Summary of Financial Statements

February12, 2010

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 Tel: +81-45-942-3111
Date of filing of quarterly financial state: February 12, 2010
Date of dividend payout: —

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

1. Consolidated Results for the 3rd Quarter 2010 (from April 1, 2009 to December 31, 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	%
1–3Q FY 2010	25,389	(43.4)	(2,904)	—	(3,271)	—	(3,135)	—
1–3Q FY 2009	44,877	—	(738)	—	(3,069)	—	(5,459)	—

	Net income per share	Net income per share after dilution
	¥	¥
1–3Q FY 2010	(63.32)	—
1–3Q FY 2009	(108.52)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ Million	¥ Million	%	¥
1–3Q FY 2010	70,538	23,999	31.7	452.39
FY 2009	84,351	27,401	30.3	516.38

Note: Shareholders' equity: 1–3Q FY 2010: 22,398 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 in 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):

1–3Q FY 2010:	53,432,510 shares
FY 2009:	53,432,510 shares

(ii) Number of treasury shares as of the balance sheet date:

1–3Q FY 2010:	3,920,512 shares
FY 2009:	3,919,716 shares

(iii) Average number of shares (consolidated quarter results):

1–3Q FY 2010:	49,512,233 shares
1–3Q FY 2009:	50,312,048 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 saw its downside risks recede, albeit gradually, helped by economic stimulus measures from the government which included “eco-car” tax relief and “eco-point” subsidy schemes respectively for buyers of environment friendly cars and electric appliances. However, absent improvements in employment and corporate earnings, the operating environment remains under intense pressure.

Thanks to economic recovery in China and other emerging economies with rising demand for environmental product applications, the machine tools and industrial machinery industries displayed first signs of a demand recovery in some areas and business types, yet overall conditions remained weak.

In this environment, the Group continued to work from last year on forming structures designed to deal with anemic demand, including restructuring and cost cutting, and engaged in developing and expanding sales of products for countries and regions where demand is expected to grow going forward.

In the period under review, consolidated net sales totaled ¥25,389 million, which was ¥19,487 million or 43.4% lower than the same period of the previous year. The Group posted an operating loss of ¥2,904 million (¥738 million in the same period of the previous year), an ordinary loss of ¥3,271 million (¥3,069 million in the same period of the previous year), and a net loss for the period of ¥3,135 million (¥5,459 million in the same period of the previous year).

2. Qualitative Information Concerning Consolidated Financial Position

Total assets declined ¥13,768 million compared with the end of the previous fiscal year to ¥70,583 million. This reduction was mainly due to ¥5,116 million lower cash and deposits, ¥3,277 million lower inventories, and ¥2,828 million lower trade notes and accounts receivable.

Total liabilities declined ¥10,366 million compared with the end of the previous fiscal year to ¥46,583 million. The main reason for the decline was a ¥10,316 million drop in interest-bearing debt including short-term loans.

Net assets fell ¥3,401 million compared with the end of previous consolidated fiscal year to ¥23,999 million. The main reason was a net loss of ¥3,135 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

(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) Valuation of inventories
For the calculation of consolidated inventories at the end of the period under review, physical inventory-taking has been omitted. Inventories have been calculated using a reasonable method based on the physical inventory-taking at the end of the previous quarter.

(iii) 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.

(iv) 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 third 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)

	1–3Q FY 2010 (As of December 31, 2009)	Summary of consolidated balance sheets for previous FY (Ended of March 31, 2009)
Assets		
Current assets		
Cash and deposits	13,601	18,717
Notes and accounts receivable – trade	10,638	13,467
Commodity and merchandise	4,704	5,997
Work-in-process	4,927	5,933
Raw materials and inventory	4,774	5,753
Other current assets	1,702	2,321
Allowance for doubtful accounts	(734)	(892)
Total current assets	39,613	51,297
Fixed assets		
Tangible fixed assets		
Buildings and structures	18,687	18,732
Machinery, equipment and vehicles	12,453	12,956
Other fixed assets	11,583	11,725
Accumulated depreciation	(18,547)	(17,765)
Total tangible fixed assets	24,176	25,649
Intangible fixed assets		
Goodwill	2,019	2,617
Other intangible fixed assets	805	889
Total intangible fixed assets	2,824	3,507
Investments and other assets		
Other assets	4,376	4,293
Allowance for doubtful accounts	(407)	(395)
Total investments and other assets	3,968	3,897
Total fixed assets	30,969	33,053
Total assets	70,583	84,351

(In million yen)

	1–3Q FY 2010 (As of December 31, 2009)	Summary of consolidated balance sheets for previous FY (Ended of March 31, 2009)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,843	5,724
Short-term loans payable	20,593	28,113
Long-term borrowings redeemable within one year	2,710	2,451
Income taxes payable	96	—
Allowance	443	702
Other current liabilities	4,047	5,818
Total current liabilities	34,734	42,809
Fixed liabilities		
Corporate bonds	959	1,226
Long-term loans payable	8,806	10,095
Provision for retirement benefits	974	944
Allowance	170	351
Other fixed liabilities	938	1,522
Total fixed liabilities	11,849	14,140
Total liabilities	46,583	56,950
Net Assets		
Shareholders' equity		
Capital stock	20,775	20,775
Capital surplus	6,949	6,949
Retained earnings	(1,446)	1,698
Treasury stock	(2,135)	(2,135)
Total shareholders' equity	24,142	27,288
Evaluation and conversion difference		
Unrealized gain (loss) on available-for-sale securities	(35)	(135)
Deferred gains or losses on hedges	—	(6)
Foreign currency translation adjustment	(1,708)	(1,579)
Total evaluation and conversion difference	(1,744)	(1,721)
Subscription rights to shares	47	71
Minority interests	1,553	1,762
Total net assets	23,999	27,401
Total Liabilities and Net Assets	70,583	84,351

(2) Statements of income

(In million yen)

	1–3Q FY 2009 (April 1, 2008 – December 31, 2008)	1–3Q FY 2010 (April 1, 2009 – December 31, 2009)
Net Sales	44,877	25,389
Cost of Sales	32,168	19,726
Gross Profit	12,708	5,662
Reversal of Unrealized Income on Installment Sales	13	4
Unrealized Income on Installment Sales	3	0
Gross Profit after Income Deferrals	12,719	5,666
Selling, General and Administrative Expenses		
Personal expenses	5,396	3,417
Reversal of allowance for loan losses	498	57
Amortization of goodwill	266	280
Other	7,295	4,814
Total selling, general and administrative expenses	13,457	8,570
Operating Loss	(738)	(2,904)
Non-operating Income		
Interest income	61	14
Dividends income	70	71
Gain on valuation of derivatives	—	226
Others	370	291
Total non-operating income	502	603
Non-operating Expenses		
Interest expenses	433	497
Foreign exchange loss	1,553	—
Loss on valuation of derivatives	453	—
Syndicate loan expenses	225	189
Other non-operating expenses	169	284
Total non-operating expense	2,834	971
Ordinary Loss	(3,069)	(3,271)

(In million yen)

	1–3Q FY 2009 (April 1, 2008 – December 31, 2008)	1–3Q FY 2010 (April 1, 2009 – December 31, 2009)
Extraordinary Income		
Gain on prior period adjustment	37	—
Gain on sales of investment securities	84	2
Gain on reversal of allowance for loan losses	94	248
Other extraordinary income	39	175
Total extraordinary income	255	426
Extraordinary Loss		
Loss from prior period adjustment	92	—
Loss from revaluation of investment securities	413	—
Loss from revaluation of investments in subsidiaries and affiliates	—	93
Prior-year provision for product warranties	81	—
Special retirement payments	—	62
Other extraordinary losses	244	94
Total extraordinary loss	833	250
Loss before Income Taxes	(3,647)	(3,095)
Current Income Taxes	482	127
Income Taxes for Prior Periods	(104)	(127)
Deferred Income Taxes	1,668	207
Total Income Taxes	2,046	207
Minority Interests Loss	(234)	(167)
Net Loss	(5,459)	(3,135)

(3) Consolidated statement of cash flows

(In million yen)

	1–3Q FY 2009 (April 1, 2008 – December 31, 2008)	1–3Q FY 2010 (April 1, 2009 – December 31, 2009)
Cash Flows from Operating Activities		
Loss before income taxes	(3,647)	(3,095)
Depreciation	2,128	2,039
Amortization of goodwill	266	280
Change in provisions for doubtful accounts	87	(196)
Interest and dividend income	(132)	(85)
Interest expenses	433	497
Foreign exchange loss (gain)	1,154	0
Loss (gain) in trade receivables	5,634	2,730
Loss (gain) in inventories	(1,745)	3,161
Gain (loss) in trade payables	(3,424)	1,037
Gain (loss) in other accounts payable	(378)	(161)
Other operating cash flows	1,900	(185)
Subtotal	2,276	6,023
Interest and dividend income received	124	85
Interest expenses paid	(424)	(470)
Special retirement payments	—	(65)
Income taxes returned (paid)	(972)	559
Net cash provided by operating activities	1,004	6,131
Cash Flows from Investing Activities		
Increase in time deposits	(434)	(20)
Decrease in time deposits	—	12
Expenses for purchases of property, plant, and equipment	(1,953)	(321)
Proceeds from sale of property, plant, and equipment	507	194
Expenses for purchase of intangible assets	(625)	(107)
Proceeds form sale of intangible assets	17	2
Expenses for purchase of investment securities	(1,181)	(3)
Proceeds from sale of investment securities	1,413	55
Expense for purchase of shares in subsidiaries and affiliates	(3,037)	(274)
Proceeds from sale of shares in subsidiaries and affiliates	—	8
Expenditure for payment of capital in affiliates	(119)	(230)
Expenses for loans provided	(3,014)	(337)
Proceeds from loans collected	1,525	225
Other investing cash flows	(58)	156
Net cash used in investing activities	(6,958)	(639)

(In million yen)

	1–3Q FY 2009 (April 1, 2008 – December 31, 2008)	1–3Q FY 2010 (April 1, 2009 – December 31, 2009)
Cash Flows from Financing Activities		
Change in short-term borrowings	3,407	(7,501)
Proceeds from long-term borrowings	4,616	900
Expenses for redemption of long-term borrowings	(3,053)	(1,930)
Expenses for redemption of bonds	(260)	(1,767)
Proceeds from stock issuance to minority shareholders	15	253
Expenses for purchase of treasury shares	(1,163)	(0)
Cash dividends paid	(1,013)	—
Cash dividends paid to minority shareholders	(169)	—
Expenses for payment of finance lease obligations	(94)	(254)
Other financing cash flows	(225)	(189)
Net cash flows from financing activities	2,060	(10,489)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(589)	(108)
Net Change in Cash and Cash Equivalents	(4,483)	(5,106)
Cash and Cash Equivalents, Beginning of Year	19,781	18,693
Increase in Cash and Cash Equivalents Due to Merger of Non-consolidated Subsidiaries and Affiliates	—	2
Net Cash and Cash Equivalents, End of the 3rd Quarter	15,298	13,589

(4) Notes on premise of going concern.
No relevant category.

(5) Segment Information
[Operational segment]
3rd Quarter 2009 (from April 1, 2008, to December 31, 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	29,351	10,745	4,780	44,877	—	44,877
(2) Inter-segment sales or transfers	18	3	118	141	(141)	—
Total	29,369	10,749	4,899	45,018	(141)	44,877
Operating income (loss)	569	320	(426)	463	(1,202)	(738)

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 ¥338 million compared with the previous accounting method.

3rd Quarter 2010 (from April 1, 2009, to December 31, 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	15,624	5,503	2,509	1,592	158	25,389	—	25,389
(2) Inter-segment sales or transfers	16	12	1	—	35	65	(65)	—
Total	15,640	5,516	2,510	1,592	193	25,454	(65)	25,389
Operating income (loss)	(1,013)	(131)	2	(740)	(57)	(1,940)	(963)	(2,904)

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

3rd Quarter 2009 (from April 1, 2008, to December 31, 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	29,351	10,745	3,220	895	664	44,877	—	44,877
(2) Inter-segment sales or transfers	18	3	4	5	114	146	(146)	—
Total	29,369	10,749	3,224	900	779	45,023	(146)	44,877
Operating income (loss)	569	320	(269)	(148)	(8)	463	(1,202)	(738)

[Geographic segments]
3rd Quarter 2009 (from April 1, 2008, to December 31, 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	26,559	2,835	4,719	10,763	44,877	—	44,877
(2) Inter-segment sales or transfers	12,067	150	13	12,086	24,317	(24,317)	—
Total	38,626	2,986	4,733	22,849	69,195	(24,317)	44,877
Operating income (loss)	695	20	122	(337)	501	(1,239)	(738)

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)
As stated in Item 2. (2) of *Changes in Significant Items Forming the Basis for the Creation of the 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 ¥338 million compared with the previous accounting method.

3rd Quarter 2010 (from April 1, 2009, to December 31, 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	15,820	1,701	2,284	5,582	25,389	—	25,389
(2) Inter-segment sales or transfers	2,349	53	240	3,305	5,948	(5,948)	—
Total	18,169	1,754	2,524	8,888	31,338	(5,948)	25,389
Operating loss	(1,761)	(23)	(47)	(1,251)	(3,083)	179	(2,904)

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]

3rd Quarter 2009 (from April 1, 2008, to December 31, 2008)

	North and South America	Europe	Asia	Total
I. Overseas sales (¥ Million)	3,143	5,144	15,255	23,544
II. Consolidated sales (¥ Million)	—	—	—	44,877
III. Overseas sales as percentage of consolidated sales (%)	7.0	11.5	34.0	52.5

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

3rd Quarter 2010 (from April 1, 2009, to December 31, 2009)

	North and South America	Europe	Asia	Total
I. Overseas sales (¥ Million)	1,857	2,337	9,450	13,645
II. Consolidated sales (¥ Million)	—	—	—	25,389
III. Overseas sales as percentage of consolidated sales (%)	7.3	9.2	37.2	53.7

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

The Board of Directors at its meeting of January 19, 2010, resolved to pass the following management rationalization measures.

1. Reasons for the implementation of management rationalization measures

   The global recession after the financial crisis in the fall of 2008 caused a substantial decline in corporate capital expenditure, with a continuing negative operating environment for the Company. In particular, the Group's main market, i.e., the domestic market for machine tools, has been contracting and the effect of this contraction on the financial results of the Group is significant. Overseas, on the other hand, in emerging markets centered on China, the recovery and expansion in machine tool markets should continue for the time being, with overseas markets expected to account for an increasingly larger percentage of Group results.

   Although a range of management rationalization measures have been implemented by the Group in order to overcome the challenges from two years ago, for the creation of cost structures that permit earnings generation also in the domestic market environment expected for the future and for enabling more proactive business initiatives in the markedly expanding emerging markets, the board of directors has reviewed the allocation of management resources and determined the implementation of the following management rationalization measures.

2. Content of management rationalization measures

   (1) Transfer of head office functions and review of sales offices and the Fukui plant

   The Company maintains its head office functions in Yokohama, with sales offices situated in domestic key regions for dynamic sales and marketing activities, and owns a production site in Fukui. As part of the management rationalization measures, head office functions, sales offices, and the production site will be relocated and consolidated, and operating expenses curtailed across the board. Moreover, simultaneously with the transfer of head office functions, technical divisions previously separated between the Yokohama head office and the Fukui office will be consolidated to increase efficiency and enable product development consistent with the needs posed by the advanced application levels of domestic industries.

   (i) Transfer of head office functions

Name of the sites to be transferred:	Yokohama Head Office / Technical & Training Center (3-12-1 Nakamachidai, Tsuzuki-ku, Yokohama city, Kanagawa prefecture)
Designation of transfer destination:	Fukui office (78 Nagaya, Sakai-cho, Sakai city, Fukui prefecture)
Time of transfer:	February 2010 (scheduled)

   (ii) Review of sales offices

   Domestic sales offices will comprise eight offices located in Sendai, Omiya, Yokohama, Matsumoto, Shizuoka, Nagoya, Osaka, Fukuoka (sales offices). For maintenance services for the products of the Company, sub-offices will be established which together with the sales offices listed above will continue the hitherto maintenance service system

   (iii) Review of the Fukui plant

   Staff deployment at the Fukui plant, a domestic production site, will be reviewed and production facilities rationalized to enhance production efficiency.

   (2) Solicitation for applicants for voluntary retirement

(i)	Eligible applicants:	As rule, all employees aged above thirty years (478 employees as of December 31, 2009)
(ii)	Number of applicants sought:	Approximately 150 applicants
(iii)	Application period:	January 21, 2010 – February 8, 2010
(iv)	Retirement date:	March 15, 2010
(v)	Retirement terms:	Retirees will be paid a special lump-sum retirement allowance in addition to the prescribed retirement allowance.
(vi)	Support measures:	Retirees will be provided with re-employment support services by an external specialized firm.