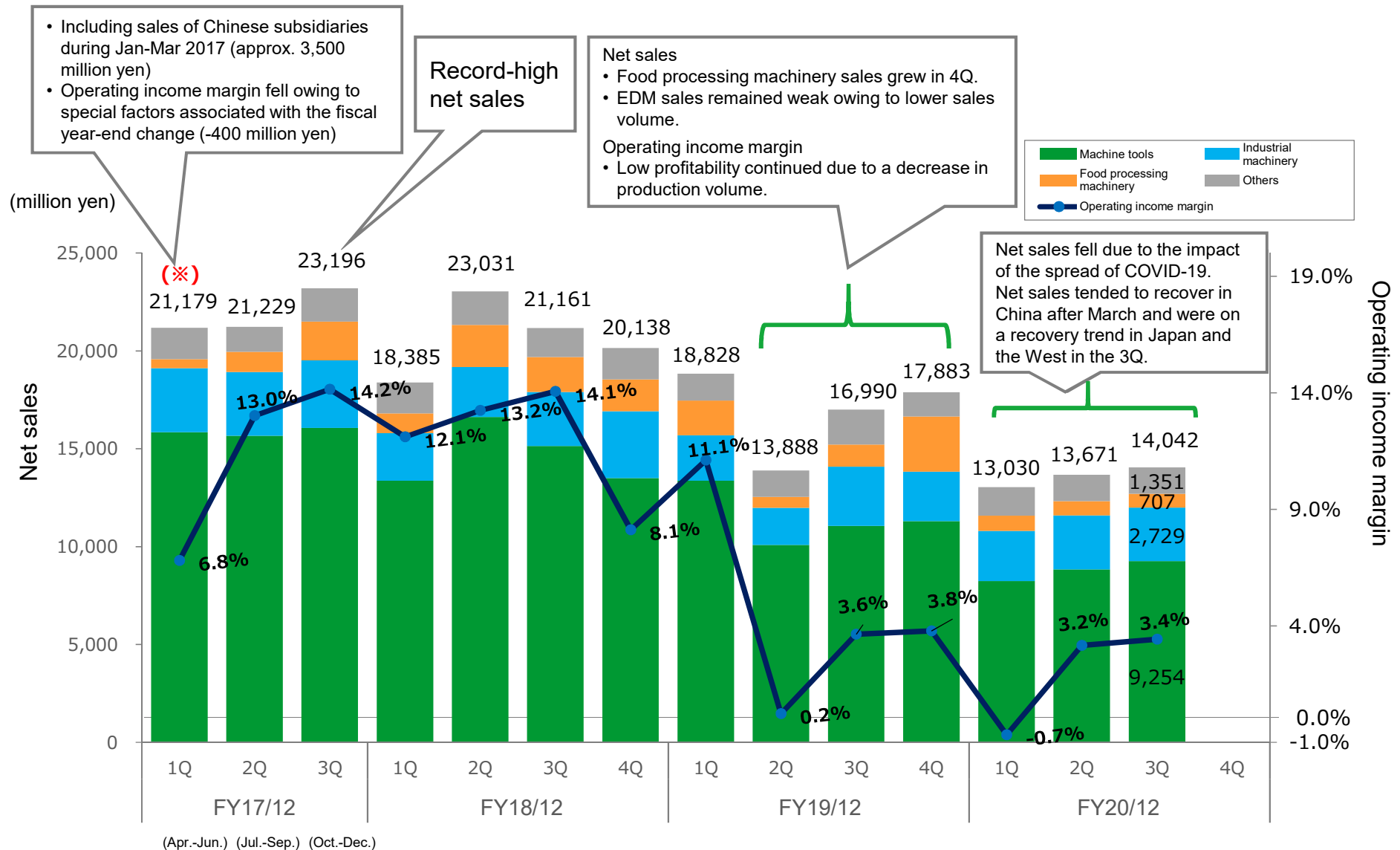
- ✓ Sales of electrical EDMs increased in the third quarter due to the resumption of business activities in Japan and the West following cancellation of the declaration of a state of emergency and the release of lockdowns.
- ✓ Current net income increased due to the posting of tax effects on tax loss carryforwards (approx. 250 million yen).

(million yen)

	FY20/12						YoY change	
	1Q (Jan.-Mar.)	Income margin	2Q (Apr.-Jun.)	Income margin	3Q (Jul.-Sep.)	Income margin	Amount	Rate
Net sales	13,030	-	13,671	-	14,042	-	370	2.7%
Gross profit	4,073	31.3%	4,358	31.9%	4,427	31.5%	68	1.6%
Operating income	-88	-0.7%	433	3.2%	481	3.4%	48	11.1%
Ordinary income	-67	-0.5%	430	3.1%	530	3.8%	100	23.4%
Net income	-18	-0.1%	124	0.9%	513	3.7%	389	314.0%

Average exchange rate over the period	USD	108.86 yen		108.23 yen		107.55 yen	
	EUR	120.08 yen		119.31 yen		120.93 yen	
	CNY	15.60 yen		15.38 yen		15.37 yen	
	THB	3.48 yen		3.43 yen		3.41 yen	

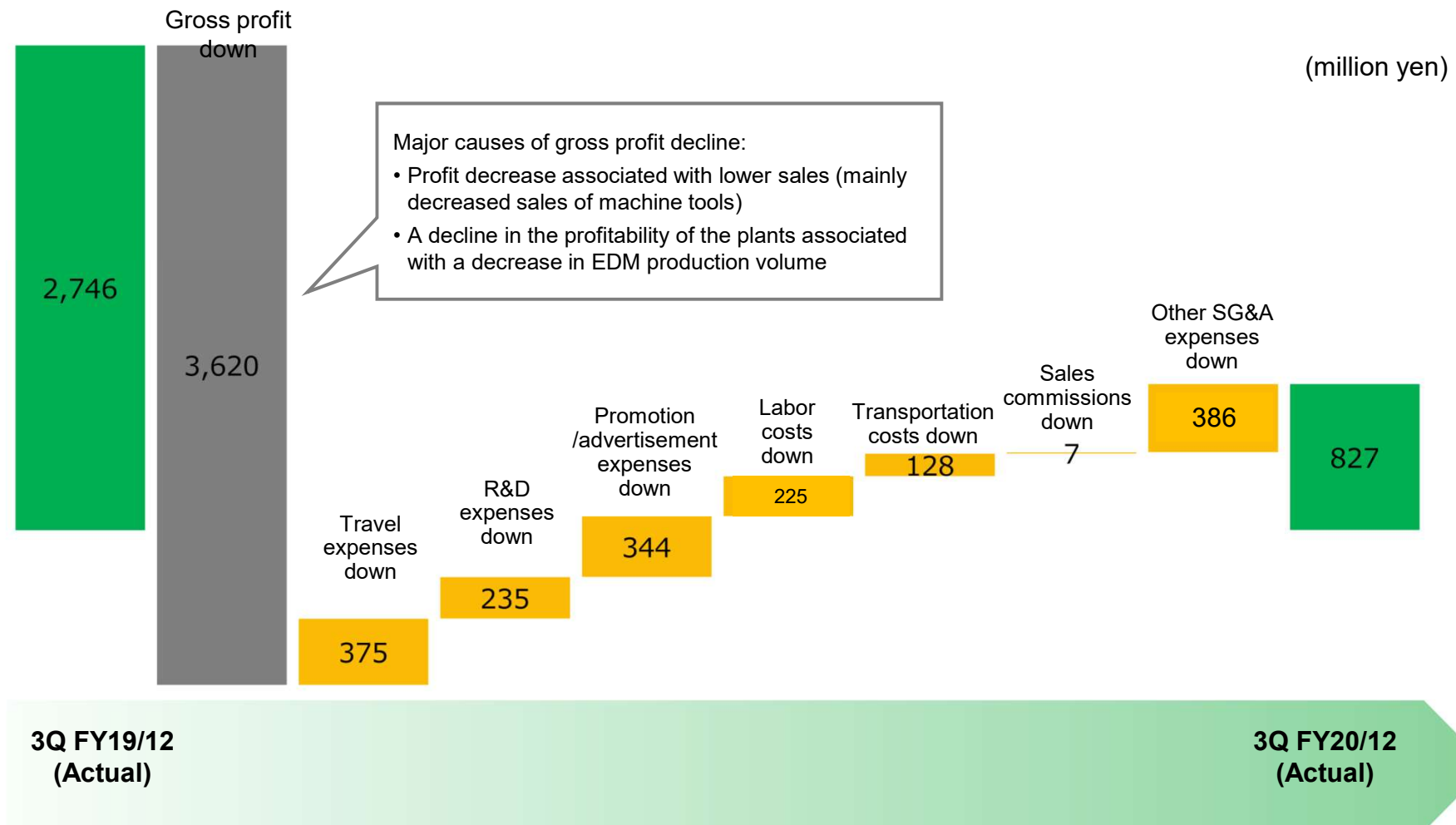
Ratio of Operating Income to Net Sales (Quarterly)



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

Details of Changes in Operating Income

- ✓ Sodick had operating income of 827 million yen owing to a substantial fall in gross profit due mainly to a decrease in net sales, although SG&A expenses fell by about 1.7 billion yen as a whole owing mainly to a decrease in travel expenses resulting from restriction of business trips, a decrease in promotion/advertisement expenses resulting from cancelled exhibitions, and a decrease in personnel expenses resulting from decreased overtime work.



Financial Results by Segment



(million yen)

		FY19/12	FY20/12	YoY change		FY20/12 Full-year projection (Revised on Nov.13)
		3Q Actual	3Q Actual	(Amount)	(Rate)	
Net sales	● Machine tool segment	34,498	26,317	-8,180	-23.7%	35,700
	● Industrial machinery segment	7,242	8,045	802	11.1%	10,200
	● Food processing machinery segment	3,470	2,223	-1,246	-35.9%	3,900
	● Other segments	4,496	4,158	-338	-7.5%	5,600
		49,707	40,744	-8,962	-18.0%	55,400
Segment income	● Machine tool segment	3,564	1,675	-1,889	-53.0%	2,400
	● Industrial machinery segment	218	370	152	69.6%	400
	● Food processing machinery segment	369	27	-342	-92.6%	180
	● Other segments	236	312	75	32.0%	400
		4,389	2,385	-2,004	-45.7%	3,380
Adjustment amounts		-1,643	-1,558	85	—	-2,080
Total operating income		2,746	827	-1,918	-69.9%	1,300

Financial Results by Segment



(million yen)

Machine Tool Segment

Net sales

- Net sales fell substantially from the same period of the previous year, as there was a global tendency to postpone product shipment and facility investments in a wide range of industries, including automotive, electronic component, and aerospace industries, due to the impact of the spread of COVID-19.
- Net sales for the 3Q rose compared with the 2Q. Business activities in China, which returned in March, continued to recover, and sales of EDMs in Japan and the West have been on a recovery path as business activities resumed following cancellation of the declaration of a state of emergency and the release of lockdowns.

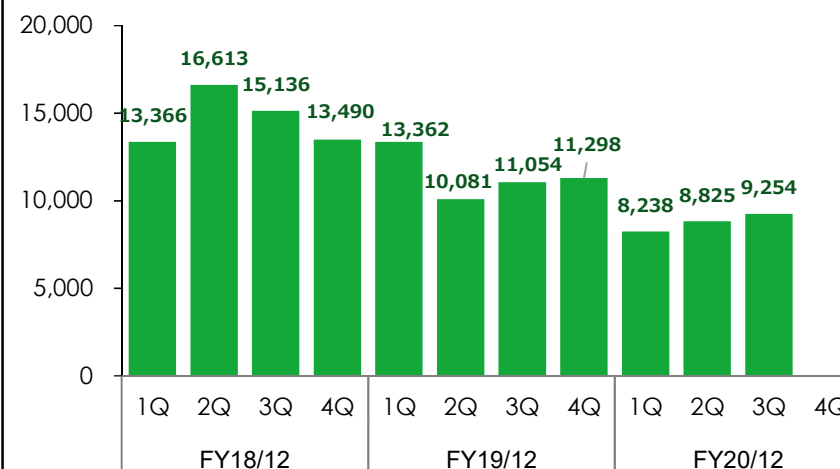
Segment income

- Segment income plummeted from the same period of the previous year, chiefly on account of a decrease in cumulative net sales of 3Q as well as a drop in profitability of the plants associated with a decline in production volume.

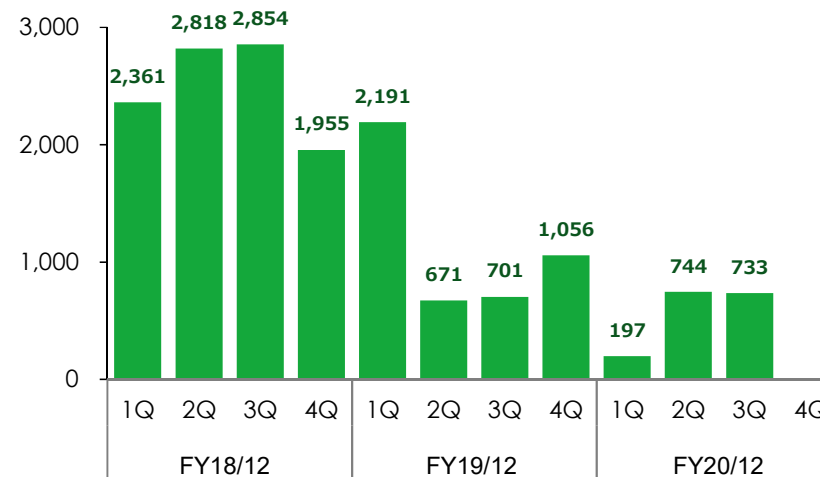
(million yen)

	3Q FY19/12 (cumulative)	3Q FY20/12 (cumulative)	YoY change	
			Amount	Rate
Net sales	34,498	26,317	-8,180	-23.7%
Segment income	3,564	1,675	-1,889	-53.0%

Net sales (Quarterly)



Segment income (Quarterly)



Financial Results by Segment



(million yen)

Industrial Machinery Segment

Net sales

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

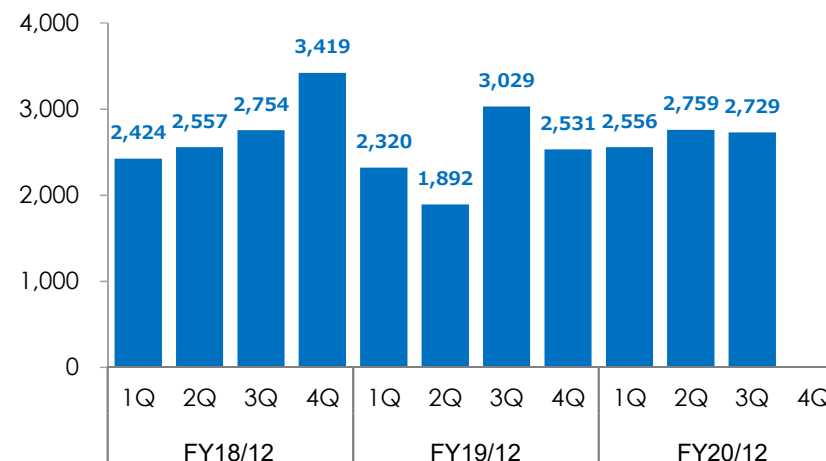
Segment income

- Segment income improved substantially from the same period of the previous year, owing to the sustained sale of high value-added products.

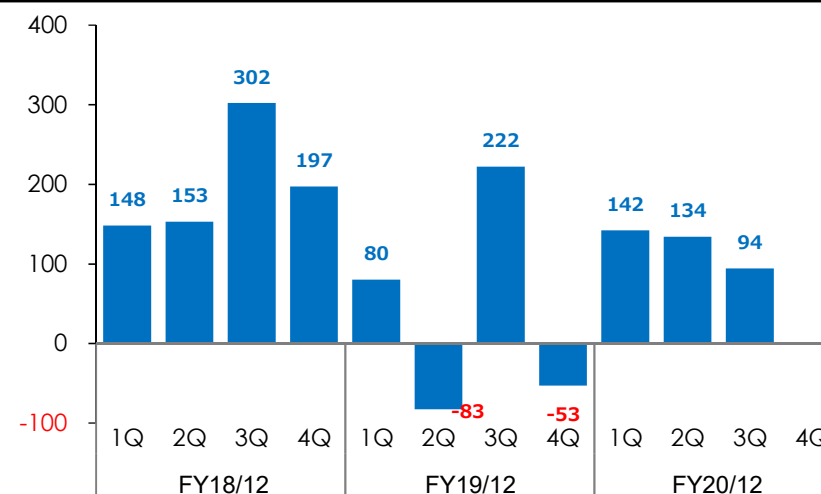
(million yen)

	3Q FY19/12 (cumulative)	3Q FY20/12 (cumulative)	YoY change	
			Amount	Rate
Net sales	7,242	8,045	802	11.1%
Segment income	218	370	152	69.6%

Net sales (Quarterly)



Segment income (Quarterly)



Financial Results by Segment



(million yen)

Food Processing Machinery Segment

Net sales

- There was a continuous demand for sanitary equipment and equipment to respond to manpower reduction and a growing demand related to nest-dweller consumption resulting from refraining from going outside.
- Sales fell substantially from the same period of the previous year because sales are expected to be concentrated in the fourth quarter and because sales activities were delayed and facility investments were postponed due to the spread of COVID-19.

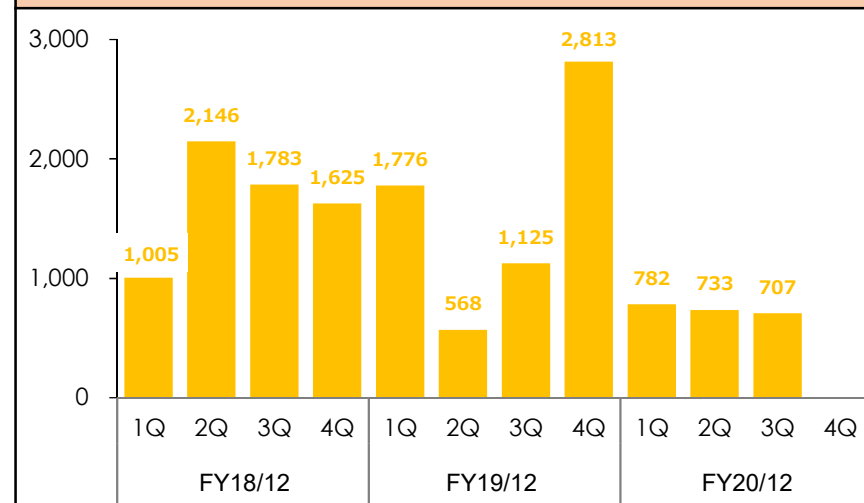
Segment income

- Segment income remained low due to sluggish sales.

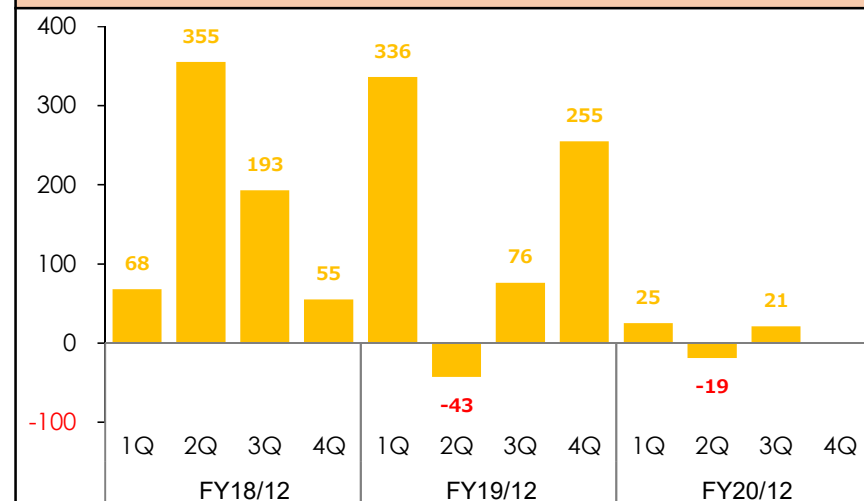
(million yen)

	3Q FY19/12 (cumulative)	3Q FY20/12 (cumulative)	YoY change	
			Amount	Rate
Net sales	3,470	2,223	-1,246	-35.9%
Segment income	369	27	-342	-92.6%

Net sales (Quarterly)



Segment income (Quarterly)



Financial Results by Segment



(million yen)

■ Other Segments

Net sales

- In the precision die and molding business, demand in the automotive industry is moving to pick up, but the future is still uncertain.
- Demand for ceramics is recovering due to an increase in demand for telecommunications-related equipment such as telework equipment in response to the spread of COVID-19.

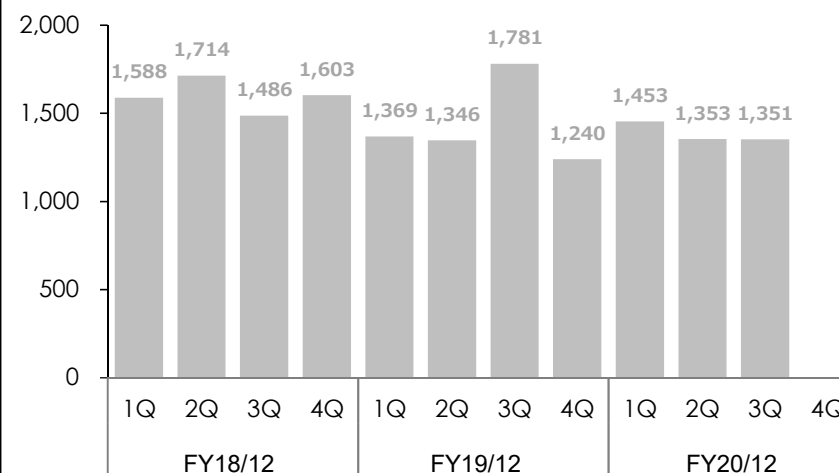
Segment income

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

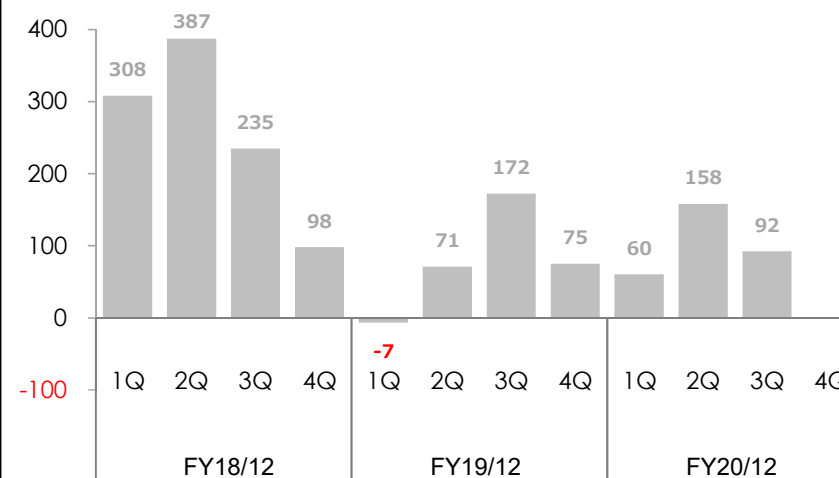
(million yen)

	3Q FY19/12 (cumulative)	3Q FY20/12 (cumulative)	YoY change	
			Amount	Rate
Net sales	4,496	4,158	-338	-7.5%
Segment income	236	312	75	32.0%

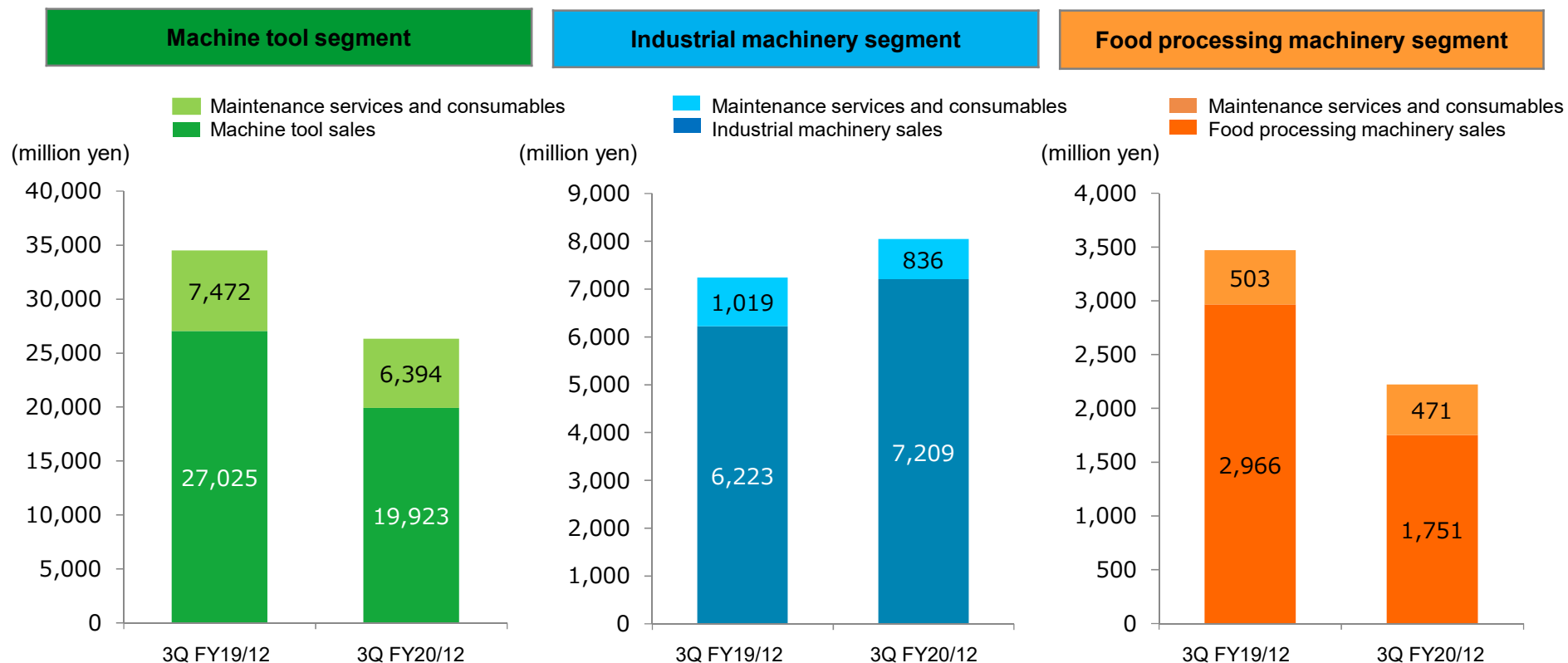
Net sales (Quarterly)



Segment income (Quarterly)



Net Sales by Segment

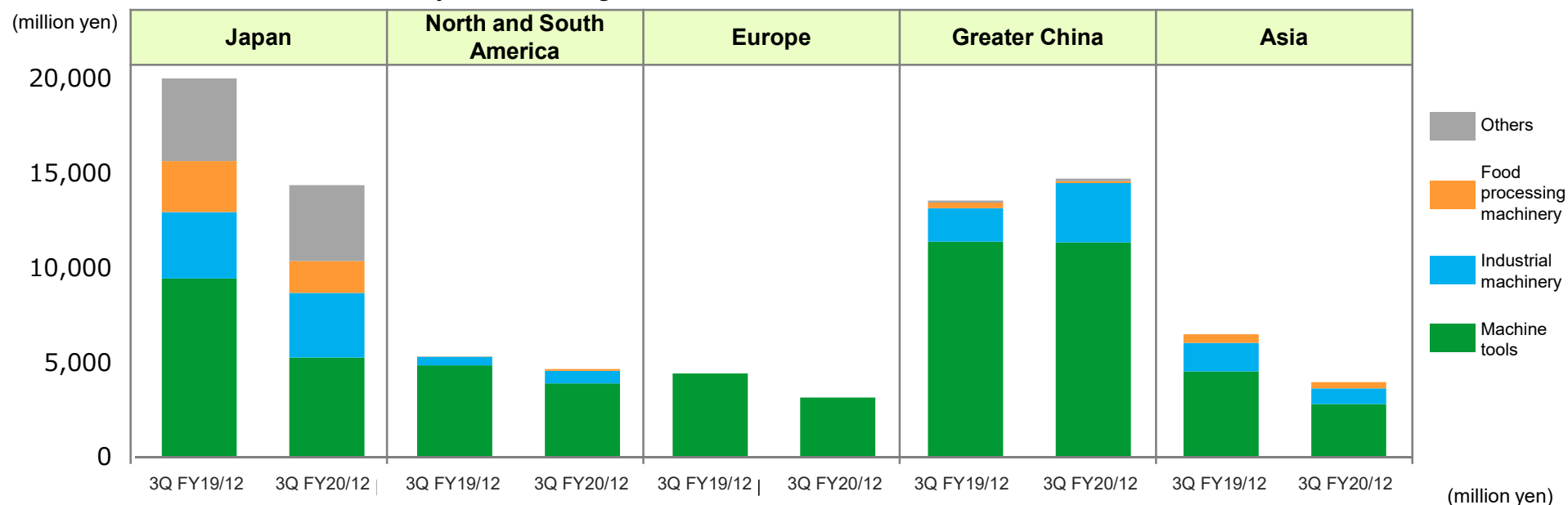


	Machine tool segment				Industrial machinery segment				Food processing machinery segment			
	3Q FY19/12		3Q FY20/12		3Q FY19/12		3Q FY20/12		3Q FY19/12		3Q FY20/12	
Machine sales	27,025	78.3%	19,923	75.7%	6,223	85.9%	7,209	89.6%	2,966	85.5%	1,751	78.8%
Maintenance services and consumables	7,472	21.7%	6,394	24.3%	1,019	14.1%	836	10.4%	503	14.5%	471	21.2%
Total	34,498		26,317		7,242		8,045		3,470		2,223	

Overseas Sales Ratio by Segment



✓ Net sales fell substantially in other regions than China. Ratio of overseas sales was 64.8%.



3Q FY19/12	Japan		North and South America		Europe		Greater China		Asia		Total	
Machine tools	9,408	27.3%	4,825	14.0%	4,400	12.8%	11,362	32.9%	4,501	13.0%	34,498	69.4%
Industrial machinery	3,509	48.4%	461	6.4%	-	-	1,764	24.4%	1,506	20.8%	7,242	14.6%
Food processing machinery	2,699	77.9%	12	0.3%	-	-	292	8.4%	465	13.4%	3,470	7.0%
Others	4,378	97.4%	-	-	-	-	118	2.6%	-	-	4,496	9.0%
By region - Total	19,995	40.2%	5,299	10.7%	4,400	8.9%	13,538	27.2%	6,473	13.0%	49,707	100.0%

3Q FY20/12	Japan		North and South America		Europe		Greater China		Asia		Total	
Machine tools	5,235	19.9%	3,872	14.7%	3,117	11.8%	11,314	43.0%	2,776	10.6%	26,317	64.6%
Industrial machinery	3,417	42.5%	656	8.1%	-	-	3,143	39.1%	827	10.3%	8,045	19.7%
Food processing machinery	1,686	75.9%	100	4.5%	-	-	94	4.2%	341	15.4%	2,223	5.5%
Others	4,009	96.4%	0	0.0%	-	-	148	3.6%	-	-	4,158	10.2%
By region - Total	14,348	35.2%	4,631	11.4%	3,117	7.7%	14,701	36.1%	3,946	9.7%	40,744	100.0%

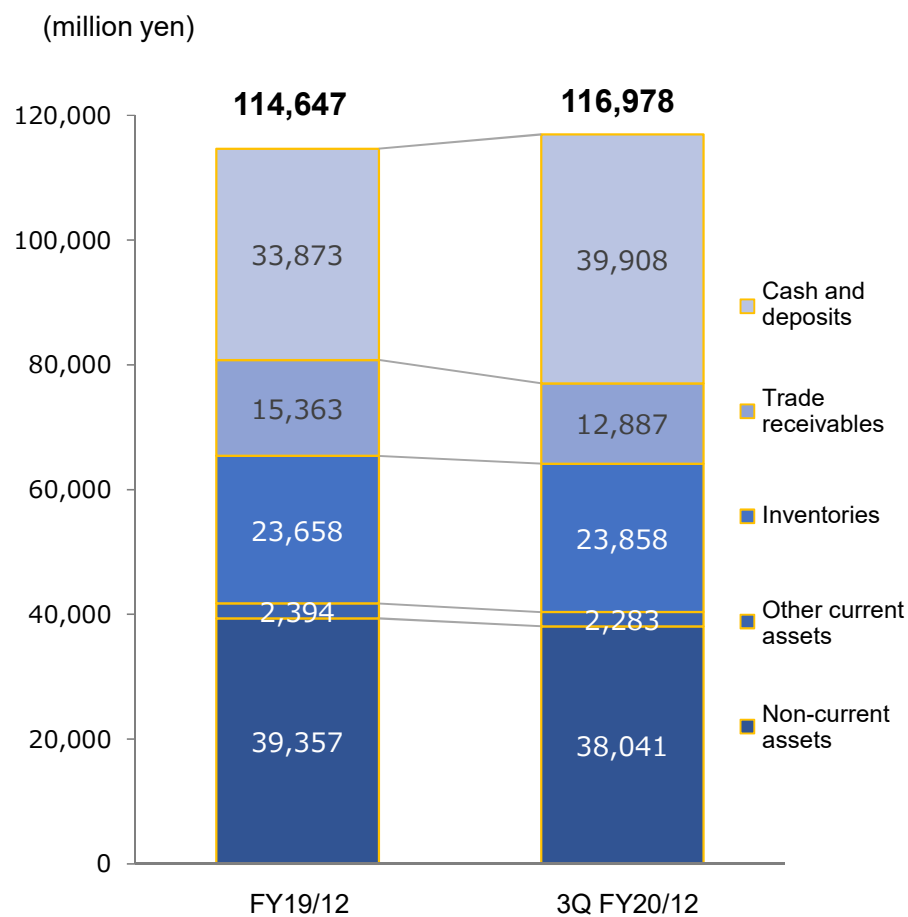
Effect of exchange rate	-	Around - 60million yen		Around - 40million yen		Around - 330million yen		Around - 70million yen		Around -500 million yen	
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Balance Sheet

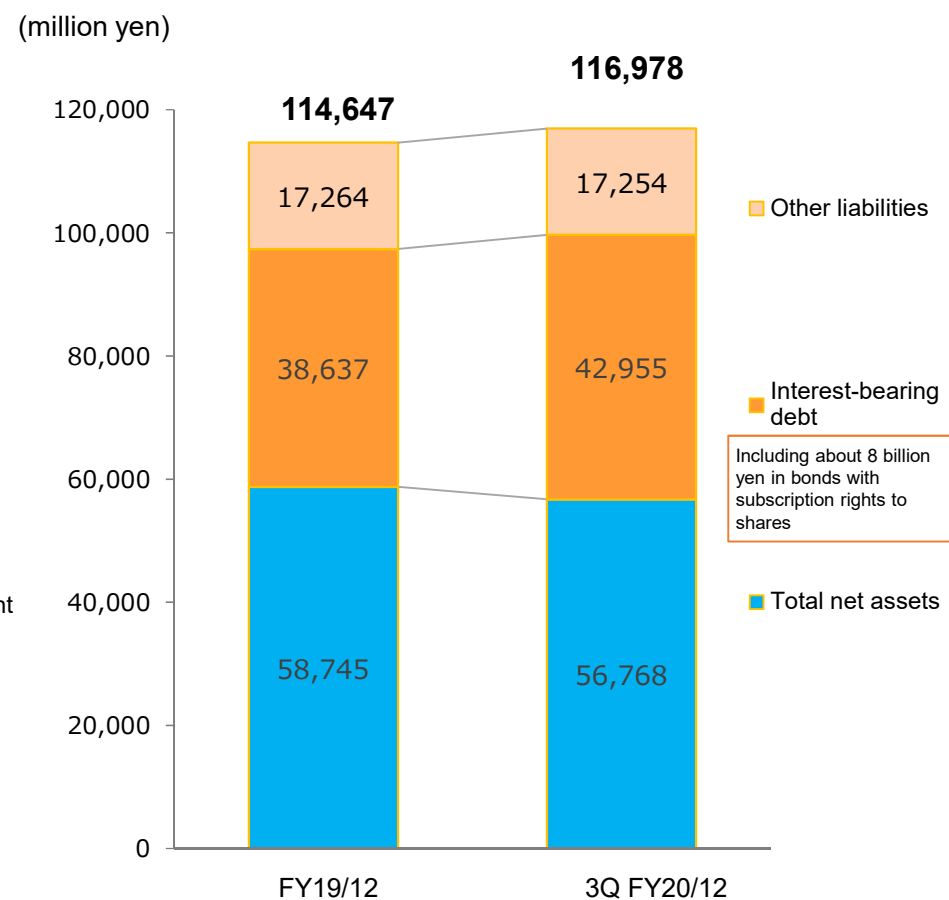


- ✓ Net interest-bearing debt totaled 3,047 million yen (down 1,716 million yen from the end of the previous fiscal year).

Assets



Liabilities and net assets



*Reference information Exchange rate at end of Sep. 2020 USD: 105.80 yen EUR: 124.17 yen CNY: 15.54 yen THB: 3.34 yen
 Exchange rate at end of Dec. 2019 USD: 109.56 yen EUR: 122.54 yen CNY: 15.67 yen THB: 3.63 yen

1

Development of inert gas dissolved injection molding system for biodegradable plastics INFILT-V

斎藤1

The problem with the molding of biodegradable plastics is that they have high viscosity when melted and are difficult to mold. To solve this problem, we have developed a new system "INFILT-V" that directly injects inert gas from an injection plunger that fills a mold with resin material.

By injecting the inert gas directly into the injection plunger, the gas is dissolved in the resin material, and the viscosity of the resin material is reduced. By utilizing this phenomenon, it is possible to stably fill a thin-walled molded article with resin material, which was difficult before this.



Photo 1.

Left: Standard Molding Right: Using "INFILT-V"

▲ Molding example of injection molding machine units equipped with INFILT-V system

2

Development of ultra-high speed small-hole drilling EDM K4HL

In recent years, small-hole drilling EDM are required to respond to higher level of difficulty in machining not only for the start hole machining for wire-cut EDM, but also in various fields such as aerospace, energy, automotive, medical equipment, electrical machinery, and the electronics industry, such as narrow and deep holes that are difficult to machine with drills, holes with few deteriorated layers, holes with no burrs at the exit, etc.

The newly developed "K4HL" contributes to high-precision and high-efficiency production by equipping all 3 shafts with linear motors, which were previously used only in the main shafts of existing machines, as standard equipment, as well as expanding the functions of the electrode feeder and installing an automatic electrode changer.



▲ K4HL

スライド 15

斎藤1

原文：射出https://www.sodick.co.jp/special/WebExhibition_IPF/index_en.html#sec-K
SC011_SM, 2020/11/18

3 Development and sales of a large double shaft mixer for producing instant noodle dough TM350-W

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

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



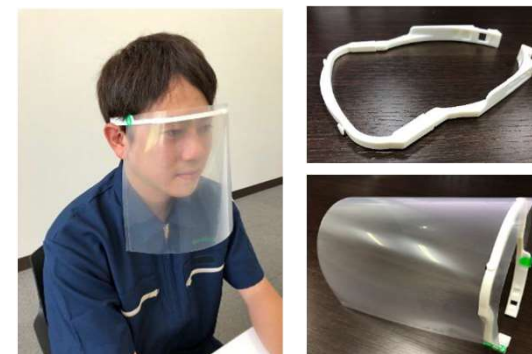
▲ Large double shaft mixer TM -350 W

4 Development and supply of a face shield frame Face Tech

We have developed a frame Face Tech for a full-fledged face shield, which is useful for the prevention of COVID-19.

Face Tech is made of resin and features a smooth shape and texture with excellent fit thanks to the high molding accuracy of in-house molds utilizing our company's metal 3D printer technology. The shield section can be used with commercially available stationery and daily necessities, and has a structure that allows easy removal, replacement, and disposal, and is excellent in hygiene.

As part of our CSR activities, we donated and supplied these to medical, public, and sports-related facilities and organizations.



▲ Face Tech

Status of Responses to the Spread of COVID-19

✓ Status of operations at our major sites is as shown below (as of November 13)

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

✓ Responses at the Sodick Group

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

I. 3Q FY20/12 Financial Results Summary

II. FY20/12 Financial Results Projections

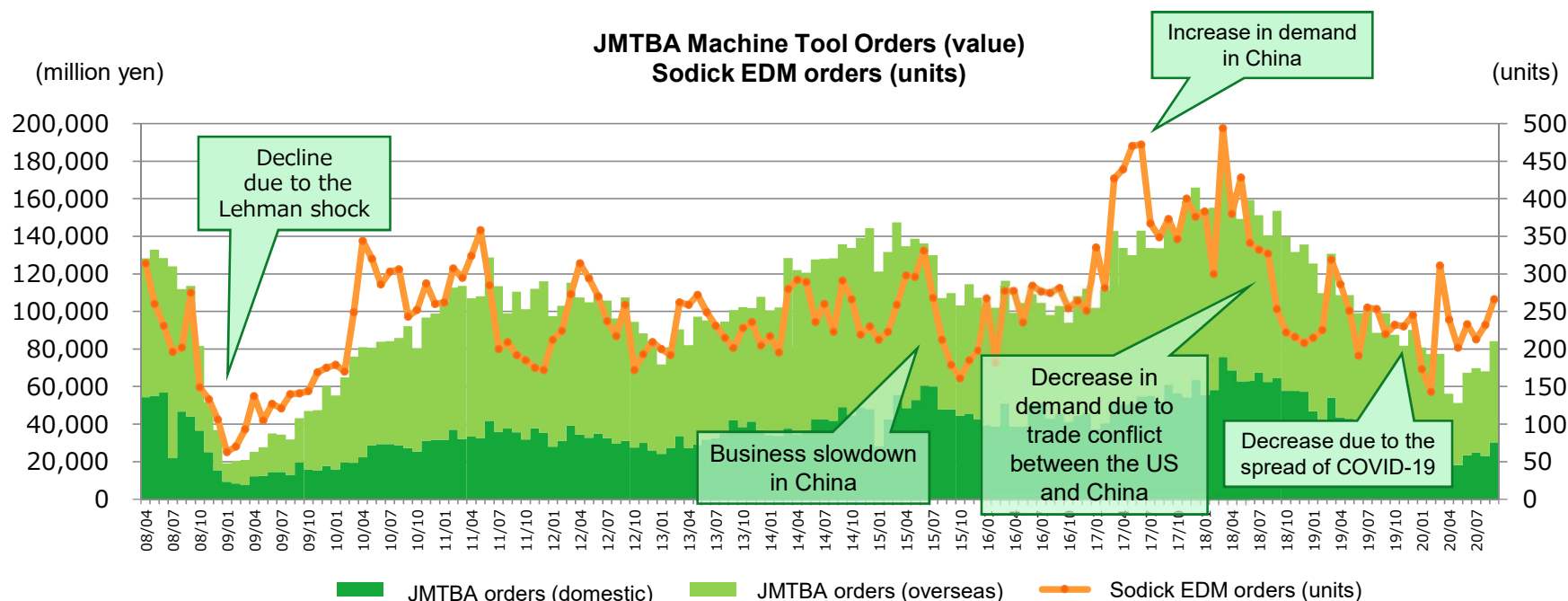
III. Shareholder Return Policy

(Reference Materials)

Market Environment



- ✓ Japan: Although there are government subsidy policies and potential demand, such as replacement demand for aging equipment, the future is uncertain due to a decline in facility investment sentiment and a tendency to refrain from investment due to the spread of COVID-19.
- ✓ North America and Europe: Concerned about the impact on business activities from the re-expansion of COVID-19. Although the auto-related industries are on a recovery trend, the aerospace industry is expected to face difficult conditions.
- ✓ China: Although a tendency to recover has continued since March, prospects remain unpredictable due mainly to the global spread of COVID-19 and worsened relations between the US and China. However, a demand for high-precision machines is expected to continue in a medium-to-long period thanks to growing needs for advanced and automated manufacturing.
- ✓ Asia: Although economic conditions differ from region to region, the situation is expected to remain tense due mainly to restrictions of movement in some regions.



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



- ✓ In consideration of the better-than-expected results for the cumulative third quarter and the current business environment, the full-year projection announced on August 7 was revised upward.

(million yen)

	FY20/12 Full-year		FY20/12 Full-year		YoY change	
	Revised projection (Published on Aug. 7)	Income margin	Revised projection (Published on Nov. 13)	Income margin	Amount	Rate
Net sales	54,500	-	55,400	-	900	1.7%
Operating income	1,000	1.8%	1,300	2.3%	300	30.0%
Ordinary income	1,000	1.8%	1,300	2.3%	300	30.0%
Net income	500	0.9%	750	1.4%	250	50.0%

Full-year expected
exchange rate

Average exchange rate over the period	USD	107.00 yen		106.50 yen			
	EUR	121.00 yen		121.50 yen			
	CNY	15.30 yen		15.40 yen			
	THB	3.45 yen		3.40 yen			

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

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



- ✓ In consideration of the better-than-expected results for the cumulative third quarter and the current business environment, the full-year projection announced on August 7 was revised upward.

(million yen)

	3Q FY20/12		FY20/12 Full-year		Progress toward projection	FY19/12
	Actual	Income margin	Projection (Revised on Nov. 13)	Income margin		Actual
Net sales	40,744	-	55,400	-	73.5%	67,591
Operating income	827	2.0%	1,300	2.3%	63.6%	3,422
Ordinary income	893	2.2%	1,300	2.3%	68.7%	3,558
Net income	619	1.5%	750	1.4%	82.5%	2,002

Full-year expected
exchange rate

Average exchange rate over the period	USD	107.55		106.50 yen		109.03 yen
	EUR	120.93		121.50 yen		122.03 yen
	CNY	15.37		15.40 yen		15.77 yen
	THB	3.41		3.40 yen		3.52 yen

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



(million yen)

		FY20/12			FY19/12
		3Q Actual	Projection (Published on Nov. 13)	Progress toward projection	Actual
Net sales	Machine tool segment	26,317	35,700	73.7%	45,797
	Industrial machinery segment	8,045	10,200	78.9%	9,773
	Food processing machinery segment	2,223	3,900	57.0%	6,283
	Other segments	4,158	5,600	74.3%	5,737
		40,744	55,400	73.5%	67,591
Segment income	Machine tool segment	1,675	2,400	69.8%	4,621
	Industrial machinery segment	370	400	92.7%	165
	Food processing machinery segment	27	180	15.2%	625
	Other segments	312	400	78.0%	311
		2,385	3,380	70.6%	5,723
Adjustment amounts		-1,558	-2,080	74.9%	-2,301
Total operating income		827	1,300	63.6%	3,422

Machine tool segment

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

Industrial machinery segment

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

Food processing machinery segment

- ✓ Major sales are expected to concentrate in Q4.
- ✓ Although demand for both noodle making machines and rice-related equipment continues, there are several cases in which sales will be postponed to the next period due to delays in business activities and postponement of facility investments due to the spread of COVID-19.

Other segments

- ✓ Ceramics business is on a recovery trend, but molding operations remain uncertain.

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

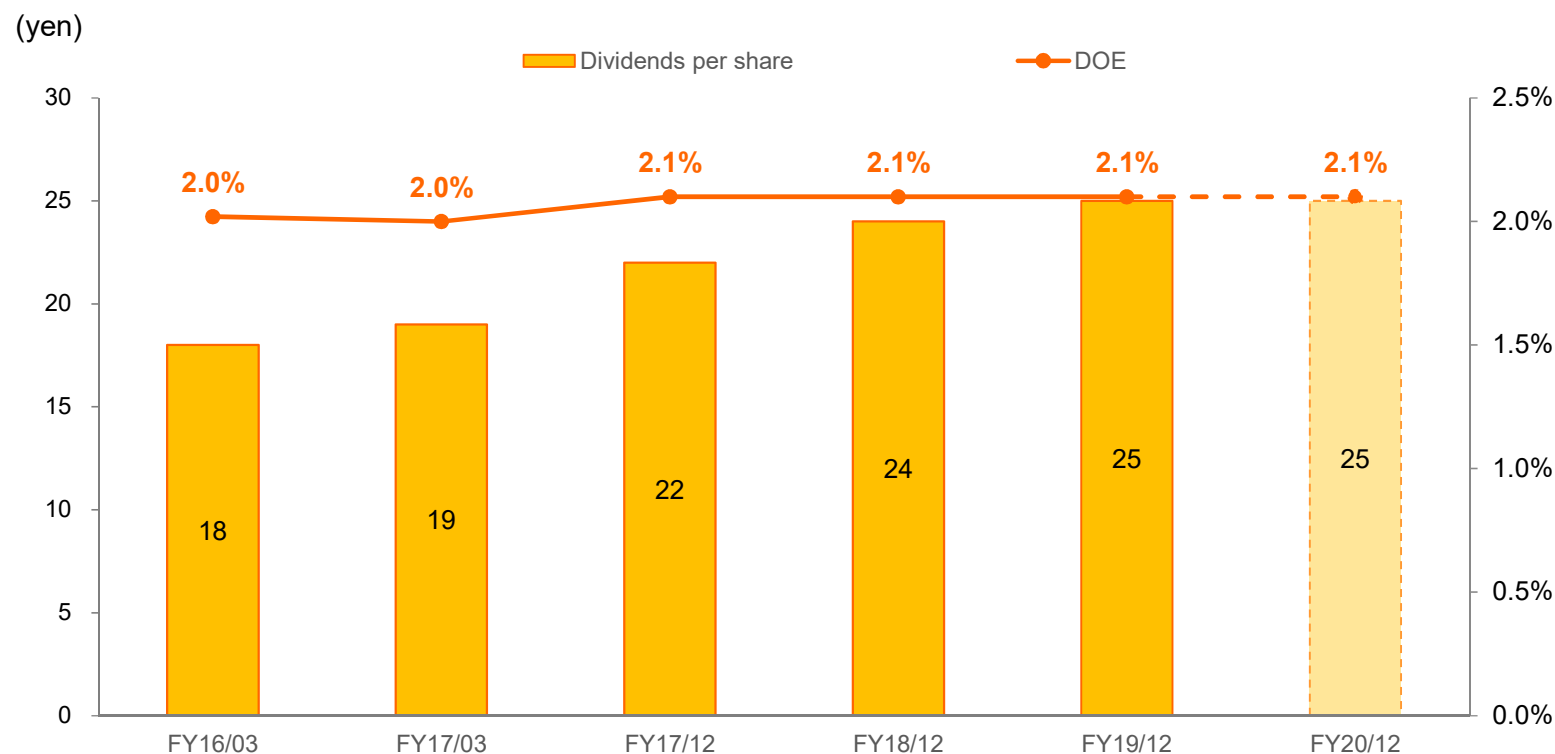
- I. 2Q FY20/12 Financial Results Summary
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- III. Shareholder Return Policy**

(Reference Materials)

Shareholder Return Policy and Dividend Projection



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



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(Reference Materials)

Reference Materials: Domestic and Overseas Sites



Reference Materials: Participation in Major Exhibitions



Period	Location		Exhibition	Notes
2020				
Nov. 13-Dec.25	Online		Sodick World Tour Japan JIMTOF	Private online exhibition
Nov. 13-May 21, 2021	Online		Sodick World Tour Japan IPF	Private online exhibition
Nov. 16-27	Online		JIMTOF 2020 Online	Changed to Web exhibition due to cancellation of holding at the venue
Nov. 18-	Online		IPF 2020 Online	Changed to Web exhibition due to cancellation of holding at the venue
Nov. 18-21	Thailand	Bangkok	Metalex Thailand	
Nov. 24-27	China	Shenzhen	DMP 2020 (International Trade Fair for Molds, Metal Processing, Plastics, Packaging, and Rubber)	
2021				
Mar. 9-12	Japan	Osaka	MOBAC SHOW 2021 (27th International Baking and Confectionery Industry Exhibition)	Food machinery and technology exhibition
Apr. 13-16	China	Shanghai	Chinaplas	Exhibit injection molding machines
Apr. 14-17	Japan	Tokyo	INTERMOLD 2021	
Jun. 1-4	Japan	Nagoya	FOOMA JAPAN 2021	Food machinery and technology exhibition
Jun. 23-26	Thailand	Bangkok	INTERMOLD THAI	
Oct. 20-23	Japan	Nagoya	Mechatronics Technology Japan 2021	

*Due to the spread of COVID-19, the exhibition schedule may change.

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