

TSE 1st Section, 6143

Create Your Future



Fiscal Year Ending March 31, 2017
Third Quarter

Results Briefing

February 10, 2017

Sodick Co.,Ltd.

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3Q FY17/3 Financial Results Summary

- ✓ Net sales fell 9.3% year on year to 44,294 million yen and operating income shrank 27.7% year on year to 3,346 million yen for various reasons including weak first quarter earnings and stronger yen compared to the previous year.
- ✓ As for income, the gross profit margin improved on account of contributions from greater productivity and a decline in purchasing costs.
Since the third quarter, both ordinary income and current net income have risen because of the weaker yen and decline in foreign exchange losses.
- ✓ Demand was firm in North America and Europe, there was an increase in demand due to capital investments and for high-precision models in China, and both orders and sales have been generally firm since second quarter.

FY17/3 Financial Results Projections

- ✓ Projections for the full fiscal year, which were revised on August 10, were left unchanged due to recent strong orders. Sodick expects to record 61,100 million yen in net sales and 5,300 million yen in operating income.
- ✓ As for markets in advanced countries, earnings from Japan are forecast to be flat for various reasons including customers waiting for subsidies that are expected to be introduced in March 2017. In North America and Europe, earnings are forecast to remain strong because of firm demand due to capital investments in the automobile, aerospace, and medical equipment application industries.
- ✓ In China, demand for high-precision machinery is growing, and earnings are expected to remain strong.
- ✓ Although conditions will remain harsh in developing countries, there are signs of a recovery in Thailand and Indonesia.

I. 3Q FY17/3 Financial Results Summary



Financial Results Highlights



- ✓ Net sales fell for various reasons including the stronger yen compared to 3Q FY16/3.
(Reference: impact of changes in exchange rates, approximately -3,600 million yen)
- ✓ As for income, the gross profit margin improved on account of greater production efficiency and a decline in purchasing costs. Operating income declined year on year because of an increase in research and development expenses and other factors. Starting in the third quarter, both ordinary income and current net income rose as a result of the weakening of the yen and a decline in foreign exchange loss.

(million yen)

	3Q FY16/3		3Q FY17/3		Year-on-year change		FY17/3 Full Year projections
	Actual	Income margin	Actual	Income margin	Amount	% change	
Net sales	48,811	—	44,294	—	-4,516	-9.3%	61,100
Gross margin	17,532	35.9%	16,059	36.3%	-1,473	-8.4%	-
Operating income	4,630	9.5%	3,346	7.6%	-1,283	-27.7%	5,350
Ordinary income	4,356	8.9%	2,864	6.5%	-1,492	-34.3%	4,550
Net income	3,420	7.0%	2,488	5.6%	-931	-27.2%	3,500

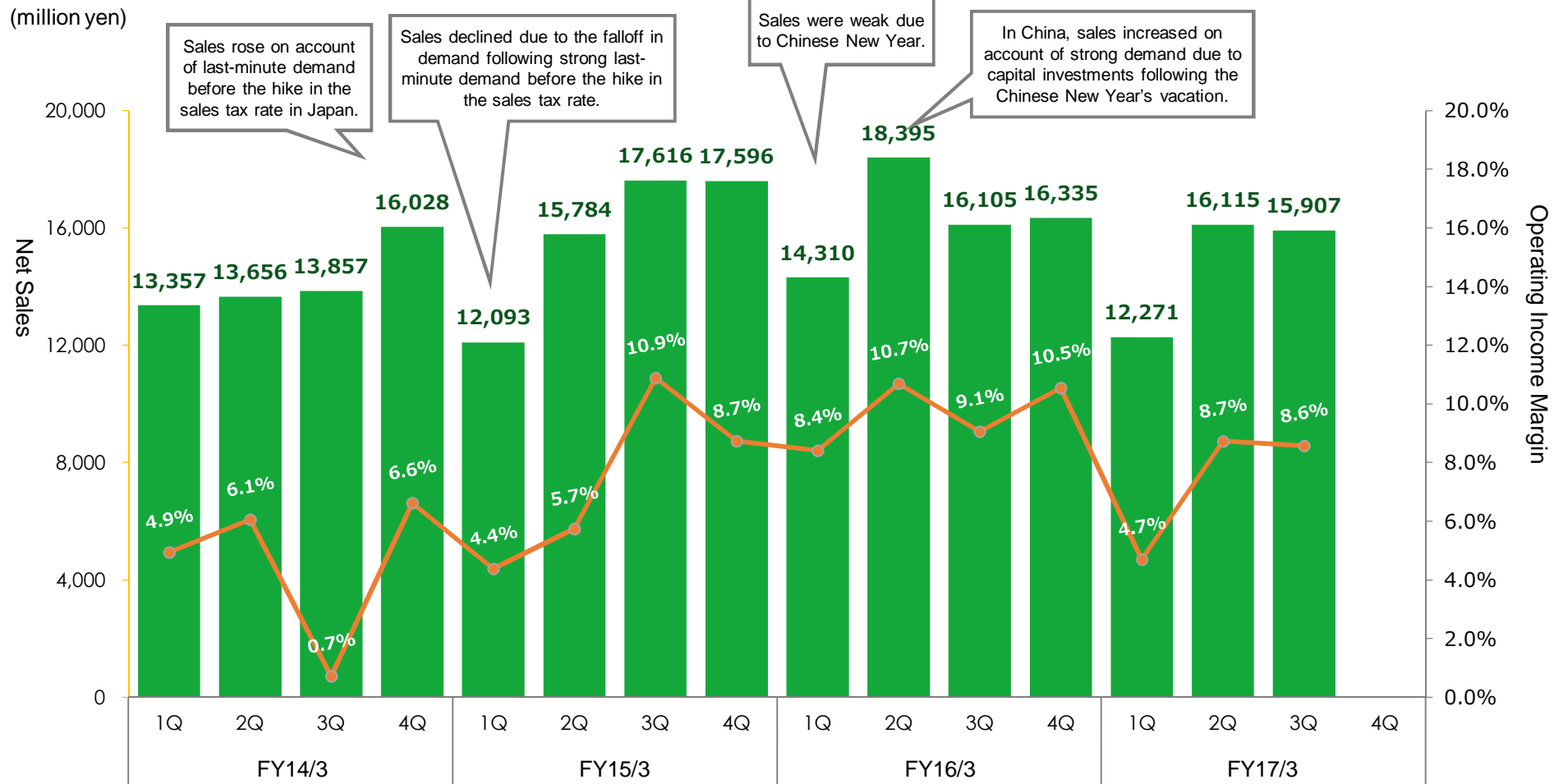
Average exchange rate over the period	USD	121.74 yen		106.60 yen		104.19 yen
	EUR	134.41 yen		117.98 yen		116.26 yen
	CNY	19.31 yen		16.44 yen		16.00 yen
	THB	3.51 yen		3.03 yen		2.96 yen

Reference information Exchange rate at end of 3Q FY17/3 USD: 116.49 yen EUR: 122.70 yen CHY: 15.14 yen THB: 3.24 yen
Exchange rate at end of FY16/3 USD: 112.68 yen EUR: 127.70 yen CHY: 18.36 yen THB: 3.19 yen

Net Sales and Operating Income Margin (Quarterly)

- ✓ During the third quarter FY17/3, net sales fell for various reasons including a stronger yen than that in third quarter of the previous fiscal year. This was despite the fact that net sales volume of both machine tools and industrial machinery rose year on year on account of not only strong sales in North America but also strong demand due to capital investments and for high-precision models in China.

Bar graph: Net sales; Line graph: Operating income margin



Operating Results by Segment



(million yen)

		3Q FY16/3	3Q FY17/3	Year-on-year change	
		Actual	Actual	(amount)	(percent)
Net sales	● Machine tool Operations	36,588	31,630	- 4,958	-13.6%
	● Industrial machinery Operations	6,289	6,111	- 177	-2.8%
	● Food processing machinery Operations	2,033	2,253	219	10.8%
	● Other Operations	3,900	4,299	399	10.2%
		48,811	44,294	-4,516	-9.3%
Segment income	● Machine tool Operations	5,366	4,237	-1,129	-21.0%
	● Industrial machinery Operations	103	199	96	93.8%
	● Food processing machinery Operations	292	171	-121	-41.6%
	● Other Operations	691	663	-28	-4.1%
		6,454	5,271	-1,182	-18.3%
Adjustment amount		-1,823	- 1,924	-100	-
Total operating income		4,630	3,346	-1,283	-27.7%

Machine tool segment

- ✓ In Japan, earning remained flat for various reasons including customers waiting for the introduction of subsidies although some in the automobile industry made purchases.
- ✓ In North America, there was firm demand from the aerospace and medical device industries.
- ✓ In Europe, there was strong demand in the automobile and aerospace industries, but demand softened in countries such as Russia.
- ✓ In Greater China, both sales and orders have been firm since the second quarter because of stronger demand for high precision tools, particularly in the automobile and smartphone industries.
- ✓ There are signs of a recovery in various Asia countries, including Thailand and Indonesia.

Industrial machinery segment

- ✓ In Japan, there was strong demand for products used for car parts and connectors in the automobile industry. In the smartphone industry, there was robust demand for equipment used for high-value-added parts, such as lenses.
- ✓ Even in Greater China and Asia, there were strong orders from the smartphone and automobile industries, and orders reached historic levels.

Food processing machinery segment

- ✓ There was strong demand due to capital investments as companies strived to increase the quality of precooked noodles.
- ✓ Demand for noodle production machinery was also strong overseas.
- ✓ There was demand from industries other than the noodle industry.

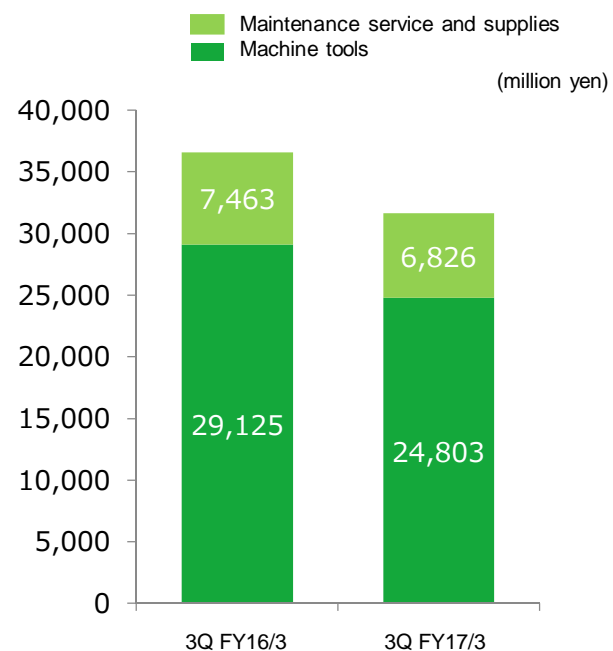
Other segments

- ✓ There were strong sales not only in the precision die and mold business but also of ceramics.

Net Sales by Segment

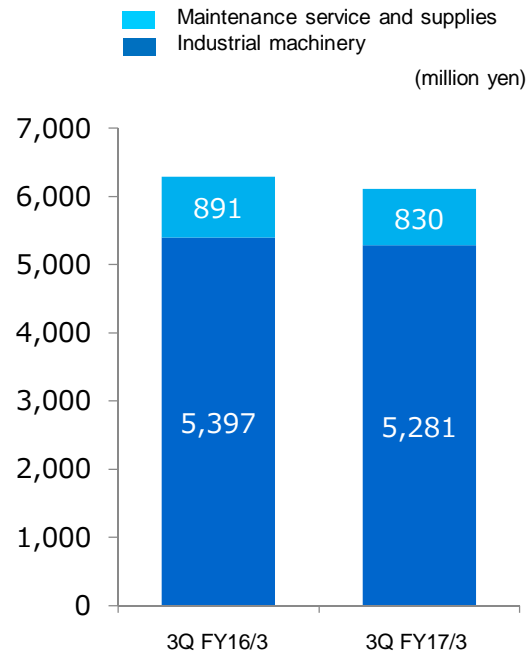
✓ Maintenance services and supplies, a stable source of cash, accounted for about 20% of net sales.

Machine tool segment



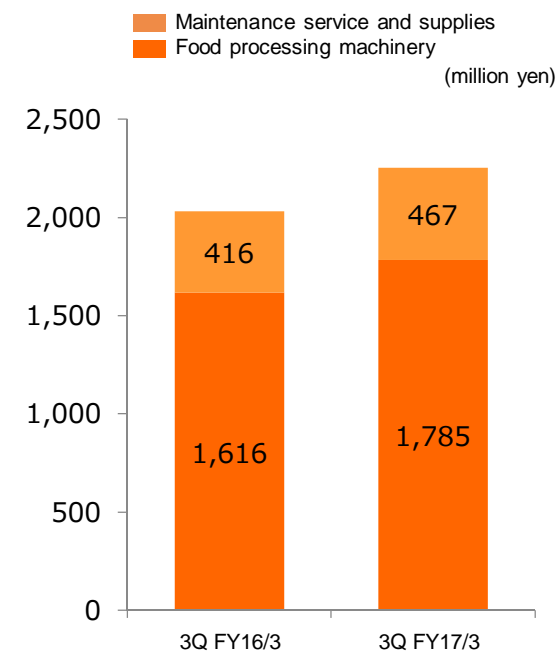
Machine tools segment	3Q FY16/3	3Q FY17/3
Machine tools sales	29,125	24,803
Maintenance service and supplies	7,463	6,826
Total	36,588	31,630

Industrial machinery segment



Industrial machinery segment	3Q FY16/3	3Q FY17/3
Injection molding machine sales	5,397	5,281
Maintenance service and supplies	891	830
Total	6,289	6,111

Food processing machinery segment



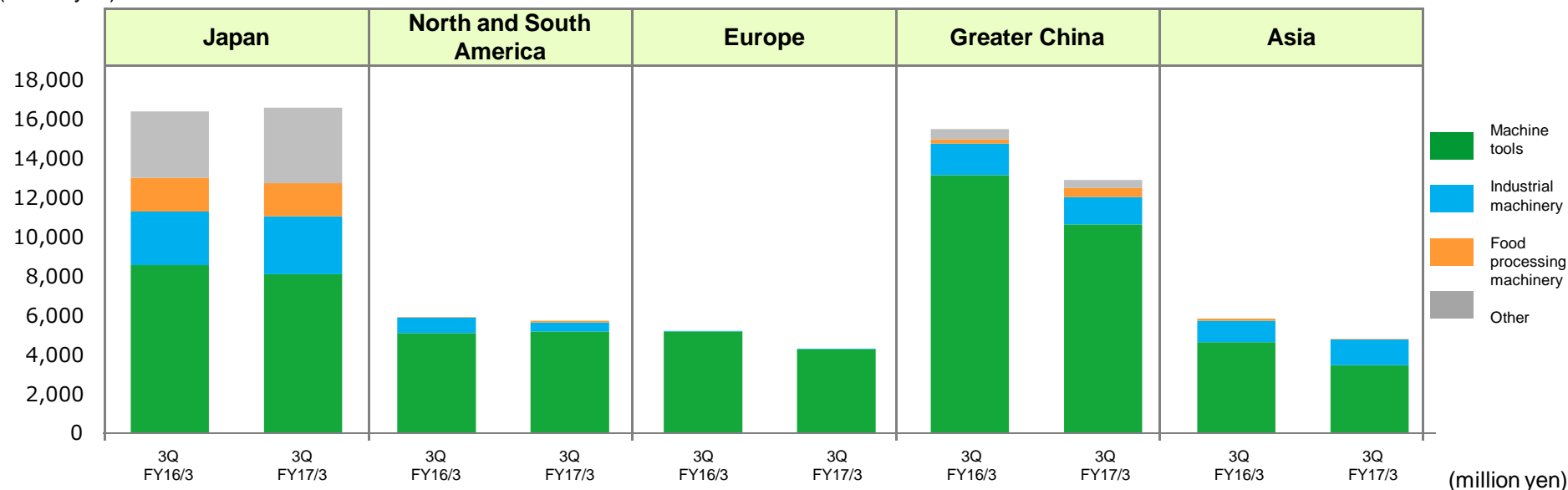
Food processing machinery segment	3Q FY16/3	3Q FY17/3
Food processing machinery sales	1,616	1,785
Maintenance service and supplies	416	467
Total	2,033	2,253

Overseas Sales Ratio by Segment



✓ Sodick has been developing global operations with an overseas sales ratio of 62.5%.

(million yen)



3Q FY16/3	Japan		North and South America		Europe		Greater China		Asia		Total	
Machine tools	8,560	23.4%	5,095	13.9%	5,163	14.1%	13,137	35.9%	4,631	12.7%	36,588	75.0%
Industrial machinery	2,743	43.6%	792	12.6%	49	0.8%	1,626	25.9%	1,078	17.1%	6,289	12.9%
Food processing machinery	1,702	83.8%	3	0.1%	0	0.0%	215	10.6%	111	5.5%	2,033	4.2%
Other	3,386	86.8%	0	0.0%	0	0.0%	513	13.2%	0	0.0%	3,900	8.0%
Total	16,392	33.6%	5,890	12.1%	5,212	10.7%	15,492	31.7%	5,822	11.9%	48,811	100.0%

3Q FY17/3	Japan		North and South America		Europe		Greater China		Asia		Total	
Machine tools	8,094	25.6%	5,172	16.4%	4,261	13.5%	10,642	33.6%	3,459	10.9%	31,630	71.4%
Industrial machinery	2,952	48.4%	457	7.5%	3	0.0%	1,392	22.8%	1,304	21.3%	6,111	13.8%
Food processing machinery	1,685	74.9%	90	4.0%	0	0.0%	444	19.7%	32	1.4%	2,253	5.1%
Other	3,867	90.0%	0	0.0%	0	0.0%	432	10.0%	0	0.0%	4,299	9.7%
Total	16,599	37.5%	5,721	12.9%	4,264	9.6%	12,913	29.2%	4,796	10.8%	44,294	100.0%

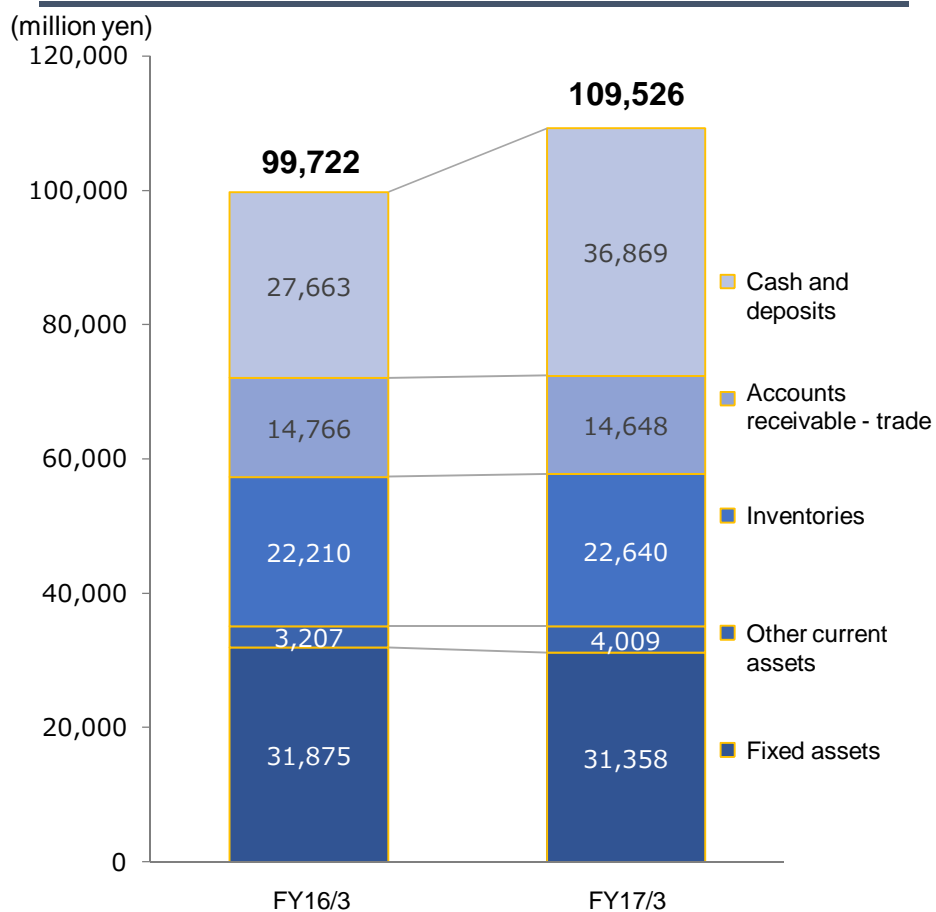
Exchange rate impact	—	≈ -700 million yen	≈ -600 million yen	≈ -2,100 million yen	≈ -200 million yen	≈ -3,600 million yen
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Balance Sheet



- ✓ Interest-bearing debt and cash and deposits rose dramatically because Sodick raised 8,000 million yen by issuing bonds with subscription rights to shares (of the 8,000 million yen, approximately 3,000 million yen was allocated to treasury stock buybacks, and the remainder was allocated to various expenses, including research and development expenses). The liquidity ratio remains above 200%.
- ✓ Net assets fell for various reasons including treasury stock buyback and decline in foreign currency translation adjustment, which includes capital for overseas subsidiaries, due to the stronger yen compared to the previous fiscal year.

Assets



Liabilities and net assets



Exchange rate at end of 3Q FY17/3	USD: 116.49 yen	EUR: 122.70 yen	CHY: 15.14 yen	THB: 3.24 yen
Exchange rate at end of FY16/3	USD: 112.68 yen	EUR: 127.70 yen	CHY: 18.36 yen	THB: 3.19 yen

1 Sales of AG40LP, a high-speed, high-performance die-sinker EDM machine with linear motor drive, launched

Of the die-sinker EDM AG series, the AG40LP was developed to provide even greater precision processing, and the model was exhibited at JIMTOF held in November 2016. It is perfect for precision processing of molds for automotive parts and smartphones. With the AG40LP, Sodick has not only achieved high rigidity on account of the 3-axis linear motor but also made high-precision machining possible, including higher speeds due to the electrical discharge stabilization system, reduced electrode consumption, and wider range of machined surfaces.



2 Sales of the AP450L (Oil), ultra-fine wire EDM machine with liner motor drive, launched

A new model in the wire EDM AP series, this model, which was developed for ultra-fine precision processing that requires oil, was exhibited at JIMTOF held in November 2016.

With this model it is possible to reduce processing time, improve precision of finished surfaces, and dramatically reduce the number of cuts for ultra-fine precision machining.

In addition, its operability was improved by including a SPW power source, a new NC device.



3Q FY17/3 Topics (Awards)

3

Food equipment: Noodle dough mixer's airlock vacuum chamber awarded the 2016 'CHO' MONODZUKURI Innovative Parts and Components Award for machine parts by Monozukuri Nippon Conference and Nikkan Kogyo Shimbun.

The chamber was developed to limit the amount of air in noodles, such as pasta and soba, and to create firm, uniform pasta. The airlock vacuum chamber separates and makes completely independent “vacuum degassing” and “spinning extrusion,” a first in the industry. Because the dough is placed in a vacuum before the mixing and extrusion stage, it is possible to effectively reduce the amount of air.

The revolving-rotary airlock is a first for the industry, and this method makes it easier to make the chamber airtight and maintain a stable vacuum pressure.

The award was given because the originality and dominance of the Company's technology were highly rated.

The ease of cleaning and maintenance due to the special coating that helps prevent dough from sticking and the use of transparent detachable exterior wall structure for the two chambers were also highly rated.

Noodle dough mixer



Executive Managing Director Kenichi Osako receiving the award

4

Industrial machinery: Injection molding machine for aluminum alloy ALM450 awarded 2016 Best 10 New Product Award by Nikkan Kogyo Shimbun

Aluminum is normally molded using die casting, but this leads to various problems including low yield and air bubbles. The ALM450 solves the problems due to die casting by using injection molding instead of a die, an innovative production method that will promote the switch to aluminum.

The award was given because the aggressive use of the device for mass production will generate various benefits such as lighter smartphone and tablet computer cases, parts of automobiles, and a new field was opened for injection molding, both of which were highly rated.

In order to encourage the development of outstanding new products and to contribute to raising the technical level of Japanese industry, Nikkan Kogyo Shimbun gives the award to several types of products, such as ones that are creative inventions that have had a major impact both in Japan and overseas, ones that incorporate world-class functions, and ones that may contribute to the development of the manufacturing industry and international competitiveness.



Chairman Toshihiko Furukawa receiving the award



5 Exhibiting at DMP2016 (18th Dongguan International Mold and Metalworking Exhibition)

DMP is the largest trade show in southern Greater China, a cluster of electronics parts manufacturers. At its booth, the Company showed its high-precision machining, a strength of Sodick, through various activities including demonstrating high-precision thick gauge precision machining with the latest wire EDM model in the AL series and molding high-value-added small parts, such as narrow pitch connectors for cars, using extrusion molding machine. The Company also exhibited its machining center and processing center, which many visitors viewed.

DMP2016 Summary

Location	Dongguan, Guangdong Province, China
Dates	Nov. 29–Dec. 2, 2016 (4 days)
Products exhibited	Wire EDM AL series, die-sinker EDM machine AG40L, and the injection molding machines GL100A and LP20EH3, etc.
Visitors	110,052



6 Exhibiting at IMTEX2017 (Indian Metal-cutting Machine Tool Exhibition)

IMTEX2017, the largest metal-cutting machine tool and production technology trade show in South and Southeast Asia, was held in Bangalore, India, and Sodick exhibited various items including the high-speed wire EDM machine with linear motor drive VZ400L, high-speed, high-performance die-sinker EDM machine with linear motor drive AG40L, and numerous types of supplies.

IMTEX2017 Summary

Location	Bangalore, India
Dates	Jan. 26–Feb. 1, 2017 (7 days)
Products exhibited	Wire EDM machine VZ400L, die-sinker EDM machine AG40L, etc.

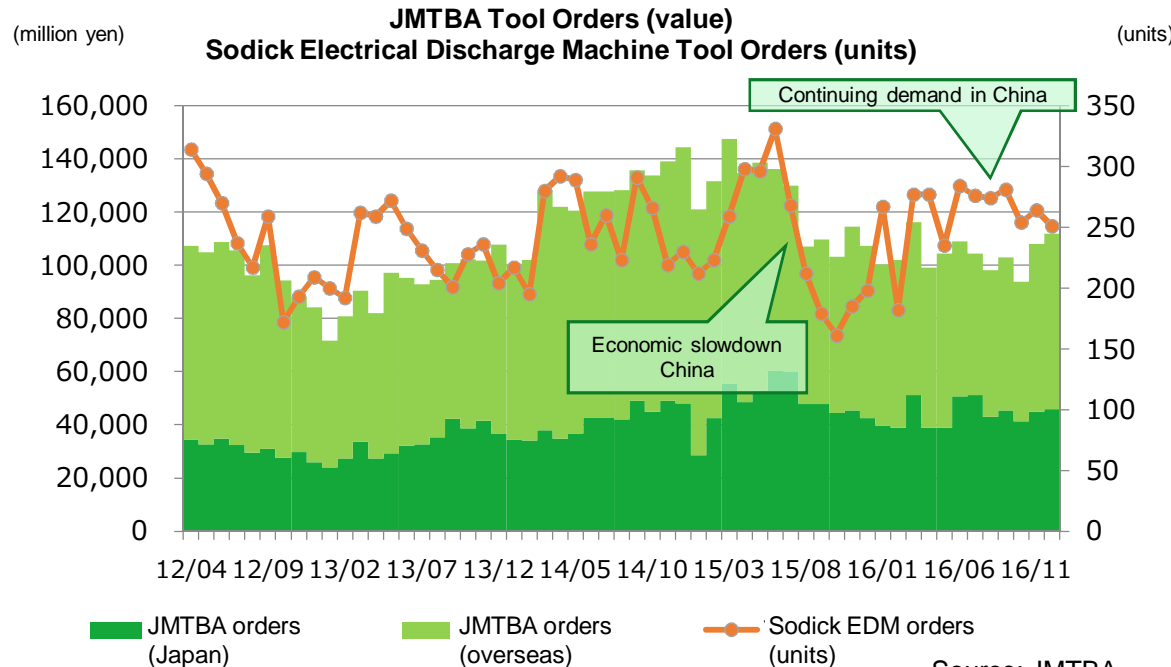


II. FY17/3 Financial Results Projections

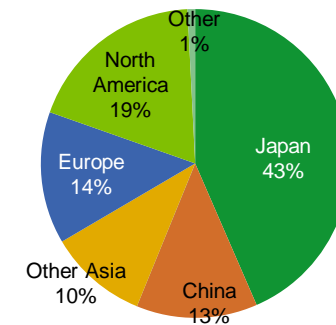


Market Environment

- ✓ Japan Demand is projected to remain firm on account of government subsidies and demand due to the replacement of aging equipment.
- ✓ North America Although demand due to capital investments in the automotive, aerospace, and medical device industries is expected to be firm and strong, the outlook is uncertain on account of many factors, including the impact of the economic policies of the new U.S. administration.
- ✓ Europe Demand in the automotive and aerospace industries is expected to remain firm, but there is uncertain about the future because of slower growth in demand in countries such as Russia and geopolitical risks, including England's exit from the EU and national elections in countries throughout Europe.
- ✓ China For various reasons including slower economic growth, there has been an overall slowdown in the growth of demand, and the outlook remains uncertain. However, it is expected that companies will introduced automation due to higher labor costs, etc., and that there will be greater demand for high-precision machinery.
- ✓ Asia As for developing countries, there are signs of a recovery in countries such as Thailand and Indonesia, particularly in the automobile industry.



**Japan Machine Tool Builders' Association (JMTBA)
 Tool Orders by Region
 (cumulative for April–Dec. 2016)**



Source: JMTBA

FY17/3 Financial Results Projections



- ✓ Financial results projections for the full fiscal year were left unchanged because of firm orders.
- ✓ As of the end of 3Q FY17/3, although little progress toward achieving projections has been made, recent orders have been stronger than forecast, and profitability is expected to improve through the end of the year.

(million yen)

	3Q FY16/3		3Q FY17/3		FY17/3		Year-on-year change		Progress toward projection
	Actual	Income margin	Actual	Income margin	Projection	Income margin	Amount	% change	
Net sales	65,146	—	44,294	—	61,100	—	-4,046	-6.2%	72.5%
Operating income	6,353	9.8%	3,346	7.6%	5,350	8.8%	-1,003	-15.8%	62.6%
Ordinary income	5,719	8.8%	2,864	6.5%	4,550	7.4%	-1,169	-20.4%	63.0%
Current net income	4,167	6.4%	2,488	5.6%	3,500	5.7%	-667	-16.0%	71.1%
ROE	8.4%								

Average exchange rate over the period	USD	120.15 yen		106.60 yen		104.19 yen	
	EUR	132.60 yen		117.98 yen		116.26 yen	
	CHY	19.21 yen		16.44 yen		16.00 yen	
	THB	3.44 yen		3.03 yen		2.96 yen	

* The FY17/3 financial results projections given above are the revised projections announced August 10, 2016.

FY17/3 Financial Results Projections by Segment



(million yen)

		3Q FY16/3	3Q FY17/3	FY17/3	Year-on-year change		Progress toward projection
		Actual	Actual	Projection	(amount)	(percent)	
Net sales	Machine tool Operations	47,789	31,630	42,320	-5,469	-11.4%	74.7%
	Industrial machinery Operations	8,633	6,111	8,680	46	0.5%	70.4%
	Food processing machinery Operations	3,562	2,253	4,100	537	15.1%	55.0%
	Other Operations	5,161	4,299	6,000	838	16.2%	71.7%
		65,146	44,294	61,100	-4,046	-6.2%	72.5%
Segment income	Machine tool Operations	7,113	4,237	6,240	-873	-12.3%	67.9%
	Industrial machinery Operations	319	199	280	-39	-12.5%	71.3%
	Food processing machinery Operations	492	171	460	-32	-6.6%	37.2%
	Other Operations	813	663	820	6	0.8%	80.9%
		8,739	5,271	7,800	-939	-10.7%	67.6%
Adjustment amount		-2,386	-1,924	-2,450	-63	-	-
Total operating income		6,353	3,346	5,350	-1,003	-15.8%	62.6%

Machine tool segment

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

Industrial machinery segment

- ✓ In Japan, demand, particular in the automobile industry, is expected to remain firm.
- ✓ In both Greater China and Asia, there is growing demand for high-precision machinery used for smartphone parts and connectors, and recent orders have hit historic highs.

Food processing machinery segment

- ✓ In Japan, although little progress has been made toward achieving projections as of the end of third quarter because of numerous delivery inspections through the end of the quarter, progress is generally as expected.

Other segment

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

* The above FY17/3 financial results projections are the revised ones announced August 10, 2016.

(Reference Materials)



Domestic and Overseas Sites



Head Office

Production Site

Research and Development Site

Sales and service sites

Participation In Major Exhibitions

- ✓ The Company will participate in domestic and overseas exhibitions and actively develop sales activities.

Dates	Location		Exhibition	Notes
Oct. 6–8	Vietnam	Ho Chi Minh City	Metalex Vietnam (Vietnam's International Machine Tool and Metalworking Solutions Expo)	
Nov. 17–22	Japan	Tokyo	JIMTOF 2016 (28th Japan International Machine Tool Fair)	One of the world's three largest machine tool exhibitions
Nov. 23–26	Thailand	Bangkok	Metalex Thai (Thailand's International Machine Tool and Metalworking Solutions Expo)	
Nov. 24–26	Japan	Yokohama	Japan Die Casting Exhibition	
Nov. 29–Dec. 2	China	Dongguan	Dongguan DMP 2016 (Dongguan International Mold and Metalworking Exhibition)	
Dec. 16–19	Indonesia	Jakarta	Machine Tools Indonesia	
Jan. 26– Feb. 1	India	Bangalore	IMTEX 2017 (Indian Metal-cutting Machine Tool Exhibition)	
Mar. 7 –11	Korea	Seoul	INETERMOLD KOREA 2017 (23rd Korea International Die-Mold Related Equipment Exhibition)	
Mar. 7 –12	Taiwan	Taipei	TIMTOS 2017 (Taipei International Machine Tool Show)	
Apr. 5–7	Japan	Tokyo	Highly-functional Plastics Expo	
Apr. 12–15	Japan	Tokyo	INTERMOLD 2017 (28th Japan Die & Mold Manufacturing Technology Exhibition)	
Apr. 17–22	China	Beijing	CIMT 2017 (15th China International Machine Tool Show)	
May 16–19	China	Guangzhou	CHINAPLAS 2017 (31st International Exhibition on Plastics and Rubber Industries)	
Jun. 13–16	Japan	Tokyo	FOOMA JAPAN 2017 (International Food Machinery & Technology Exhibition)	

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