

Summary of Financial Statements

November 12, 2009

Company name: Sodick Co., Ltd.

Stock exchange: Tokyo Stock Exchange, 2nd Section

Code number: 6143 URL: <http://www.sodick.co.jp>

Representative: Katsuhide Fujiwara, Representative director; president

Contact: Kenichi Furukawa, General manager of Corporate Planning

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Date of filing of quarterly financial state: November 12, 2009

Date of dividend payout: —

(Amounts of less than one million yen have been omitted)

1. Consolidated Results for the 2nd Quarter 2010 (from April 1, 2009 to September 30, 2009)

(1) Consolidated financial results (for 6 months)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
1-2Q FY 2010	15,463	(50.0)	(2,670)	—	(2,832)	—	(2,551)	—
1-2Q FY 2009	30,917	—	(396)	—	(554)	—	(1,987)	—

	Net income per share	Net income per share after dilution
	¥	¥
1-2Q FY 2010	(51.52)	—
1-2Q FY 2009	(39.20)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ Million	¥ Million	%	¥
1-2Q FY 2010	73,522	25,259	32.0	474.75
FY 2009	84,351	27,401	30.3	516.38

Note: Shareholders' equity: 1-2Q FY 2010: 23,506 million yen

FY 2009: 25,567 million yen

2. Cash Dividends

	Cash dividends per share				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
	¥	¥	¥	¥	¥
FY 2009	—	10.00	—	0.00	10.00
FY 2010	—	0.00	—	—	—
FY 2010 (forecast)	—	—	—	0.00	0.00

Note: Changes in estimate of the dividend: None

3. Forecast for the Year Ending March 31, 2010 (from April 1, 2009, to March 31, 2010)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	¥
Year to March 31, 2010	39,000	(28.5)	(3,100)	—	(3,200)	—	(3,500)	—	(70.69)

Note: Changes in estimates of the consolidated result: None

4. Other Information

- (1) Changes in important subsidiaries during the term under review (change in the scope of consolidation due to change in specified subsidiaries): Yes
Removed: 1 company (company name: Sodick Sales Japan Co., Ltd.)
- (2) Application of simplified accounting procedures and special accounting procedures to the preparation of quarterly consolidated financial statements: Yes
Note: For details see p.3, "4. Other Information" in "Qualitative Information and Financial Statements".
- (3) Changes in accounting principles, procedures and method of presentation pertaining to preparation of the quarterly consolidated financial statements (recorded as changes to significant items forming the basis for the creation of the financial statements):
(i) Changes due to the revision of Financial Accounting Standards: Yes
(ii) Other changes: None
Note: For details see p.4, "4. Other Information" in "Qualitative Information and Financial Statements".
- (4) Number of shares issued and outstanding (shares of common stock)
(i) Shares issued and outstanding as of the balance sheet date (including treasury shares):
1-2Q FY 2010: 53,432,510 shares
FY 2009: 53,432,510 shares
(ii) Number of treasury shares as of the balance sheet date:
1-2Q FY 2010: 3,920,371 shares
FY 2009: 3,919,716 shares
(iii) Average number of shares (consolidated quarter results):
1-2Q FY 2010: 49,512,320 shares
1-2Q FY 2009: 50,713,526 shares

* Disclaimer

The above forecasts are based on judgments made in accordance with information available at the time these materials were prepared, and contain numerous uncertainties. Changing conditions and other factors may cause actual results to differ from the results in these forecasts.

Qualitative Information and Financial Statements

1. Management Discussion and Analysis

The Japanese economy in the period under review displayed signs of an upturn amid inventory adjustments having run their course and public economic stimulus taking hold. However, as yet without a recovery in employment and consumer spending, household activity remains sluggish.

The Sodick Group experienced continued weak demand as capital expenditure in the dies and molds industry, the user industry of the Group's main product electrical discharge machines, remained on hold.

In this setting, the Group further pursued management resource optimization through group restructuring and reviews of operations continuing from last year, engaged in proactive corporate activities such as emerging markets development, development of environment-friendly product for which interest is growing globally, and participation in trade fairs, and in this way worked to secure earnings.

In the period under review, consolidated net sales totaled ¥15,463 million, which was ¥15,454 million or 50.0% lower than the same period of the previous year. The Group posted an operating loss of ¥2,670 million (an operating loss of ¥396 million compared with the same period of the previous year), an ordinary loss of ¥2,832 million (loss of ¥554 million compared with the same period of the previous year), and a net loss for the period of ¥2,551 million (loss of ¥1,987 million compared with the same period of the previous year).

2. Qualitative Information Concerning Consolidated Financial Position

Compared with the end of the previous consolidated fiscal year, total assets at the end of the second quarter under review decreased ¥10,829 million to ¥73,522 million. This was mainly because of a decrease of ¥4,169 million in notes and accounts receivable-trade.

Total liabilities decreased ¥8,687 million compared with the end of previous consolidated fiscal year to ¥48,262 million. The main factor was a decrease of ¥4,924 million in short-term loans payable.

Net assets fell ¥2,141 million compared with the end of previous consolidated fiscal year to ¥25,259 million. The main reason was a net loss of ¥2,551 million.

3. Consolidated Financial Results Forecasts

There are no changes in the forecast announced on May 20, 2009 for consolidated performance in the fiscal year ending March 2010.

4. Other Information

- (1) Change in important subsidiaries during the period (including change in the scope of consolidation due to change in specified subsidiaries).
Removed: 1 company (company name: Sodick Sales Japan Co., Ltd.)
- (2) Application of simplified accounting procedures and special accounting procedures to the preparation of quarterly consolidated financial statements
(Application of simplified accounting procedures)
 - (i) Calculation method for general bad debt estimates
Since the actual consolidated default ratio at the end of the period under review displayed no significant variation compared with the value calculated for the end of the previous fiscal year, the Company calculates the estimated bad debt amount using the actual consolidated default ratio and other factors as of the end of the previous fiscal year.
 - (ii) Calculation of depreciation charges for property, plant, and equipment
For assets depreciated according to the declining balance method, depreciation for the fiscal year is charged prorated on a periodic basis.
 - (iii) Calculation method for income taxes and deferred tax assets and liabilities
In the calculation of payable income tax amounts, the Company considers only significant items with regard to adjustments in taxable income and tax credits.
In cases where there has been no significant change in business environment since the end of the previous consolidated fiscal year nor in the emergence of temporary differences, the Company judges the recoverability of deferred income tax assets on the basis of methods utilizing the consolidated financial results forecast employed at the end of the previous fiscal year as well as tax planning methods.

- (3) Changes in accounting principles, procedures and method of presentation pertaining to preparation of the quarterly consolidated financial statements
- Application of the Accounting Standard for Construction Contracts
- The Sodick Group traditionally reported revenues and costs pertaining to machinery and equipment at certain consolidated subsidiaries by applying the completed-contract method (inspection basis). Since the first quarter of the current fiscal year, the Company applies the *Accounting Standard for Construction Contracts* (Accounting Standards Board of Japan Statement No. 15, December 27, 2007) and the *Guidance on Accounting Standard for Construction Contracts* (Accounting Standards Board of Japan Implementation Guidance No. 18, December 27, 2007). For all contracts, including contracts existing at the beginning of the first quarter consolidated period, the Company applies the percentage-of-completion method for contracts with assuredly deliverable percentages of completion attained by the end of the second quarter (with the estimate of the percentage of completion based on the cost incurred as a percentage of estimated total cost), and applies the completed-contract method (inspection basis) for all other contracts. Because the Group did not have any contracts to which it should apply the percentage-of-completion method and applied the completed-contract method (inspection basis) to all contracts for the consolidated accounting period under review, this change had no affect on the Group's profit and loss. This change also did not have any affect on segment information.

5. Consolidated financial statements

(1) Consolidated balance sheets

(In million yen)

	1-2Q FY 2010 (As of September 30, 2009)	Summary of consolidated balance sheets for previous FY (Ended of March 31, 2009)
Assets		
Current assets		
Cash and deposits	16,032	18,717
Notes and accounts receivable-trade	9,297	13,467
Commodity and merchandise	4,446	5,997
Work-in-process	5,670	5,933
Raw materials and inventory	4,939	5,753
Other current assets	1,607	2,321
Allowance for doubtful accounts	(699)	(892)
Total current assets	41,294	51,297
Fixed assets		
Tangible fixed assets		
Buildings and structures	18,794	18,732
Machinery, equipment and vehicles	12,932	12,956
Other fixed assets	11,790	11,725
Accumulated depreciation	(18,502)	(17,765)
Total tangible fixed assets	25,014	25,649
Intangible fixed assets		
Goodwill	2,117	2,617
Other intangible fixed assets	858	889
Total intangible fixed assets	2,976	3,507
Investments and other assets		
Other assets	4,626	4,293
Allowance for doubtful accounts	(389)	(395)
Total investments and other assets	4,236	3,897
Total fixed assets	32,227	33,053
Total assets	73,522	84,351

(In million yen)

	1-2Q FY 2010 (As of September 30, 2009)	Summary of consolidated balance sheets for previous FY (Ended of March 31, 2009)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,590	5,724
Short-term loans payable	23,188	28,113
Long-term borrowings redeemable within one year	2,032	2,451
Income taxes payable	78	—
Allowance	639	702
Other current liabilities	4,809	5,818
Total current liabilities	35,338	42,809
Fixed liabilities		
Corporate bonds	1,009	1,226
Long-term loans payable	9,703	10,095
Provision for retirement benefits	945	944
Allowance	188	351
Other fixed liabilities	1,076	1,522
Total fixed liabilities	12,923	14,140
Total liabilities	48,262	56,950
Net Assets		
Shareholders' equity		
Capital stock	20,775	20,775
Capital surplus	6,949	6,949
Retained earnings	(858)	1,698
Treasury stock	(2,135)	(2,135)
Total shareholders' equity	24,731	27,288
Evaluation and conversion difference		
Unrealized gain (loss) on available-for-sale securities	(14)	(135)
Deferred gains or losses on hedges	(3)	(6)
Foreign currency translation adjustment	(1,207)	(1,579)
Total evaluation and conversion difference	(1,225)	(1,721)
Subscription rights to shares	56	71
Minority interests	1,697	1,762
Total net assets	25,259	27,401
Total Liabilities and Net Assets	73,522	84,351

(2) Statements of income

(In million yen)

	1-2Q FY 2009 (April 1, 2008 – September 30, 2008)	1-2Q FY 2010 (April 1, 2009 – September 30, 2009)
Net Sales	30,917	15,463
Cost of Sales	22,195	12,421
Gross Profit	8,721	3,042
Reversal of Unrealized Income on Installment Sales	11	3
Unrealized Income on Installment Sales	4	0
Gross Profit after Income Deferrals	8,729	3,044
Selling, General and Administrative Expenses		
Personal expenses	3,720	2,280
Reversal of allowance for loan losses	252	104
Other	5,152	3,330
Total selling, general and administrative expenses	9,126	5,715
Operating Loss	(396)	(2,670)
Non-operating Income		
Interest income	47	11
Dividends income	61	23
Foreign exchange income	234	145
Gain on valuation of derivatives	—	122
Others	218	199
Total non-operating income	561	501
Non-operating Expenses		
Interest expenses	283	341
Loss on valuation of derivatives	137	—
Syndicate loan expenses	225	150
Other non-operating expenses	73	171
Total non-operating expense	720	663
Ordinary Loss	(554)	(2,832)
Extraordinary Income		
Gain on prior period adjustment	37	—
Gain on sales of investment securities	84	—
Gain on reversal of allowance for loan losses	15	231
Other extraordinary income	21	159
Total extraordinary income	159	391
Extraordinary Loss		
Loss from prior period adjustment	92	—
Prior-year provision for product warranties	81	—
Special retirement payments	—	65
Other extraordinary losses	87	66
Total extraordinary loss	262	131
Loss before Income Taxes	(657)	(2,572)
Current Income Taxes	554	44
Income Taxes for Prior Periods	(104)	(127)
Deferred Income Taxes	828	153
Total Income Taxes	1,279	69
Minority Interests in Income (Loss)	51	(91)
Net Loss	(1,987)	(2,551)

(3) Consolidated statement of cash flows

(In million yen)

	1-2Q FY 2009 (April 1, 2008 – September 30, 2008)	1-2Q FY 2010 (April 1, 2009 – September 30, 2009)
Cash Flows from Operating Activities		
Loss before income taxes	(657)	(2,572)
Depreciation	1,467	1,357
Amortization of goodwill	177	219
Change in provisions for doubtful accounts	231	(204)
Interest and dividend income	(108)	(34)
Interest expenses	283	341
Foreign exchange loss (gain)	(64)	44
Loss (gain) in trade receivables	3,053	4,147
Loss (gain) in inventories	(2,585)	2,648
Gain (loss) in trade payables	(1,706)	(1,384)
Gain (loss) in other accounts payable	(260)	(279)
Other operating cash flows	1,506	(191)
Subtotal	1,336	4,094
Interest and dividend income received	113	34
Interest expenses paid	(284)	(340)
Special retirement payments	—	(65)
Income taxes returned (paid)	(600)	567
Net cash provided by operating activities	565	4,289
Cash Flows from Investing Activities		
Increase in time deposits	(385)	—
Decrease in time deposits	—	12
Expenses for purchases of property, plant, and equipment	(1,468)	(213)
Proceeds from sale of property, plant, and equipment	152	125
Expenses for purchase of intangible assets	(629)	(43)
Proceeds from sale of intangible assets	17	0
Expenses for purchase of investment securities	(1,181)	(2)
Proceeds from sale of investment securities	1,399	36
Expense for purchase of shares in subsidiaries and affiliates	—	(243)
Proceeds from sale of shares in subsidiaries and affiliates	—	8
Expenditure for payment of capital in affiliates	(119)	(210)
Expenses for loans provided	(2,994)	(303)
Proceeds from loans collected	222	178
Other investing cash flows	(77)	117
Net cash used in investing activities	(5,064)	(537)

(In million yen)

	1-2Q FY 2009 (April 1, 2008 – September 30, 2008)	1-2Q FY 2010 (April 1, 2009 – September 30, 2009)
Cash Flows from Financing Activities		
Change in short-term borrowings	1,053	(4,857)
Proceeds from long-term borrowings	3,721	600
Expenses for redemption of long-term borrowings	(2,518)	(1,433)
Expenses for redemption of bonds	(210)	(717)
Proceeds from stock issuance to minority shareholders	15	253
Expenses for purchase of treasury shares	(1,163)	(0)
Cash dividends paid	(518)	—
Cash dividends paid to minority shareholders	(150)	—
Expenses for payment of finance lease obligations	(80)	(161)
Other financing cash flows	(225)	(150)
Net cash flows from financing activities	(75)	(6,465)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	84	40
Net Change in Cash and Cash Equivalents	(4,489)	(2,672)
Cash and Cash Equivalents, Beginning of Year	19,781	18,693
Net Cash and Cash Equivalents, End of the 2nd Quarter	15,292	16,021

(4) Notes on premise of going concern.

No relevant category.

(5) Segment Information

[Operational segment]

2nd Quarter 2009 (from April 1, 2008, to September 30, 2008)

	Machine Tool Operations (¥ Million)	Industrial Machinery Operations (¥ Million)	Other Operations (¥ Million)	Total (¥ Million)	Elimination or Corporate Overhead (¥ Million)	Consolidated (¥ Million)
Net Sales						
(1) Sales to outside customers	19,859	7,885	3,173	30,917	—	30,917
(2) Inter-segment sales or transfers	14	2	85	102	(102)	—
Total	19,873	7,887	3,258	31,019	(102)	30,917
Operating income (loss)	446	317	(341)	422	(819)	(396)

Notes: 1. Criteria for determining business segments

Business segments have been determined based on Japanese Industrial Standards.

2. Main products by business segment

Machine tool operations NC electric discharge machining tools, machining centers, small-hole drilling machines and peripherals.

Industrial machinery operations Plastic injection molding machines and peripherals

Other operations Integrated mold production systems, processed synthetic resin products, food processing machinery, and related equipment and peripherals.

3. Change in accounting method

(Provisional Guidelines for the Accounting Treatment of Foreign Subsidiaries in the Preparation of Consolidated Financial Statements)

From the beginning of the period under review, the Company applies the *Provisional Guidelines for the Accounting Treatment of Foreign Subsidiaries in the Preparation of Consolidated Financial Statements* (Practical Solutions Statement No. 18; May 17, 2006). As a result of this change, operating income for the period under review at the Machine Tool Operations declined ¥112 million compared with the previous accounting method.

2nd Quarter 2010 (from April 1, 2009, to September 30, 2009)

	Machine Tool Operations (¥ Million)	Industrial Machinery Operations (¥ Million)	High-precision Mold and Die Machinery Operations (¥ Million)	Food Processing Machinery Operations (¥ Million)	Other Operations (¥ Million)	Total (¥ Million)	Elimination or Corporate Overhead (¥ Million)	Consolidated (¥ Million)
Net Sales								
(1) Sales to outside customers	9,690	3,388	1,377	899	106	15,463	—	15,463
(2) Inter-segment sales or transfers	5	12	0	—	23	40	(40)	—
Total	9,696	3,400	1,377	899	130	15,504	(40)	15,463
Operating loss	(1,143)	(124)	(178)	(548)	(17)	(2,012)	(657)	(2,670)

Notes: 1. Criteria for determining business segments

Business segments have been determined based on Japanese Industrial Standards and segmentation method for internal control.

2. Main products by business segment

Machine Tool Operations.....NC electric discharge machining tools, machining centers, small-hole drilling machines and peripherals.

Industrial Machinery Operations.....Plastic injection molding machines and peripherals

High-precision Mold and Die Machinery Operations

High-precision molds, High-precision dies, processed synthetic resin products and related equipment and peripherals.

Food Processing Machinery Operations ...Food processing machinery and related equipment and peripherals.

Other Operations,Integrated mold production systems, ceramic products, and related equipment and peripherals.

3. Change in segments by type of operations

Because their importance in terms of value has increased, beginning from the current consolidated fiscal year, High-precision Mold and Die Machinery Operations and Food Processing Machinery Operations, which previously were included in “Other Operations,” will be listed separately as “High-precision Mold and Die Machinery Operations” and “Food Processing Machinery Operations”.

The segment information for the second quarter of the previous consolidated fiscal year, classified according to segments by type of operations using the business segment classifications for the second quarter of the current consolidated fiscal year, are shown below.

2nd Quarter 2009 (from April 1, 2008, to September 30, 2008)

	Machine Tool Operations (¥ Million)	Industrial Machinery Operations (¥ Million)	High-precision Mold and Die Machinery Operations (¥ Million)	Food Processing Machinery Operations (¥ Million)	Other Operations (¥ Million)	Total (¥ Million)	Elimination or Corporate Overhead (¥ Million)	Consolidated (¥ Million)
Net Sales								
(1) Sales to outside customers	19,859	7,885	2,318	412	442	30,917	—	30,917
(2) Inter-segment sales or transfers	14	2	3	5	81	107	(107)	—
Total	19,873	7,887	2,322	417	523	31,025	(107)	30,917
Operating income (loss)	446	317	(165)	(173)	(1)	422	(819)	(396)

[Geographic segments]

2nd Quarter 2009 (from April 1, 2008, to September 30, 2008)

	Japan (¥ Million)	North and South America (¥ Million)	Europe (¥ Million)	Asia (¥ Million)	Total (¥ Million)	Elimination or corporate overhead (¥ Million)	Consolidated (¥ Million)
Net Sales							
(1) Sales to outside customers	19,120	2,024	3,537	6,236	30,917	—	30,917
(2) Inter-segment sales or transfers	9,345	116	1	9,904	19,367	(19,367)	—
Total	28,465	2,140	3,538	16,140	50,285	(19,367)	30,917
Operating income (loss)	1,191	26	121	(222)	1,116	(1,513)	(396)

Notes: 1. Criteria for determining geographic segments by country and region, and constituent principal countries and regions by geographic segment

(1) Criteria for determining geographic segments by country and region: Geographic proximity.

(2) Constituent principal countries and regions by geographic segment

North and South America..... United States

Europe Germany, England

Asia..... China, Taiwan, Hong Kong, Thailand, Singapore, Korea

2. Change in accounting method

(Provisional Guidelines for the Accounting Treatment of Foreign Subsidiaries in the Preparation of Consolidated Financial Statements)

From the beginning of the period under review, the *Company applies the Provisional Guidelines for the Accounting Treatment of Foreign Subsidiaries in the Preparation of Consolidated Financial Statements* (Practical Solutions Statement No. 18; May 17, 2006). As a result of this change, the operating loss recognized for the period under review at the “Asia” segment increased ¥112 million compared with the previous accounting method.

2nd Quarter 2010 (from April 1, 2009, to September 30, 2009)

	Japan (¥ Million)	North and South America (¥ Million)	Europe (¥ Million)	Asia (¥ Million)	Total (¥ Million)	Elimination or corporate overhead (¥ Million)	Consolidated (¥ Million)
Net Sales							
(1) Sales to outside customers	9,457	1,109	1,458	3,437	15,463	—	15,463
(2) Inter-segment sales or transfers	1,286	18	160	1,956	3,423	(3,423)	—
Total	10,744	1,128	1,619	5,394	18,886	(3,423)	15,463
Operating income (loss)	(1,718)	(42)	(89)	(1,064)	(2,915)	244	(2,670)

Notes: 1. Criteria for determining geographic segments by country and region, and constituent principal countries and regions by geographic segment

(1) Criteria for determining geographic segments by country and region: Geographic proximity.

(2) Constituent principal countries and regions by geographic segment

North and South America..... United States

Europe Germany, England

Asia..... China, Taiwan, Hong Kong, Thailand, Singapore, Korea

[Overseas sales]

2nd Quarter 2009 (from April 1, 2008, to September 30, 2008)

	North and South America	Europe	Asia	Total
I. Overseas sales (¥ Million)	2,491	3,851	10,047	16,390
II. Consolidated sales (¥ Million)	—	—	—	30,917
III. Overseas sales as percentage of consolidated sales (%)	8.1	12.5	32.5	53.0

Notes: 1. Overseas sales refer to sales of the Company and its consolidated subsidiaries made in countries and regions other than Japan.

2. Criteria for determining geographic segments by country and region, and constituent principal countries and regions by geographic segment

(1) Criteria for determining geographic segments by country and region: Geographic proximity.

(2) Constituent principal countries and regions by geographic segment

North and South America..... United States, Canada, Mexico

Europe Germany, Russia, Italy, Turkey, France, England

Asia..... China, Taiwan, Hong Kong, Thailand, Singapore, Korea

2nd Quarter 2010 (from April 1, 2009, to September 30, 2009)

	North and South America	Europe	Asia	Total
I. Overseas sales (¥ Million)	1,206	1,512	5,734	8,453
II. Consolidated sales (¥ Million)	—	—	—	15,463
III. Overseas sales as percentage of consolidated sales (%)	7.8	9.8	37.1	54.7

Notes: 1. Overseas sales refer to sales of the Company and its consolidated subsidiaries made in countries and regions other than Japan.

2. Criteria for determining geographic segments by country and region, and constituent principal countries and regions by geographic segment

(1) Criteria for determining geographic segments by country and region: Geographic proximity.

(2) Constituent principal countries and regions by geographic segment

North and South America..... United States, Canada, Mexico

Europe Germany, Russia, Italy, Turkey, France, England

Asia..... China, Taiwan, Hong Kong, Thailand, Singapore, Korea

- (6) Notes in case of significant variation in shareholders' equity
No significant changes.

(7) Material subsequent events

Pursuant to resolution of the ordinary general meeting of shareholders held on June 26, 2009, as of October 1, 2009, as the merger date (effective date), the Company has merged and absorbed its subsidiary Sodick Hightech Co., Ltd.

- Names and business lines of the parties to the merger, legal form of the merger, corporate name after the merger, and transaction outline and purpose of the merger

(i) Names and business lines of the parties to the merger

Merging party

Name: Sodick Co., Ltd.

Business lines: Development, manufacture, and sales of machine tools

Merged party

Name: Sodick Hightech Co., Ltd.

Business lines: Sales and maintenance of peripherals and consumables for electric discharge machining tools; manufacture of metal products; manufacture and sales of high-precision machining tools

(ii) Legal form of the merger and corporate name after the merger

Merger by absorption between Sodick Co., Ltd. as the surviving entity and Sodick Hightech Co., Ltd. as the extinguished entity.

(iii) Transaction outline and purpose of the merger

The Group has been in a process of reviewing its organization structure and optimizing management resources so as to deal with the recent, and possibly prolonged, deterioration in its markets. Sodick Hightech Co., Ltd. has been engaged in business operations closely related to those of the Company, such as service operations supplemental to the machining tool operations of the Company and supply operations engaged in sales of consumables for machining tools. The merger aims to increase the effective use of management resources and human resources and to enhance management efficiency by integrating into the Company through a merger of a subsidiary closely related to it.

(iv) Merger schedule

Merger resolution by the board of directors' meeting: May 20, 2009

Conclusion of the merger agreement: May 20, 2009

Approval of the merger by the general meeting of shareholders: June 26, 2009

Scheduled merger date (effective date): October 1, 2009

The merger was for the Company approved by its general meeting of shareholders and for Sodick Hightech Co., Ltd. by the board of directors' meeting.

(v) Accounting treatment

The business combination is treated as a transaction under the joint control of the parties to the merger pursuant to the *Business Accounting Standard for Business Combinations* (Business Accounting Council; promulgated October 31, 2003) and the *Application Guidelines for the Business Accounting Standard for Business Combinations and the Business Accounting Standard for Divestitures, etc.* (Business Accounting Standard Application Guideline No. 10, promulgated November 15, 2007).