Summary of Financial Statements for the Year Ended March 31, 2010

May 18, 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 annual general meeting of shareholders: June 29, 2010
Date of filing of consolidated financial statements: June 29, 2010
Date of dividend payout: —

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

1. Consolidated Results for the Year Ended March 31, 2010 (from April 1, 2009 to March 31, 2010)

(1) Consolidated Financial Results (Percentages indicate year-to-year changes)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
FY 2010	36,761	(32.6)	(2,688)	—	(3,073)	—	(3,669)	—
FY 2009	54,533	(27.9)	(2,512)	—	(5,717)	—	(8,527)	—

	Net income per share	Net income per share after dilution	Ratio of net income to shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	¥	¥	%	%	%
FY 2010	(74.11)	—	(15.3)	(3.9)	(7.3)
FY 2009	(170.15)	—	(26.8)	(6.1)	(4.6)

Reference: Equity in earnings (losses) of non-consolidated subsidiaries and affiliates:
FY 2010: (¥60 million) FY 2009: (¥63 million)

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net assets per share
	¥ Million	¥ Million	%	¥
FY 2010	72,767	23,848	30.6	449.54
FY 2009	84,351	27,401	30.3	516.38

Reference: Shareholders' equity: FY 2010: ¥22,257 million FY 2009: ¥25,567 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of fiscal year
	¥ Million	¥ Million	¥ Million	¥ Million
FY 2010	7,256	(693)	(9,437)	15,804
FY 2009	1,935	(7,088)	4,605	18,693

2. Cash Dividends

	Cash dividends per share					Total cash dividend paid (Annual)	Payout Ratio (Consolidated)	Ratio of dividend paid to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total			
	Yen	Yen	Yen	Yen	Yen	¥ Million	%	%
FY 2009	—	10.00	—	0.00	10.00	495	(5.9)	1.6
FY 2010	—	0.00	—	0.00	0.00	—	—	—
FY 2011 (forecast)	—	—	—	—	—		—	

Note: At present, no dividend projections for the fiscal year ending March 2011 have been determined.

3. Forecast for the Year Ending March 31, 2011 (from April 1, 2010, to March 31, 2011)

(Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	¥
Six months to September 30, 2010	21,500	39.0	400	—	170	—	40	—	0.81
Year to March 31, 2011	44,500	21.1	1,200	—	740	—	315	—	6.36

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

Newly added: — ( )

Removed: 1 company (company name: Sodick Sales Japan Co., Ltd.)

Note: For details, see p. 7, “Corporate Group”.

(2) Changes in accounting principles, procedures and method of presentation pertaining to preparation of the 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. 19, “Important Matters Concerning the Basis of Preparation of Consolidated Financial Statements”.

(3) Number of shares issued and outstanding (shares of common stock)

(i) Shares issued and outstanding as of the balance sheet date (including treasury shares):

FY 2010: 53,432,510 shares
FY 2009: 53,432,510 shares

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

FY 2010: 3,920,587 shares
FY 2009: 3,919,716 shares

Note: For information on the number of shares which are the calculation basis for net income per share (consolidated), see p. 22, “Per-share information”.

(Reference) Summary of Non-Consolidated Results

1. Non-Consolidated Results for the Year Ended March 31, 2010 (from April 1, 2009 to March 31, 2010)

(1) Consolidated Financial Results (Percentages indicate year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
FY 2010	12,090	(17.3)	(1,680)	—	(1,678)	—	(2,002)	—
FY 2009	14,614	(38.5)	(826)	—	(1,960)	—	(4,736)	—

	Net income per share	Net income per share after dilution
	¥	¥
FY 2010	(40.44)	—
FY 2009	(94.52)	—

(2) Non-consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net assets per share
	¥ Million	¥ Million	%	¥
FY 2010	56,025	24,616	43.9	496.70
FY 2009	58,876	28,728	48.7	579.55

Reference: Shareholders’ equity: FY 2010: ¥24,592 million FY 2009: ¥28,695 million

* Disclaimer

1. 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.
2. No dividend projections for the fiscal year ending March 2011 have been determined. Year-end dividend estimates will be released immediately when available.

1. Operating Results

(1) Management discussion and analysis

The Japanese economy in the period under review stopped deteriorating helped by rising exports to Asia centered on China as well as thanks to governmental economic stimulus. The outlook remained uncertain, however, with progressing deflation and yen appreciation delaying a recovery in corporate earnings and amid unchanged weakness in personal consumption and worsening employment conditions.
As to the operating environment of the Group, unstable conditions continued as the dies and molds industry, a principal customer of the Group, kept holding back with capital investment.
Amid this environment, the Group absorbed Sodick Hightech Co., Ltd., a major subsidiary, pursued various business rationalization measures including the relocation and consolidation of operating bases, review of staff deployment, and enforcement of expense reductions, while working on the development of products for new emerging markets with potential for future growth., and in this way prepared operations for the time after the economic rebound.
Based on these developments, consolidated sales declined ¥17,771 million (-32.6%) compared with previous fiscal year to ¥36,761 million. Earnings experienced an operating loss of ¥2,688 million (loss of ¥2,512 million a year ago), ordinary loss of ¥3,073 million (loss of ¥5,717 million a year ago), and a net loss for the period of ¥3,669 million (loss of ¥8,527 million a year ago).

Business by segment developed as follows.

Machine Tool Operations...............................
Machinery sales in electric discharge machining tools and precision cutting machines were affected by weak capital investment demand from customer industries including the dies and molds industry in the first half of the fiscal year, but thanks in part to the economic recovery in China the pace picked up in the second half. In this environment, the Group adjusted production and optimized inventory levels while working to raise revenue by promoting sales of consumables likely to see stable demand such as wires used with wire electric discharge machining tools. As a result, divisional sales decreased ¥13,243 million (-36.9%) compared with previous fiscal year to ¥22,631 million.

Industrial Machinery Operations ....
Small-scale precision injection molding machines, the mainstay of industrial machinery operations, performed strongly in a number of areas such as capital investment demand for LED products, but overall conditions were weak. As a result, divisional sales decreased ¥4,061 million (-33.3%) compared with previous fiscal year to ¥8,142 million.

High-Precision Mold and Die Machinery Operations ....
Production and sales in High-Precision Mold and Die Machinery Operations performed favorably thanks to increased orders for precision connectors for automotive applications, helped by strong sales of hybrid vehicles. As a result, divisional sales rose ¥16 million (+0.5%) compared with previous fiscal year to ¥3,724 million.

Food Processing Machinery Operations ....
Food Processing Machinery Operations develop and manufacture noodle production equipment and noodle production plants. Orders for noodle production plants developed positively. However, cost-increasing factors abounded, including a necessity for new development work in connection with some new orders. As a result, divisional sales rose ¥48 million (+2.4%) compared with previous fiscal year to ¥2,067 million.

Other Operations...
These operations engage in the production and sales of large-scale fine ceramics, and sales of integrated production systems for dies and molds. Demand for fine ceramics applications for LCD panel testing equipment during the period lacked strength. As a result, divisional sales decreased ¥602 million (-66.7%) compared with previous fiscal year to ¥300 million.

Segments by region developed as follows.

Japan ....
Weak capital investment demand from the dies and molds industry, a main customer, continued on from previous fiscal year, leaving the environment for new orders at bottom level. Despite efforts to restore earnings through structural adjustments designed to accommodate the changed domestic demand environment such as the streamlining of business systems, sales fell ¥18,572 million (-40.8%) compared with previous fiscal year to ¥26,922 million.

North and South America...............................
In North America demand came mainly from medical equipment related manufacturers, the aerospace industry, and energy development-related industries. Negative effects from the financial crisis were comparatively limited. As a result, regional sales decreased ¥1,022 million (-29.9%) compared with previous fiscal year to ¥2,396 million.

Europe...
The rapid deceleration in the capital investment inclination since the financial crisis in the previous fiscal year came to a halt, with signs of a turnaround in a number or regions including Russia and Turkey. In this environment, efforts were made to simplify regional sales systems and enhance the earnings structure. As a result, regional sales decreased ¥2,760 million (-44.0%) compared with previous fiscal year to ¥3,507 million.

Asia ....
Although the Asian region too was affected by the financial crisis, demand for China-bound capital goods increased, marking a recovery trend emerging ahead of other regions. Capital investment inclination was particularly strong in applications for electronic devices such mobile phones and netbooks. Although the market environment in this region developed steadily in the second half of the fiscal year, weak conditions in the first half lowered regional sales by ¥12,669 million (-49.1%) compared with previous fiscal year to ¥13,154 million.

(2) Analysis of financial position

1) Assets, liabilities, and net assets

Compared with the previous fiscal year, consolidated assets as of the end of the term under review decreased ¥11,584 million to ¥72,767 million. This was mainly due to a decrease of ¥4,086 million in inventories, while cash and deposits reduced ¥2,900 million and notes and accounts receivable – trade ¥1,572 million.

Consolidated liabilities compared with the end of the previous fiscal year decreased ¥8,030 million to ¥48,919 million. Main factors were a ¥9,126 million drop in interest-bearing debt comprised of short-term and long-term borrowings and bonds, partly offset by a ¥1,313 million increase in notes and accounts payable.

Net assets declined ¥3,553 million compared with previous fiscal year to ¥23,848 million due to the accounting recognition of a ¥3,669 million net loss for the period. As a result of the foregoing, the equity ratio came to 30.6%.

2) Cash flows

Due to the following changes in cash flow, consolidated cash and cash equivalents ("Cash") at the end of the period under review totaled ¥15,804 million, which was ¥2,888 million (-15.5%) lower than at the end of the previous fiscal year.

Consolidated cash flows for the period under review and their respective factors were as follows.

(Operating cash flows)

Net cash provided by operating activities was ¥7,256 million (compared with ¥1,935 million a year ago). This was mainly due to a ¥3,672 decrease in inventories, a ¥1,613 decrease in trade receivables, and ¥1,394 increase in trade payables.

(Investing cash flows)

Net cash used in investing activities was ¥693 million (compared with ¥7,088 million used in investing activities a year ago). This was mainly due to ¥521 million in expenses for property, plant, and equipment purchases and ¥340 million in repayment of loans, partly offset by ¥261 million in income from loan collection proceeds.

(Financing cash flows)

Net cash used in financing activities was ¥9,437 million (compared with ¥4,605 million a year ago). This was mainly due to expenses for a ¥6,462 million reduction in short-term loans, ¥2,434 million in bond redemptions, and ¥2,466 million repayment of long-term loans, partly offset by income from new long-term bank borrowing.

Trends in cash flow indicators of Sodick Group are shown below.

	FY 2007	FY 2008	FY 2009	FY 2010
Equity ratio (%)	40.8	36.6	30.3	30.6
Equity ratio based on market capitalization (%)	46.3	21.7	9.6	24.0
Ratio of cash flow to interest-bearing debt (years)	5.6	18.3	22.9	4.9
Interest coverage ratio (times)	16.9	3.9	3.2	12.2

Note: Equity ratio = Shareholders' equity / total assets

Equity ratio (%) based on market capitalization = Market capitalization / total assets

Ratio of cash flow to interest-bearing debt (years) = Interest-bearing debt / operating cash flow

Interest coverage ratio = Operating cash flow / interest paid

* All values are calculated based on consolidated financial data.
* Market capitalization is calculated by multiplying the fiscal year-end closing price of the Company's shares with the number of shares outstanding (less treasury stock) at fiscal year-end.
* Interest-bearing liabilities means all liabilities on the consolidated balance sheet on which interest is being paid.
* Operating cash flow and interest paid respectively refer to operating cash flow and interest paid as recorded on the consolidated statement of cash flows.

(3) Basic dividend policy and dividends for the current and following fiscal years

It has been the basic policy of the Company to pay stable and sustained dividends on shareholders valuable share capital while ensuring earnings retention for future business development and strengthening of the Company's capital structure. Based on this policy, the Company aims to pay income returns to shareholders reflecting a dividend-on-equity ratio (DOE) of 2% or higher, based on a comprehensive judgment of financial results and cash flows in the subject fiscal year.

Earnings retentions will be applied effectively from a long-term perspective to R&D activities and capital investments with a view to continuously improve financial results. As to dividends, based on the Company's fundamental policies and financial results, a year-end dividend will not be paid, further to the suspension of the interim dividend.

Moreover, no dividend projections for the next fiscal year are available at this time due to strong uncertainties surrounding the future operating environment. Estimates will be released as soon as a clear view has formed on the current and next fiscal years.

(4) Business risks

Business initiatives of Sodick Group and their conceivable main risk factors are described below. The Group is aware of the following potential risks and the Group takes steps to avoid or address should one or more of them materialize. Nonetheless, investment decisions concerning the shares of the Company require careful consideration of the matters set forth here and elsewhere in this document. Note that the following descriptions are not exhaustive and do not cover all risks that attach to investing in the shares of the Company.

Forward-looking statements contained herein reflect the judgment of Sodick Group as of the end of the term under review.

1) Effects of the business cycle on Sodick Group

Sodick Group's business results tend to be affected by business performances and capital investment trends in industries such as home electric appliances, precision machinery, semiconductors, and automobiles, etc. In case of long-term recession, deflation, or a global economic downturn, this could impact the business performance of the Group.

2) Risks related to new operations

Sodick Group is structurally highly susceptible to effects from the business performance of specific industries listed in Item 1) above, making it necessary for the Group to constantly acquire new customer strata and come to market with new products. However, depending on the case, it can take time until a new product comes to be appreciated by customers and starts contributing to sales and higher earnings. If this happens, it may affect the business performance of the Group due to the expenses for research and development and sales promotion that are incurred before costs can be recovered through product sales. Current products fitting this description include nano processing machines. Nano processing machinery refers to ultra-precision processing machinery enabling the processing of ultra-fine shapes such as dies and molds for optical components requiring extreme dimensional and excellent surface accuracy.

3) Risks from wide swings in foreign exchange rates

Overseas sales account for 53.0% of consolidated sales of Sodick Group, making the Group highly dependent on economic conditions prevailing in the respective buyer countries. Furthermore, since transactions with overseas subsidiaries are settled in US dollars, euros, and other foreign currencies, the financial results of the Group are in instances affected by shifts in foreign exchange rates. Especially in machine tool operations, given that 90% or more of main products are manufactured at locally incorporated subsidiaries in Thailand and China, production cost would increase if the yen were to appreciate strongly against the baht or the yuan, with possible effects on the business results of Sodick Group.

4) Risks affecting overseas production

As mentioned above in Item 3) with reference to wide swings in foreign exchange rates, 90% or more of machine tool operations' main products are manufactured in Thailand and China by locally incorporated subsidiaries. Consequently, lagging economic conditions and infrastructure development in these countries or a drastic change in the political situation would make it impossible to maintain stable product supply and affect scheduled delivery dates and product quality, with effects on the business results of the Group.

5) Risk from legal regulations

Shipment destinations for technology and product exports of Sodick Group include countries for which an export license of the Minister of Economy, Trade, and Industry is required as stipulated in Articles 25 and 48 of the Foreign Exchange and Foreign Trade Act. Although the export administration office of the Company implements rigorous checks to prevent product exports by the Group to countries that are subject to export controls, a product sale to such a country, if it were to happen, could affect business results due to legal sanctions and a loss of public confidence in the Company.

6) Competitive risk

Since Sodick Group has competitors in Japan and abroad, the Company is vulnerable to loss of market share if competitors by means of their technologies were to develop products that significantly exceed the scope that the Group is able to cover. Moreover, although the Group has been implementing strategies to differentiate its technology capabilities from competitors, if a price cutting offensive by competitors were to compel the Group to lower the prices for its products, this could apply downward pressure to earnings.

7) Procurement risk
The cost of products of the Company could be materially affected if price increases, driven by soaring crude oil prices and demand growth, were to continue in future for ferrous casts used for the machines main structure and stainless steel materials used for processing tanks, as well as for brass and copper used for consumables. Moreover, in case that the Group’s demand for components substantially exceeds suppliers’ supply capacity due to a temporary concentration of orders, the Group may lose the opportunity to acquire orders.

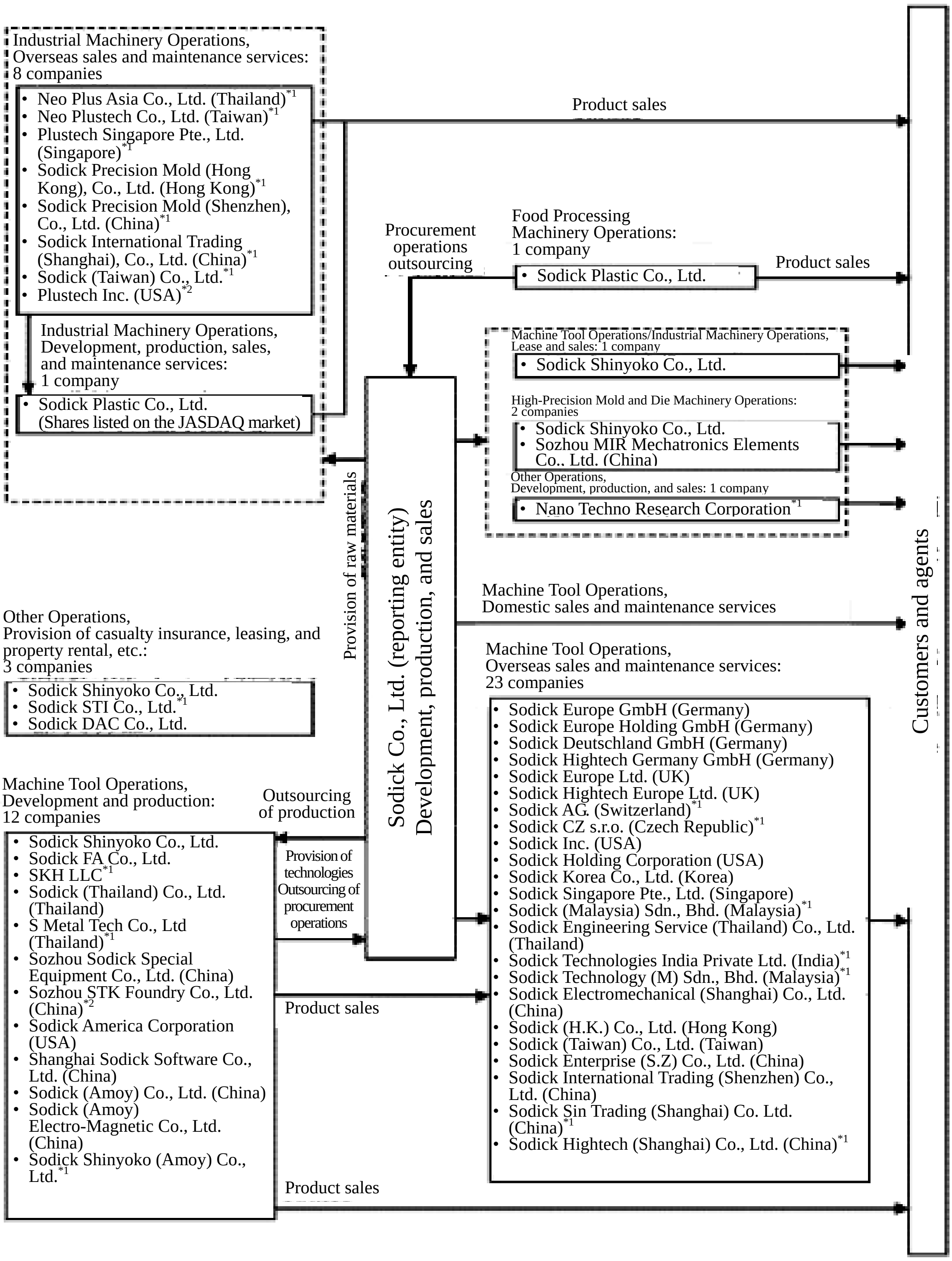
8) Risk from extraordinary accidents
In the event of a major industrial accident or material disaster involving factories and operating sites of the Group, the financial results of the Group could be affected by factors including, without limitation, loss of public trust and confidence, cost of accident countermeasures including indemnification, opportunity loss due to the suspension of production activities, and compensation to customers.

9) Risks from interest-bearing debt
Interest-bearing debt poses no risk of impacting the Group’s management thanks to currently strong cash flows. However, with interest-bearing debt of ¥35,100 million as of March 31, 2010, the Group’s results could be affected if interest rates were to rise going forward.

(5) Outlook for the next fiscal year
The outlook going forward is for an upturn also in the Japanese economy based on expectations that support will come from external demand of rebounding emerging economies, specifically China, India, and Brazil, which have been first to recover from the global recession and maintain high growth rates. Nonetheless, since a sudden upturn in business capital investment and personal consumption appears unlikely and with intense pressure on employment seen to continue, the pace of recovery in the business environment is expected to be slow.
In this setting, the Group will continue with exhaustive cost reductions while pursuing initiatives geared at emerging economies that offer future growth potential as well as new business operations. Especially in China the Group anticipates significant demand for its products, specifically manufacturing equipment for precision electronics such as mobile phones and netbooks, and manufacturing equipment for automotive electric components. In order to enable flexible action with regard to these favorable economies and regions, the Group will form global sales systems and strive to enhance its earnings basis, with the aim to return to black figures in the fiscal year to March 2011.
Group results forecasts for the fiscal year to March 2011 are for consolidated sales of ¥44,500 million (+21.1%), consolidated operating income of ¥1,200 million, consolidated ordinary income of ¥740 million, and consolidated net income of ¥315 million. The above results forecasts are based on assumed average foreign exchange rates during the fiscal year of JPY93/USD1.0 and JPY125/EUR1.0.
Note: The above forecasts are based on currently available information and involve known and unknown uncertainties and risks. Actual results may differ from the forecasts discussed above.

2. Corporate Group

The operations of the Group consists of (i) Machine Tool Operations engaged in the development, production, and sales of NC electric discharge machining tools, machining centers, and nano processing machinery, etc.; (ii) Industrial Machinery Operations engaged in the development, production, and sales of synthetic resin injection molding machinery, etc., (iii) High-Precision Mold and Die Machinery Operations engaged in the development, production, and sales of synthetic resin products, etc.; (iv) Food Processing Machinery Operations engaged in the development, production, and sales of noodle production plants and noodle production equipment, etc., and (v) Other Operations engaged in the development, production, and sales of integrated production systems for dies and mold and ceramics products and related equipment, etc., all of which are organically bonded and cooperating to contribute to Group business. The Company and its affiliates relate largely as follows to these individual operations.



Unmarked = Consolidated subsidiaries
*1 = Non-consolidated subsidiaries
*2 = Affiliates not included under the equity method

3. Management Policies

(1) Basic management policies

Helping customers with their production technologies has been a basic policy of Sodick Group, whose corporate name combines the Japanese words for creation, implementation, and overcoming resistance. Under these principles, acquiring customers' confidence by finding together with customers solutions for challenging manufacturing problems is what the Group considers most important for the continuous development of its operations. By concentrating the valuable experience accumulated until today and developing new technologies and products, the Group has been able to identify a wealth of business opportunities. While preserving this corporate philosophy, we will continue at the group-level to develop products that stand out for their technological predominance and contribute to customers' objectives, in the expectation that these efforts will connect to strengthening the earning power of the Group.

(2) Target management indicators

The Company prioritizes medium and long-term income profit returns to shareholders as well as strengthening its capital structure, and has selected the ratio of consolidated ordinary income and the debt-to-equity ratio as management indicators on which these priorities are predicated. In this fiscal year, the sudden change in environment and other factors cause results lower than the target but the Company will take effort to recover quickly as possible.

Category	Numerical target
Ratio of consolidated ordinary income	10% or higher
Debt to equity ratio	1.0 or less

(3) Medium-term management strategies

The Sodick Group's field of operations comprises a variety of business activities related to manufacturing, such as NC electric discharge machining tools, a field dating back to the founding of the Company, CAD/CAM systems for designing metal dies and molds, machining centers, nano processing machines, and injection molding machines; further, for use with this machinery and equipment of the Company, operations for the production of precision mold and dies and molded plastic items; and operations for external sales of machinery and equipment applications that employ technologies developed for the manufacture of the Group's products such as fine-ceramics components and linear motors.

The Group under its concept of "Creating the Future" will further strengthen its earning power by maintaining the capability to consistently provide capital goods needed by customers for their production based on the application of core technologies accumulated by the Group in supporting customers' manufacture, and by optimizing management resources through reorganization measures. Moreover, in order to realize medium-term and long-term growth, we will develop a Business Improvement Plan and work to enhance its business basis.

Moreover, next to Machine Tool Operations and Industrial Machinery Operations, as a business field the Group has been emphasizing Food Processing Machinery Operations. Demand for food processing machinery in the domestic market is less likely to be swayed by the economic cycle than Machine Tool Operations and Industrial Machinery Operations. In addition, overseas markets offer huge growth potential for Food Processing Machinery Operations given China's enormous population and rich culinary culture, among other factors. As with electric discharge machining tools, going forward, the Group aims to become a leading company also in the industry for food processing machinery and expand its business operations.

(4) Issues to be addressed

Issues to be addressed by Sodick Group are discussed below.

<Dealing with economic fluctuations>

Financial results Business performance in the machine tool industry is said to be easily swayed by the direction of capital investment in the manufacturing sector. To ensure continued future growth, it is necessary for Sodick Group to create a product structure resilient to trends in regional economies by accurately identifying current conditions in individual markets around the globe and by launching product groups consistent with these markets. Moreover, with regard to product structure, by acquiring yet wider customer strata through market launches of new products that are global premieres derived from relentless research and development, the Company aims to create a stable earnings structure that is not easily affected by the ups and downs of individual industry sectors and regional economic trends.

<Addressing new markets>

Ahead of competitors, Sodick Group has upgraded and expanded its production and development bases and sales offices in the growing markets of Southeast Asia and China. As a result, the Group has made success in selling electrical discharge machining tools in these regions, and it is estimated that the market shares of the Group's products in these regions are as high as in Japan. However, emerging economies (i.e., BRICS and VISTA countries) have in recent years come to prominence also in the world of manufacturing, prompting machine tool manufacturers to proactively establish sales subsidiaries in India, Brazil, Russia, and Eastern Europe, and strengthen support for sales agencies. The Group will continue to closely watch market developments and take appropriate action.

<Lowering input costs>

In manufacturing, the Group has been reviewing its production systems, including staff deployment, and at the same time promoted new product launches to address customer needs in the areas of automation and increased speed. To reduce input costs, we will continue to increase in-house production additional key components, while inventories will have to be optimized, production processes reviewed, and input cost management tightened.

<Enhancement of internal control frameworks>

Historically, to ensure perpetually continuing corporate growth, the Group has made it a policy to engage in fair management practices in order to win the trust of shareholders and other stakeholders. Moreover, for the sake of effective management amid continuing business growth, the Company has been working to establish internal control systems including risk management and compliance functions. And to promote the "Creation of internal control over financial reporting" following the legislation of the Financial Instruments and Exchange Act (the so-called J-SOX Act), the Group has taken action to enhance company-level internal control systems centered on an internal audit department. By continuing with proactive Group-level implementation of the provisions on the "Creation of internal control over financial reporting" and by strengthening controls across the group, frameworks will be designed and enhanced that are capable of ensuring the reliability and appropriateness of financial reporting.

<Financial position>

As of March 31, 2010, interest-bearing debt of Sodick Group totaled approximately ¥35,193 million. With the debt-to-equity ratio in the year period failing to fall below the target of 1.0 times, management will remain focused on the financial position. Various measures will be implemented going forward, including reducing interest-bearing debt, in order to expedite a robust financial strength enabling continuing income returns to shareholders.

4. Consolidated financial statements

(1) Consolidated balance sheets

(In million yen)

		FY 2009 (As of March 31, 2009)		FY 2010 (As of March 31, 2010)
Assets				
Current assets				
Cash and deposits	*3	18,717	*3	15,817
Notes and accounts receivable – trade		13,226		11,653
Claims to receivables from installment sales	*3	240		147
Commodity and merchandise		5,997		4,690
Work-in-process		5,933		4,160
Raw materials and inventory		5,753		4,745
Deferred tax assets		174		73
Other current assets	*3	2,147	*3	1,584
Allowance for doubtful accounts		(892)		(717)
Total current assets		51,297		42,156
Fixed assets				
Tangible fixed assets				
Buildings and structures	*3	18,732	*3	18,880
Machinery, equipment and vehicles		12,956		12,362
Tools, fixtures and equipment		3,016		2,714
Lease assets		1,541		1,607
Land	*3	7,052	*3	7,041
Construction in progress		115		1
Accumulated depreciation		(17,765)		(18,821)
Total tangible fixed assets		25,649		23,786
Intangible fixed assets				
Goodwill		2,617		1,946
Other intangible fixed assets		889		797
Total intangible fixed assets		3,507		2,743
Investments and other assets				
Investment securities	*4	1,502	*4	1,685
Long-term loans receivable		1,440		1,513
Other assets	*4	1,350	*4	1,151
Allowance for doubtful accounts		(395)		(269)
Total investments and other assets		3,897		4,081
Total fixed assets		33,053		30,611
Total assets		84,351		72,767

(In million yen)

		FY 2009 (As of March 31, 2009)		FY 2010 (As of March 31, 2010)
Liabilities				
Current liabilities				
Notes and accounts payable – trade		5,724		7,037
Short-term loans payable	*3, 6	28,113	*3, 6, 7	21,687
Long-term borrowings redeemable within one year	*3	2,451	*3	2,976
Bonds redeemable within one year	*3	2,434	*3	434
Accounts payable – other		1,118		1,117
Income taxes payable		—		188
Provision for bonuses		454		349
Provision for product warranties		244		204
Provisions for quality warranties		3		6
Other current liabilities		2,265		2,779
Total current liabilities		42,809		36,781
Fixed liabilities				
Corporate bonds		1,226	*3	792
Long-term loans payable	*3	10,095	*3, 7	9,303
Provision for retirement benefits		944		1,005
Provision for directors' retirement benefits		118		—
Provision for product warranties		146		84
Provision for loss on guarantees		86		48
Other fixed liabilities		1,522		903
Total fixed liabilities		14,140		12,137
Total liabilities		56,950		48,919
Net Assets				
Shareholders' equity				
Capital stock		20,775		20,775
Capital surplus		6,949		6,949
Retained earnings		1,698		(1,990)
Treasury stock		(2,135)		(2,135)
Total shareholders' equity		27,288		23,599
Evaluation and conversion difference				
Unrealized gain (loss) on available-for-sale securities		(135)		33
Deferred gains or losses on hedges		(6)		—
Foreign currency translation adjustment		(1,579)		(1,375)
Total evaluation and conversion difference		(1,721)		(1,341)
Subscription rights to shares		71		24
Minority interests		1,762		1,566
Total net assets		27,401		23,848
Total Liabilities and Net Assets		84,351		72,767

(2) Statements of income

(In million yen)

		FY 2009 (April 1, 2008 – March 31, 2009)		FY 2010 (April 1, 2009 – March 31, 2010)
Net Sales		54,533		36,761
Cost of Sales	*2	39,456	*2	27,877
Gross Profit		15,077		8,883
Reversal of Unrealized Income on Installment Sales		16		4
Unrealized Income on Installment Sales		3		0
Gross Profit after Income Deferrals		15,090		8,887
Selling, General and Administrative Expenses				
Personal expenses	*1	7,037	*1	4,443
Reversal of allowance for loan losses		576		147
Amortization of goodwill		375		354
Others	*2	9,612	*2	6,630
Total selling, general and administrative expenses		17,602		11,575
Operating Loss		(2,512)		(2,688)
Non-Operating Income				
Interest income		75		23
Foreign exchange gains		—		69
Lease income		69		39
Gain on revaluation of derivatives		—		238
Dividends income		71		73
Subsidy income		—		108
Other non-operating income		353		207
Total non-operating income		570		759
Non-Operating Expenses				
Interest expenses		603		640
Foreign exchange loss		2,244		—
Equity in losses of affiliates		63		60
Loss on revaluation of derivatives		407		—
Syndicate loan expenses		—		189
Other non-operating expenses		457		254
Total non-operating expenses		3,775		1,145
Ordinary Loss		(5,717)		(3,073)

(In million yen)

		FY 2009 (April 1, 2008 – March 31, 2009)		FY 2010 (April 1, 2009 – March 31, 2010)
Extraordinary Income				
Gain on sales of fixed assets	*3	15	*3	59
Gain on sales of investment securities		84		2
Gain on sales of shares in subsidiaries and affiliates		—		32
Reversal of allowance for loan losses		105		277
Reversal of allowance for retirement benefits		—		67
Gain on prior period adjustment	*7	37		—
Gain from changes in equity method		2		37
Other extraordinary income		50		134
Total extraordinary income		295		611
Extraordinary Loss				
Loss on sales of fixed assets	*4	1	*4	54
Loss on retirement of fixed assets	*5	134	*5	75
Loss from revaluation of investment securities		413		4
Loss on abandonment of inventories		14		—
Loss on valuation of inventories		193		—
Impairment loss	*6	103	*6	65
Loss on change in equity		2		2
Prior-year provision for product warranties		81		—
Provision for reserve for loss on guarantees		75		—
Loss from prior period adjustment	*8	92		—
Special retirement payments		252		—
Business structure improvement expenses		—	*9	622
Other extraordinary loss		125		134
Total extraordinary loss		1,492		959
Loss before Income Taxes		(6,914)		(3,422)
Current Income Taxes		459		278
Income Taxes for Prior Periods		(104)		(127)
Deferred Income Taxes		1,718		229
Total Income Taxes		2,073		380
Minority Interests Loss		(460)		(133)
Net Loss		(8,527)		(3,669)

(3) Consolidated statement of change in shareholders' equity

(In million yen)

	FY 2009 (April 1, 2008 – March 31, 2009)	FY 2010 (April 1, 2009 – March 31, 2010)
Shareholders' Equity		
Capital stock		
Balance at end of previous fiscal year	20,775	20,775
Balance at end of current fiscal year	20,775	20,775
Capital surplus		
Balance at end of previous fiscal year	6,949	6,949
Changes during the current fiscal year		
Disposal of treasury stock	(0)	—
Total changes during the current fiscal year	(0)	(0)
Balance at end of current fiscal year	6,949	6,949
Retained earnings		
Balance at end of previous fiscal year	11,230	1,698
Changes during the current fiscal year		
Provision of legal retained earnings	(5)	—
Dividends	(1,013)	—
Changes in accounting method of affiliates	(53)	—
Reserve for the awards and welfare fund for employees of foreign subsidiaries	—	(19)
Changes in equity method	(23)	—
Net loss	(8,527)	(3,669)
Changes in scope of consolidation	84	—
Total changes during the current fiscal year	(9,532)	(3,688)
Balance at end of current fiscal year	1,698	(1,990)
Treasury stock		
Balance at end of previous fiscal year	(971)	(2,135)
Changes during the current fiscal year		
Purchase of treasury stock	(1,163)	(0)
Disposal of treasury stock	0	—
Total changes during the current fiscal year	(1,163)	(0)
Balance at end of current fiscal year	(2,135)	(2,135)
Total shareholders' equity		
Balance at end of previous fiscal year	37,984	27,288
Changes during the current fiscal year		
Dividends	(1,013)	—
Changes in accounting method of affiliates	(53)	—
Reserve for the awards and welfare fund for employees of foreign subsidiaries	—	(19)
Changes in equity method	(23)	—
Net income or net loss	(8,527)	(3,669)
Changes in scope of consolidation	84	—
Acquisition of treasury stock	(1,163)	(0)
Disposal of treasury stock	0	—
Total changes during the current fiscal year	(10,695)	(3,689)
Balance at end of current fiscal year	27,288	23,599

(In million yen)

	FY 2009 (April 1, 2008 – March 31, 2009)	FY 2010 (April 1, 2009 – March 31, 2010)
Valuation and Translation Adjustments		
Unrealized gain (loss) on available-for-sale securities		
Balance at end of previous fiscal year	249	(135)
Changes during the current fiscal year		
Net change during the current fiscal year in items other than shareholders' equity	(384)	168
Total changes during the current fiscal year	(384)	168
Balance at end of current fiscal year	(135)	33
Deferred gains or losses on hedges		
Balance at end of previous fiscal year	(5)	(6)
Changes during the current fiscal year		
Net change during the current fiscal year in items other than shareholders' equity	(0)	6
Total changes during the current fiscal year	(0)	6
Balance at end of current fiscal year	(6)	—
Foreign currency translation adjustment		
Balance at end of previous fiscal year	(226)	(1,579)
Changes during the current fiscal year		
Net change during the current fiscal year in items other than shareholders' equity	(1,352)	203
Total changes during the current fiscal year	(1,352)	203
Balance at end of current fiscal year	(1,579)	(1,375)
Total valuation and translation adjustments		
Balance at end of previous fiscal year	16	(1,721)
Changes during the current fiscal year		
Net change during the current fiscal year in items other than shareholders' equity	(1,737)	379
Total changes during the current fiscal year	(1,737)	379
Balance at end of current fiscal year	(1,721)	(1,341)
Subscription Rights to Shares		
Balance at end of previous fiscal year	42	71
Changes during the current fiscal year		
Net change during the current fiscal year in items other than shareholders' equity	29	(47)
Total changes during the current fiscal year	29	(47)
Balance at end of current fiscal year	71	24
Minority Interests		
Balance at end of previous fiscal year	4,704	1,762
Changes during the current fiscal year		
Net change during the current fiscal year in items other than shareholders' equity	(2,942)	(196)
Total changes during the current fiscal year	(2,942)	(196)
Balance at end of current fiscal year	1,762	1,566

(In million yen)

	FY 2009 (April 1, 2008 – March 31, 2009)	FY 2010 (April 1, 2009 – March 31, 2010)
Total Net Assets		
Balance at end of previous fiscal year	42,748	27,401
Changes during the current fiscal year		
Dividends	(1,013)	—
Changes due to change in accounting method of foreign subsidiaries	(53)	—
Reserve for the awards and welfare fund for employees of foreign subsidiaries	—	(19)
Change in equity method	(23)	—
Net loss	(8,527)	(3,669)
Change in scope of consolidation	84	—
Acquisition of treasury stock	(1,163)	(0)
Disposal of treasury stock	0	—
Net change during the current fiscal year in items other than shareholders' equity	(4,650)	135
Total changes during the current fiscal year	(15,346)	(3,553)
Balance at end of current fiscal year	27,401	23,848

(4) Consolidated statement of cash flows

(In million yen)

	FY 2009 (April 1, 2008 – March 31, 2009)	FY 2010 (April 1, 2009 – March 31, 2010)
Cash Flows from Operating Activities		
Loss before income taxes	(6,914)	(3,422)
Depreciation	3,096	2,640
Amortization of goodwill	375	354
Change in provisions for doubtful accounts	167	(342)
Interest and dividend income	(146)	(97)
Interest expenses	603	640
Foreign exchange loss (gain)	1,293	(63)
Gain or loss on sales and valuation of investment securities	329	1
Special retirement expenses	252	—
Loss (gain) on change in equity in affiliates	0	(35)
Loss (gain) on sale and retirement of fixed assets	120	71
Impairment loss	103	65
Business structure improvement expenses	—	622
Loss (gain) in trade receivables	10,718	1,613
Loss (gain) in inventories	1,231	3,672
Gain (loss) in trade payables	(7,860)	1,394
Gain (loss) in bills discounted	55	116
Gain (loss) in other accounts payable	(492)	24
Other operating cash flows	1,094	204
Subtotal	4,026	7,463
Interest and dividend income received	146	97
Interest expenses paid	(603)	(596)
Special severance payments for early retired employees paid	(190)	(217)
Income taxes returned (paid)	(1,443)	508
Net cash provided by operating activities	1,935	7,256
Cash Flows from Investing Activities		
Increase time deposits	—	(20)
Decrease in time deposits	168	12
Expenses for purchases of property, plant, and equipment	(3,184)	(521)
Proceeds from sale of property, plant, and equipment	1,441	251
Expenses for purchase of intangible assets	(757)	(176)
Expenses for purchase of investment securities	(1,182)	(3)
Proceeds from sale of investment securities	1,420	59
Expense for purchase of shares in subsidiaries and affiliates	(3,660)	(274)
Proceeds from sale of shares in subsidiaries and affiliates	20	32
Expenditure for payment of capital in affiliates	(119)	(230)
Expenses for loans provided	(3,015)	(340)
Proceeds from loans collected	1,801	261
Other investing cash flows	(19)	255
Net cash used in investing activities	(7,088)	(693)

(In million yen)

	FY 2009 (April 1, 2008 – March 31, 2009)	FY 2010 (April 1, 2009 – March 31, 2010)
Cash Flows from Financing Activities		
Change in short-term borrowings	9,217	(6,462)
Proceeds from long-term borrowings	5,206	2,200
Expenses for redemption of long-term borrowings	(3,739)	(2,466)
Proceeds from bond issuance	93	—
Expenses for redemption of bonds	(3,420)	(2,434)
Proceeds from stock issuance to minority shareholders	28	253
Expenses for purchase of treasury shares	(1,163)	—
Cash dividends paid	(1,013)	—
Expenses for payment of finance lease obligations	(210)	(337)
Cash dividends paid to minority shareholders	(169)	(1)
Other financing cash flows	(225)	(189)
Net cash used in financing activities	4,605	(9,437)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(747)	(15)
Net Change in Cash and Cash Equivalents	(1,295)	(2,891)
Cash and Cash Equivalents, Beginning of Year	19,781	18,693
Increase in Cash and Cash Equivalents from Newly Consolidated or Merger of Subsidiaries	207	2
Net Cash and Cash Equivalents, End of Year	18,693	15,804

Segment Information

a. Operational segment

Year ended March 31, 2010 (from April 1, 2009, to March 31, 2010)

	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)
I. Net Sales and Operating Income								
Net Sales								
(1) Sales to outside customers	22,598	8,113	3,723	2,067	258	36,761	—	36,761
(2) Inter-segment sales or transfers	33	29	1	—	42	105	(105)	—
Total	22,631	8,142	3,724	2,067	300	36,866	(105)	36,761
Operating expenses	23,314	8,185	3,549	2,833	364	38,246	1,203	39,449
Operating income (loss)	(683)	(42)	175	(765)	(63)	(1,379)	(1,308)	(2,688)
II. Assets, depreciation, impairment loss and capital expenditure								
Assets	37,351	10,623	4,659	2,875	504	56,014	16,753	72,767
Depreciation	1,744	330	313	123	30	2	112	2,654
Impairment loss	45	—	—	—	—	45	20	65
Capital expenditure	697	145	32	17	4	897	47	945

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, linear press 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. Non-allocable operating expenses

In the term under review, non-allocable operating expenses included in eliminations or corporate overhead among operating expenses totaled ¥1,387 million, which was mostly expenses related to head office functions of the reporting entity.

4. Non-allocable assets

In the term under review, non-allocable assets included in eliminations or corporate overhead among assets totaled ¥17,126 million, which consisted mainly of the reporting entity’s surplus working capital (cash and deposits), long-term invested capital (investment securities, investment capital), and assets related to the administration division.

b. Geographic segments

Year ended March 31, 2010 (from April 1, 2009, to March 31, 2010)							
	Japan (¥ Million)	North and South America (¥ Million)	Europe (¥ Million)	Asia (¥ Million)	Total (¥ Million)	Elimination or corporate overhead (¥ Million)	Consolidated (¥ Million)
I. Net Sales and Operating Income Net Sales (1) Sales to outside customers	23,103	2,315	3,258	8,083	36,761	—	36,761
(2) Inter-segment sales or transfers	3,819	80	248	5,070	9,219	(9,219)	—
Total	26,922	2,396	3,507	13,154	45,981	(9,219)	36,761
Operating expenses	27,909	2,424	3,676	14,455	48,465	(9,016)	39,449
Operating loss	(986)	(27)	(169)	(1,301)	(2,484)	(203)	(2,688)
II. Assets	56,938	1,840	2,587	21,948	83,315	(10,547)	72,767

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. Non-allocable operating expenses

In the term under review, non-allocable operating expenses included in eliminations or corporate overhead among operating expenses totaled ¥1,387 million, which was mostly expenses related to head office functions of the reporting entity.

3. Non-allocable assets

In the term under review, non-allocable assets included in eliminations or corporate overhead among assets totaled ¥17,126 million, which consisted mainly of the reporting entity’s surplus working capital (cash and deposits), long-term invested capital (investment securities, investment capital), and assets related to the administration division.

c. Geographic segments

		North and South America	Europe	Asia	Total
Year ended March 31, 2010 (from April 1, 2009, to March 31, 2010)	I. Overseas sales (¥ million)	2,545	3,244	13,694	19,484
	II. Consolidated sales (¥ million)	—	—	—	36,761
	III. Overseas sales as percentage of consolidated sales (%)	6.9	8.8	37.3	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

Per-share information

Year ended March 31, 2009 (from April 1, 2008, to March 31, 2009)	Year ended March 31, 2010 (from April 1, 2009, to March 31, 2010)
Net assets per share (yen) 516.38 Net loss per share (yen) 170.15 Net income per share after dilution has been omitted given that a per-share loss for the period was reported.	Net assets per share (yen) 449.54 Net loss per share (yen) 74.11 Net income per share after dilution has been omitted given that a per-share loss for the period was reported.

Note: The basis of calculation for net income per share, net loss per share, and net income per share after dilution, respectively for the period, is as follows.

	Year ended March 31, 2009 (from April 1, 2008, to March 31, 2009)	Year ended March 31, 2010 (from April 1, 2009, to March 31, 2010)
Net income (loss) (¥ million)	(8,527)	(3,669)
Portion not attributable to shares of common stock (¥ million)	—	—
Net income or net loss attributable to shares of common stock (¥ million)	(8,527)	(3,669)
Average number of shares outstanding during the period (thousand shares)	50,114	49,512
Outline of share equivalents which due to the absence of dilutive effects are not included in the calculation of diluted per-share earnings.	Stock options in the form of share subscription rights issued pursuant to resolution of the ordinary general meeting of shareholders held on June 28, 2007 (Number of shares: 225 thousand). An outline is provided in “Section 4, Description of the reporting entity, Per-share data, (2) Share subscription rights”.	Same as the previous fiscal year