



## Summary of Financial Statements for the Year Ended December 31, 2018 (J-GAAP) (Consolidated)

February 14, 2019

Stock Exchange: Tokyo Stock Exchange, 1st Section

Company Name: Sodick Co., Ltd.  
 Code Number: 6143 URL <https://www.sodick.co.jp/>  
 Representative: Kenichi Furukawa, President, Representative Director  
 Contact: Hirofumi Maejima, Executive Managing Director  
 Scheduled date of ordinary general shareholders' meeting: March 28, 2019  
 Scheduled date of dividend payout: March 29, 2019  
 Scheduled date of filing of financial statements: March 28, 2019  
 Explanatory documents supplemental to the financial statements: Yes  
 Result briefing: Yes (for institutional investors and analysts)

Tel. +81-45-942-3111

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

### 1. Consolidated Results for the Fiscal Year Ended December 31, 2018 (from January 1, 2018 to December 31, 2018)

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

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of the Parent	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
Fiscal year ended December 31, 2018	82,716	—	9,888	—	9,619	—	6,462	—
Fiscal year ended December 31, 2017	65,604	—	7,490	—	7,910	—	5,736	—

Note: Comprehensive income: Fiscal year ended December 31, 2018: ¥4,155 million (-%) Fiscal year ended December 31, 2017: ¥7,415 million (-%)

	Earnings per Share	Diluted Earnings per Share	Return on Equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Net Sales
	¥	¥	%	%	%
Fiscal year ended December 31, 2018	137.58	118.13	11.4	8.0	12.0
Fiscal year ended December 31, 2017	122.15	104.86	11.1	6.8	11.4

Reference: Equity in earnings of non-consolidated subsidiaries and affiliates:

Fiscal year ended December 31, 2018: ¥44 million Fiscal year ended December 31, 2017: ¥18 million

The Company has implemented a change in fiscal term-end from March 31 to December 31, effective from the fiscal year 2017, with approval for partial amendments to the Articles of Incorporation by the 41st ordinary general shareholders' meeting held on June 29, 2017. Accordingly, the fiscal year ended December 31, 2017 is a transitional period for the fiscal term change. Consolidated financial results for the period comprise 9 months (from April 1, 2017 to December 31, 2017) of results for the Company as well as consolidated subsidiaries and entities accounted for using the equity method whose fiscal year ends on March 31, and 12 months (from January 1, 2017 to December 31, 2017) of results for seven consolidated subsidiaries in China whose fiscal year ends December 31, resulting in irregular settlement of accounts. As a result, year-on-year changes are not provided.

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ Million	¥ Million	%	¥
Fiscal year ended December 31, 2018	119,555	58,129	48.5	1,235.46
Fiscal year ended December 31, 2017	121,815	55,166	45.2	1,172.12

Reference: Shareholders' Equity: Fiscal year ended December 31, 2018: ¥58,033 million Fiscal year ended December 31, 2017: ¥55,047 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 the Period
	¥ Million	¥ Million	¥ Million	¥ Million
Fiscal year ended December 31, 2018	9,275	(8,188)	(3,485)	32,650
Fiscal year ended December 31, 2017	4,522	(4,715)	(439)	36,075

## 2. Cash Dividends

	Annual Dividend					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	%	%
Fiscal year ended December 31, 2017	—	10.00	—	12.00	22.00	1,033	18.0	1.9
Fiscal year ended December 31, 2018	—	12.00	—	12.00	24.00	1,127	17.4	2.0
Fiscal year ending December 31, 2019 (Forecasts)	—	12.00	—	13.00	25.00		25.0	

### 3. Forecast for the Fiscal Year Ending December 31, 2019 (From January 1, 2019 to December 31, 2019)

(Percentages indicate year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of the Parent		Earnings per Share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	Yen
Second Quarter	35,000	(15.5)	3,000	(43.2)	2,500	(51.8)	1,800	(51.1)	38.32
Full-year	76,800	(7.2)	6,900	(30.2)	6,400	(33.5)	4,700	(27.3)	100.06

#### \*Notes

- (1) Changes in important subsidiaries during the fiscal year under review (changes occurred in specified subsidiaries in conjunction with a change in the scope of consolidation): None
- (2) Change of accounting policies; change and/or restatement of accounting estimates
  - (i) Change of accounting policies caused by revision of accounting standards: None
  - (ii) Change of accounting policies other than stated in (i): None
  - (iii) Change of accounting estimates: None
  - (iv) Retroactive restatement: None

- (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)	Fiscal year ended December 31, 2018	53,450,916 shares	Fiscal year ended December 31, 2017	53,441,227 shares
(ii) Number of treasury shares as of the balance sheet date	Fiscal year ended December 31, 2018	6,477,947 shares	Fiscal year ended December 31, 2017	6,477,450 shares
(iii) Average number of shares outstanding during period	Fiscal year ended December 31, 2018	46,972,790 shares	Fiscal year ended December 31, 2017	46,961,396 shares

#### (Reference) Summary of Non-consolidated Results

##### 1. Non-consolidated Results for the Fiscal Year Ended December 31, 2018 (from January 1, 2018 to December 31, 2018)

###### (1) Non-consolidated Financial Results

(Percentages indicate year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Profit	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
Fiscal year ended December 31, 2018	48,475	—	3,673	—	5,515	—	4,521	—
Fiscal year ended December 31, 2017	36,807	—	3,288	—	3,495	—	2,759	—

	Earnings per Share	Diluted Earnings per Share
	¥	¥
Fiscal year ended December 31, 2018	96.26	82.65
Fiscal year ended December 31, 2017	58.76	50.44

###### (2) Non-consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ Million	¥ Million	%	¥
Fiscal year ended December 31, 2018	87,641	38,061	43.4	810.29
Fiscal year ended December 31, 2017	88,084	34,980	39.7	744.85

Reference: Shareholders' Equity: Fiscal year ended December 31, 2018: ¥38,061 million Fiscal year ended December 31, 2017: ¥34,980 million

\* These financial statements are not subject to audit performed by certified public accountants or an audit firm.

#### \* Cautionary statement regarding forward-looking information

The Company bases the above forecasts on judgments that rely on currently available information and contain numerous uncertainties. Changing conditions and other factors may cause actual results to differ from the above forecasts. For the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof, please refer to "1. Overview of Results of Operations, etc. (4) Outlook for the Next Fiscal Year."

## 1. Overview of Results of Operations, etc.

The Company has implemented a change in fiscal term-end from March 31 to December 31, effective from the fiscal year 2017, with approval for partial amendments to the Articles of Incorporation by the 41st ordinary general shareholders' meeting held on June 29, 2017. Accordingly, the fiscal year ended December 31, 2017 is a transitional period for the fiscal term change. Consolidated financial results for the period comprise 9 months (from April 1, 2017 to December 31, 2017) of results for the Company as well as consolidated subsidiaries and entities accounted for using the equity method whose fiscal year ends on March 31, and 12 months (from January 1, 2017 to December 31, 2017) of results for seven consolidated subsidiaries in China whose fiscal year ends December 31, resulting in irregular settlement of accounts. As a result, year-on-year changes are not provided.

### (1) Analysis of Results of Operations

During the fiscal year under review, the Japanese economy continued to show moderate recovery, primarily helped by the improved employment environment and wage increases. Meanwhile, in the global economic arena, the U.S. economy remained strong, reflecting labor market improvements, robust consumer spending and a recovery in corporate earnings. The economies of Europe saw a slight slowdown in the pace of growth towards the latter half of the year due to a decline in exports and consumer spending. China's economy has been experiencing a setback in growth caused by slowed exports amid trade disputes with the U.S. Other Asian countries also saw their economies continue to recover, although the pace of recovery varied across countries and regions. Given these concerns, including the possible impacts of the trade policies to be implemented by the governments of the U.S. and China, the political situation in Europe and the volatility in the financial markets however, the future outlook remains uncertain.

In this business environment, Sodick Group has made efforts to strengthen the Sodick brand by displaying our products at exhibitions both inside and outside of Japan, such as DMC2018 (2018 International Exhibition on Die & Mold Technology and Equipment) held in Shanghai in June, IMTS 2018 (International Manufacturing Technology Show 2018) held in Chicago in September, and JIMTOF 2018 (Japan International Machine Tool Fair 2018) held in Tokyo in November. We were proactively engaged in sales activities aiming to achieve a higher market share, with the demonstration of new products at JIMTOF 2018 including AL800P (a linear motor drive wire-cut EDM for large-sized metal molds and components), AP30L (a die-sinker EDM featuring high speed and efficiency in the field of ultra-high precision machining), LPM325 (a metal 3D printer capable of achieving high speed molding in response to diverse requirements in the field of metal 3D printers), along with the exhibition of automated systems with IoT solutions.

In addition, we are pressing ahead with strengthening our operating structure over the medium and long term. In the international arena, we have strengthened our production capabilities with the expansion of our second factory in Thailand. Meanwhile in Japan, the Kaga Plant (in Ishikawa Prefecture) launched a multi-factory in November, which is capable of manufacturing a wide variety of products including EDMs, machining centers, metal 3D printers, and injection molding machines in order to establish manufacturing systems that will be able to flexibly respond to market changes. We have also strengthened sales structures through streamlining our sales hubs in the US and Shanghai, and are constructing a new office for our U.K. sales base. At the Head Office in Yokohama, construction work on a new R&D building was completed in May, and we are currently strengthening metal 3D printer-related R&D and the development of element technologies such as new electrical discharge power units and next generation CNCs.

As a result of the above, the consolidated net sales for the year under review totaled ¥82,716 million, with operating income at ¥9,888 million, ordinary income at ¥9,619 million and profit attributable to owners of the parent at ¥6,462 million.

Results by segment are described below.

(Breakdown of Net Sales)

(In Million yen)

	FY ended December 31, 2017 (from Apr. 1, 2017 to Dec.31, 2017) (Note 1)	FY ended December 31, 2018 (from Jan. 1, 2018 to Dec. 31, 2018)	*Reference Same period of the previous year (from Jan. 1, 2017 to Dec. 31, 2017) (Note 2)
Machine Tool Segment	47,559	58,607	55,796
Industrial Machinery Segment	9,981	11,155	12,721
Food Processing Machinery Segment	3,467	6,560	4,435
Others	4,596	6,392	5,760
Net Sales Total	65,604	82,716	78,714

(Breakdown of Segment Income)

(In Million yen)

	FY ended December 31, 2017 (from Apr. 1, 2017 to Dec.31, 2017) (Note 1)	FY ended December 31, 2018 (from Jan. 1, 2018 to Dec. 31, 2018)	*Reference Same period of the previous year (from Jan. 1, 2017 to Dec. 31, 2017) (Note 2)
Machine Tool Segment	7,478	9,988	9,300
Industrial Machinery Segment	976	802	1,471
Food Processing Machinery Segment	178	674	127
Others	847	1,030	846
Adjustment	(1,991)	(2,607)	(2,583)
Operating Income Total	7,490	9,888	9,161

(Note 1) The segment results for the preceding fiscal year reflect those achieved over 9 months from April 1, 2017 to December 31, 2017 due to the change in fiscal periods.

(Note 2) The same period of the previous year (from January 1, 2017 to December 31, 2017) is the period which corresponds to the consolidated period under review (from January 1, 2018 to December 31, 2018). The values of the same period in the previous year have been calculated by unifying the periods for consolidation of all the companies with adjustments.

#### < Machine Tool Segment >

The main businesses of this segment are the development, production and sale of electrical discharge machines (EDMs) and the provision of related maintenance services and supplies. In China, the largest market for the Company, order intakes have slowed since the third quarter period, reflecting such factors as a seasonal drop in the pace of order intakes that begins in early autumn every year, some sluggishness seen in the decrease of demand from the smartphone-related industries, and the postponed capital expenditure decisions due to the trade disputes with the U.S., partially offset by consistent demands driven by the increasing sophistication and automation of manufacturing in the auto-related, semiconductor-related industries and other growth markets. In the U.S., demand in the auto-related industries remained strong, and in Japan, the domestic automotive and semiconductor-related industries remained strong. In Europe, demand remained solid from the automotive and aerospace-related industries, mainly in Germany, and Italy. Also in Asia, demand remained solid, mainly from the auto-related industries, in countries such as Thailand, India, and Malaysia.

As a result of the above, the segment produced net sales of ¥58,607 million with segment income of ¥9,988 million.

#### < Industrial Machinery Segment >

The main business of this segment is the development, production and sale of injection molding machines and the provision of related maintenance services and supplies. In Japan, demand remained solid for components such as connectors and sensors used in automobiles. In the U.S., demand also remained solid mainly in the medical equipment-related industries. However, in China and Asia, demand from smartphone-related industries appears to have lost its momentum and sales remained stagnant.

As a result of the above, the segment produced net sales of ¥11,155 million, and segment income of ¥802 million.

< Food Processing Machinery Segment >

This segment is engaged in the development, production and sale of a wide range of noodle making machines, noodle making plants, sterile-packed cooked rice production systems, etc. as well as the provision of related maintenance services. As large orders were seen in China, demand for high-quality noodle making equipment remained solid. In addition, demand for sterile-packed cooked rice production systems has been increasing in both Japan and Asia under the continued favorable market conditions. Demand for automation equipment that will promote a reduction in workforce and better hygiene has also been expanding.

As a result of the above, net sales totaled ¥6,560 million and segment income amounted to ¥674 million in the segment.

< Others >

Other segments consist of: precision mold and precision molding operations involving the made-to order production of precision connectors and other products; element technology operations involving development, and the production and sales of products utilizing Sodick's unique technologies such as linear motors and ceramics components as well as LED lighting equipment. In precision mold and precision molding operations, we are making efforts to develop automated production lines with the use of robot technologies, seeking to achieve high precision molding utilizing molds created by metal 3D printers and specialized injection molding machines. Given the strong sales of ceramics mainly to the semiconductor production equipment industries, efforts are underway to expand production capacity to meet the increasing demand.

As a result, net sales were ¥6,392 million and the segment income came to ¥1,030 million.

**(2) Analysis of Financial Position**

(i) Assets, Liabilities and Net Assets

Total assets stood at ¥119,555 million as of the end of the year under review, a decrease of ¥2,259 million compared to the level at the end of the previous fiscal year, primarily due to a ¥3,468 million decrease in cash and deposits, a ¥3,076 million decrease in notes and accounts receivable-trade, partially offset by a ¥5,658 million increase in buildings and structures.

Meanwhile, liabilities at the end of the period totaled ¥61,425 million, a decrease of ¥5,222 million from the end of the previous year, mainly reflecting a ¥1,237 million decrease in notes and accounts payable- trade, a ¥837 million decrease in electronically recorded obligations-operating, a ¥852 million decrease in long-term loans payable and a ¥708 million decrease in current portion of long-term loans payable.

Net assets totaled ¥58,129 million at the end of the period, an increase of ¥2,962 million from the end of the preceding year, largely due to a ¥5,308 million increase in retained earnings, partially offset by a ¥1,682 million decrease in foreign currency translation adjustment. As a result, an equity ratio stood at 48.5% at the end of the period.

(ii) Cash Flows

Cash and cash equivalents (hereinafter, "cash") were ¥32,650 million at the end of the fiscal year under review, down ¥3,424 million from the end of the prior fiscal year, due to the following changes in cash flows:

Cash flows and reason for changes in cash flows during the year under review are described as follows:

(Cash flows from operating activities)

Cash flow from operations of ¥9,275 million (as compared with ¥4,522 million in the preceding fiscal year) was the result of a ¥8,929 million increase in profit before income taxes and a ¥3,085 million increase in depreciation, partially offset by a ¥2,821 million increase in income tax paid.

(Cash flow from investing activities)

Cash used by investing activities of ¥8,188 million (as compared with ¥4,715 used in the preceding year) was primarily for ¥8,134 million for purchase of property, plant and equipment.

(Cash flows from financing activities)

Cash used by financing activities of ¥3,485 million (as compared with ¥439 million used in the previous year) was primarily for the repayment of long-term loans payable of ¥8,904 million and cash dividends to shareholders of ¥1,127 million, partially offset by ¥7,373 million proceeds from long-term loans payable.

Cash flow indicators of Sodick Group trended as follows.

	FY ended Mar. 31, 2016	FY ended Mar. 31, 2017	FY ended Dec. 31, 2017	FY ended Dec. 31, 2018
Equity ratio (%)	49.8	44.5	45.2	48.5
Equity ratio based on market capitalization (%)	42.5	47.3	56.5	27.1
Ratio of cash flow to interest-bearing liabilities (years)	5.1	4.9	9.2	4.3
Interest coverage ratio (times)	13.5	20.3	17.4	29.3

Notes: Equity ratio = Shareholders' equity / total assets

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

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

Interest coverage ratio = Operating cash flow / interest expenditure

\* The basis of calculation for all values is consolidated financial data.

\* Market capitalization is calculated by multiplying the closing price of Sodick shares at the end of the fiscal year by the number of shares outstanding (less treasury shares) at the end of the fiscal year.

\* Interest-bearing liabilities comprise all liabilities on the consolidated balance sheet on which interest is payable and non-interest bearing convertible bond-type bonds with subscription rights to shares.

\* Operating cash flow and interest expenditure refer to "Cash Flows from Operating Activities" and "Interest expenses paid" according to the consolidated statement of cash flows.

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

Given that Sodick holds custody over shareholders' valuable capital for the corporate activities of the Company, we are committed to ensuring sufficient internal reserves necessary for future business development and for strengthening management resources. Consistent with these principles, our basic policy for dividend payments has been to preserve stability and continuity. Specifically, we aim to maintain a dividend-on-equity ratio (DOE) of 2% and more, comprehensively taking into account the subject year's business results and cash flows.

We will be using internal reserves in effective ways from a long-term perspective for R&D and capital investment to continuously enhance the Company's operating results. For the period under review, in keeping with the dividend basic policy and consistent with our judgment of business performance, we propose an annual dividend of ¥24 per share, comprised of a fiscal year-end regular dividend of ¥12 and a second quarter-end dividend of ¥12 each.

For the next fiscal year, we expect to propose an annual dividend of ¥25 per share, comprised of a fiscal year-end regular dividend of ¥13 and a second quarter-end dividend of ¥12.

**(4) Outlook for the Next Fiscal Year**

We expect that the demand for capital investment will continue to grow amid ongoing the development of manufacturing at an international level in the medium and long run. Of all industries, the automotive industry, in which the Company's major customers operate, now focuses on automotive lightening, the introduction of automotive electronics and electronic systems, and a shift to next-generation vehicles, while further sophistication has been underway in various systems with the introduction of AI and IoT technologies as seen in the industry gearing up for aggressive capital investments for commercial use of 5G (5th generation Internet) technologies. Accordingly, the need for high-precision machinery is forecast to increase further. However, we expect that the business outlook will remain uncertain in view of down-side concerns associated with the trade disputes between China and the U.S., political situations in Europe, geo-political risks in East Asia, and currency fluctuations.

Under these circumstances, it is anticipated that the machine tool segment and the industrial machinery segment will see potential demands in China, the largest market for the Company, for high precision models in the field of automotive and other products in parallel with the growth in manufacturing technologies, while capital investment-related demand is likely to slow due to the setback in the Chinese economy caused by the trade disputes. Meanwhile, it is expected that Japan, the West, and other economies in Asia will continue to enjoy firm demand. The food processing machinery segment is likely to see an increase in demand both in Japan and abroad for high-quality noodle making equipment as well as sterile-packed cooked rice production systems and automated production facilities. Performance of the other business segment is also forecast to be propped up by continued demand from the booming automotive and semiconductor-related industries.

For the fiscal year ending December 31, 2019, Sodick Group aims to achieve net sales of ¥76,800 million (down 7.2% year on year), with operating income of ¥6,900 million (down 30.2%), ordinary income of ¥6,400 million (down 33.5%), and net profit attributable to owners of the parent of ¥4,700 million (down 27.3%). These forecasts are based on the fiscal year average exchange rate of 105 yen against the U.S. dollar and 120 yen against the euro.

	FY ending Dec.31, 2019 Full-year forecasts (¥ Million)	FY ended Dec. 31, 2018 Actual results (¥ Million)	Year-on-year change (%)
Net sales	76,800	82,716	(7.2)
Other segments	6,900	9,888	(30.2)
Ordinary income	6,400	9,619	(33.5)
Profit attributable to owners of the parent	4,700	6,462	(27.3)

〈Reference: Breakdown of Net Sales by Segment〉

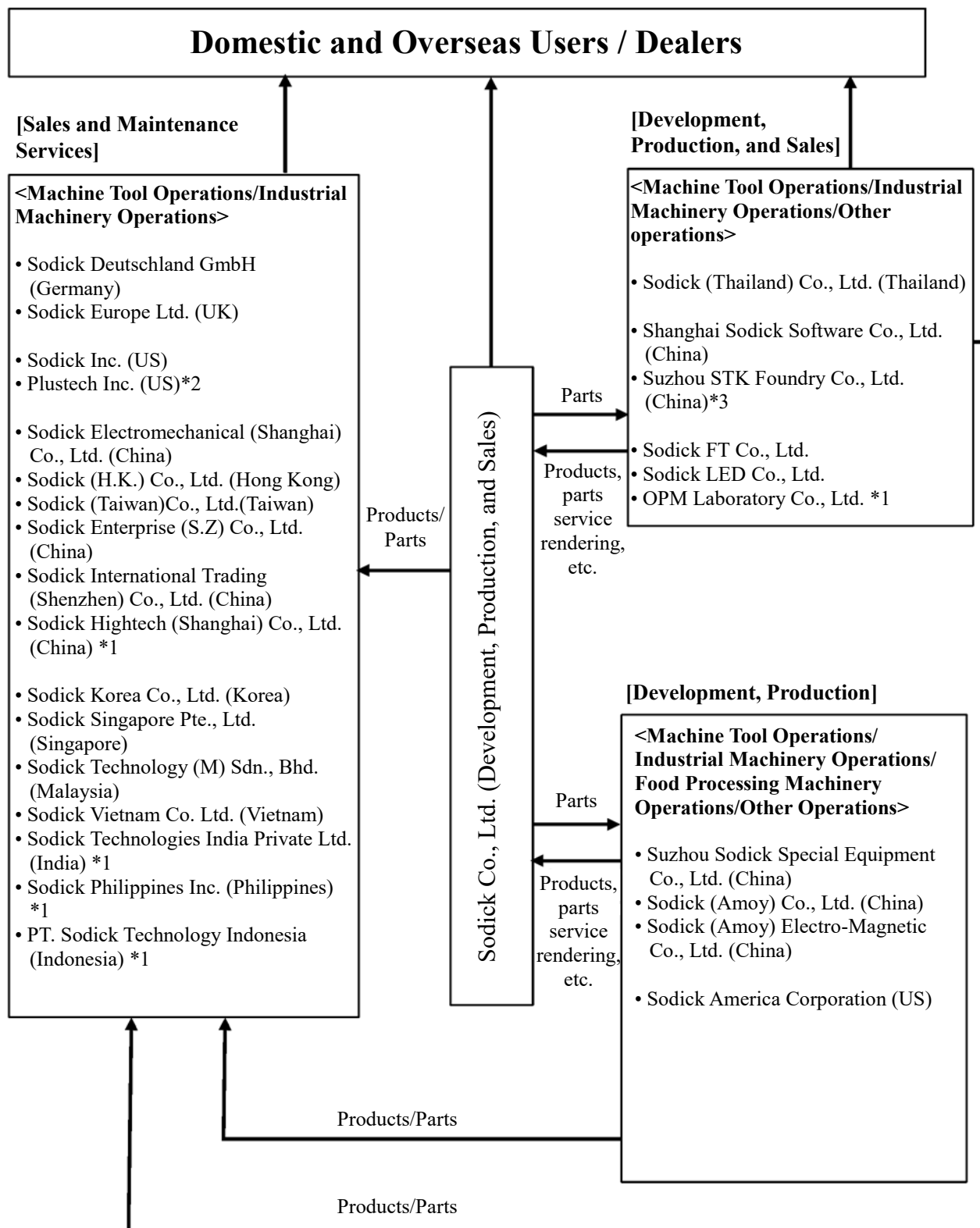
	FY ending Dec. 31, 2019 Full-year forecasts (¥ Million)	FY ended Dec. 31, 2018 Actual results (¥ Million)	Year-on-year change (%)
Machine tool segment	50,300	58,607	(14.2)
Industrial machinery segment	10,500	11,155	(5.9)
Food processing machinery segment	8,400	6,560	28.0
Other segments	7,600	6,392	18.9

Note: Please be reminded that these projections reflect judgments of the Company using currently available information. Depending on both known and unknown risks and uncertain factors, actual results may differ from these projections.

## **2. Corporate Group**

The operations of Sodick Group consist of the following four divisions: (i) Machine Tool Operations engaged in the development, production, and marketing of electrical discharge machines (EDMs), machining centers, and metal 3D printers; (ii) Industrial Machinery Operations engaged in the development, production, and marketing of injection molding machines; (iii) Food Processing Machinery Operations engaged in the development, production, and marketing of mainly noodle production plants, noodle production equipment and sterile-packed cooked rice production systems; and (iv) Other operations engaged in the manufacture of synthetic resin products, the development, manufacture, and marketing of linear motor applications, associated control equipment, ceramics products, and LED lighting. These operations work together in organic interconnections to contribute to the business of Sodick Group. The following diagram gives an overview of the main business relationships in the Group.





Unmarked = Consolidated subsidiaries  
 \*1 Non-consolidated subsidiaries  
 \*2 Affiliates included under the equity method  
 \*3 Affiliates not included under the equity method

### **3. Basic Approach to the Selection of Accounting Standards**

As a matter of policy, Sodick Group has been preparing its consolidated financial statements in accordance with the Generally Accepted Accounting Principles of Japan, which has the advantage of facilitating comparisons with prior accounting periods and other companies. For the time being, this policy remains in force. A shift to the application of International Financial Reporting Standards (IFRS) would depend on future developments in Japan and overseas.

**4. Consolidated Financial Statements and Notes**  
**(1) Consolidated Balance Sheets**

(In million yen)

	Fiscal year ended December 31, 2017 (as of December 31, 2017)	Fiscal year ended December 31, 2018 (as of December 31, 2018)
<b>Assets</b>		
Current assets:		
Cash and deposits	37,014	33,546
Notes and accounts receivable-trade	18,048	14,972
Electronically recorded monetary claims-operating	1,136	1,545
Merchandise and finished goods	8,986	9,774
Work in process	9,270	8,661
Raw materials and supplies	9,021	8,809
Deferred tax assets	1,610	1,476
Other	2,588	2,807
Allowance for doubtful accounts	(149)	(171)
Total current assets	87,527	81,422
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,604	26,262
Machinery, equipment and vehicles	19,268	20,059
Tools, furniture and fixtures	3,163	3,486
Land	7,267	7,540
Leased assets	774	1,020
Construction in progress	2,021	1,168
Accumulated depreciation	(26,805)	(28,626)
Total property, plant and equipment	26,296	30,912
Intangible assets		
Goodwill	1,780	1,642
Other	1,115	902
Total intangible assets	2,895	2,544
Investments and other assets		
Investment securities	4,075	3,607
Long-term loans receivable	13	8
Deferred tax assets	96	88
Other	1,024	1,088
Allowance for doubtful accounts	(114)	(117)
Total investments and other assets	5,096	4,675
Total non-current assets	34,287	38,132
Total Assets	121,815	119,555

(In million yen)

	Fiscal year ended December 31, 2017 (as of December 31, 2017)	Fiscal year ended December 31, 2018 (as of December 31, 2018)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable- trade	6,092	4,855
Electronically recorded obligations-operating	6,807	5,969
Short-term loans payable	4,739	4,131
Current portion of long-term loans payable	8,460	7,751
Accounts payable-other	1,666	1,412
Income taxes payable	1,183	535
Provision for product warranties	461	444
Provision for quality guarantee	5	4
Provision for bonuses	539	614
Provision for point card certificates	0	1
Other	6,390	6,088
Total current liabilities	36,349	31,809
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	7,991	7,981
Long-term loans payable	20,512	19,660
Provision for directors' retirement benefits	23	20
Provision for product warranties	277	280
Net defined benefit liability	534	609
Asset retirement obligations	67	68
Other	890	995
Total non-current liabilities	30,298	29,615
Total liabilities	66,648	61,425
<b>Net Assets</b>		
Shareholders' equity		
Capital stock	20,780	20,785
Capital surplus	5,883	5,877
Retained earnings	27,514	32,823
Treasury shares	(4,697)	(4,698)
Total shareholders' equity	49,481	54,788
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,294	967
Foreign currency translation adjustment	4,196	2,513
Remeasurements of defined benefit plans	75	(236)
Total accumulated other comprehensive income	5,566	3,244
Non-controlling interests	119	96
Total Net Assets	55,166	58,129
Total Liabilities and Net Assets	121,815	119,555

**(2) Consolidated Statements of Income and Comprehensive Income**

(Consolidated Statements of Income)

(In million yen)

	FY ended Dec. 31, 2017 (from Apr. 1, 2017 to Dec. 31, 2017)	FY ended Dec. 31, 2018 (from Jan. 1, 2018 to Dec. 31, 2018)
Net sales	65,604	82,716
Cost of sales	42,445	52,488
Gross profit	23,159	30,227
Selling, general and administrative expenses		
Personnel expenses	6,058	7,843
Provision of allowance for doubtful accounts	14	55
Amortization of goodwill	111	140
Provision for point card certificates	(0)	0
R&D expenses	2,016	2,352
Other	7,468	9,946
Total selling, general and administrative expenses	15,669	20,338
Operating income	7,490	9,888
Non-operating income		
Interest income	185	227
Dividends income	51	62
Foreign exchange gain	341	—
Equity in earnings of affiliates	18	44
Subsidy income	140	189
Gain on sale of scraps	21	41
Other	132	230
Total non-operating income	890	795
Non-operating expenses		
Interest expenses	259	308
Foreign exchange losses	—	429
Commissions for syndicate loan	108	—
Directors' condolence allowance	—	193
Other	102	133
Total non-operating expenses	470	1,065
Ordinary income	7,910	9,619
Extraordinary income		
Gain on sales of non-current assets	98	29
Other	0	—
Total extraordinary income	98	29
Extraordinary losses		
Loss on sales of non-current assets	18	7
Loss on retirement of non-current assets	196	57
Loss on valuation of shares of subsidiaries and associates	—	117
Business structure improvement expenses	—	536
Other	21	1
Total extraordinary losses	236	719
Profit before income taxes	7,772	8,929
Income taxes - current	2,059	2,102
Income taxes - deferred	(47)	340
Total income taxes	2,012	2,443
Profit	5,759	6,485
Profit attributable to non-controlling interests	23	23
Profit attributable to owners of the parent	5,736	6,462

## (Consolidated Statements of Comprehensive Income)

(In million yen)

	FY ended Dec. 31, 2017 (from Apr. 1, 2017 to Dec. 31, 2017)	FY ended Dec. 31, 2018 (from Jan. 1, 2018 to Dec. 31, 2018)
Profit	5,759	6,485
Other comprehensive income		
Valuation difference on available-for-sale securities	188	(327)
Foreign currency translation adjustments	1,376	(1,686)
Remeasurements of defined benefit plans, net of tax	87	(311)
Share of other comprehensive income of entities accounted for using equity method	2	(5)
Total other comprehensive income	1,655	(2,330)
Comprehensive income	7,415	4,155
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,387	4,144
Comprehensive income attributable to non-controlling interests	27	13

**(3) Consolidated Statements of Changes in Equity**

Fiscal year ended December 31, 2017 (from April 1, 2017 to December 31, 2017)

(In million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current fiscal year	20,778	5,881	22,735	(4,697)	44,698
Changes of items during current fiscal year					
Issuance of new shares - exercise of subscription rights to shares	2	2			4
Dividends of surplus			(939)		(939)
Reserve for the awards and welfare fund for employees of foreign subsidiaries			(17)		(17)
Profit attributable to owners of the parent			5,736		5,736
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during current fiscal year	2	2	4,779	(0)	4,782
Balance at end of current fiscal year	20,780	5,883	27,514	(4,697)	49,481

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Accumulated other comprehensive income		
Balance at beginning of current fiscal year	1,105	2,821	(12)	3,914	97	48,710
Changes of items during period						
Issuance of new shares - exercise of subscription rights to shares						4
Dividends of surplus						(939)
Reserve for the awards and welfare fund for employees of foreign subsidiaries						(17)
Profit attributable to owners of the parent						5,736
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	188	1,374	87	1,651	21	1,673
Changes of items during fiscal year	188	1,374	87	1,651	21	6,455
Balance at end of current fiscal year	1,294	4,196	75	5,566	119	55,166

Fiscal year ended December 31, 2018 (from January 1, 2018 to December 31, 2018)

(In million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current fiscal year	20,780	5,883	27,514	(4,697)	49,481
Changes of items during current fiscal year					
Issuance of new shares - exercise of subscription rights to shares	5	5			10
Dividends of surplus			(1,127)		(1,127)
Reserve for the awards and welfare fund for employees of foreign subsidiaries			(26)		(26)
Profit attributable to owners of the parent			6,462		6,462
Purchase of treasury shares			0	(0)	(0)
Purchase of shares of consolidated subsidiaries		(10)			(10)
Net changes of items other than shareholders' equity					
Total changes of items during current fiscal year	5	(5)	5,308	(0)	5,307
Balance at end of current fiscal year	20,785	5,877	32,823	(4,698)	54,788

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Accumulated other comprehensive income		
Balance at beginning of current fiscal year	1,294	4,196	75	5,566	119	55,166
Changes of items during period						
Issuance of new shares - exercise of subscription rights to shares						10
Dividends of surplus						(1,127)
Reserve for the awards and welfare fund for employees of foreign subsidiaries						(26)
Profit attributable to owners of the parent						6,462
Purchase of treasury shares						(0)
Purchase of shares of consolidated subsidiaries						(10)
Net changes of items other than shareholders' equity	(327)	(1,682)	(311)	(2,321)	(23)	(2,344)
Changes of items during fiscal year	(327)	(1,682)	(311)	(2,321)	(23)	2,962
Balance at end of current fiscal year	967	2,513	(236)	3,244	96	58,129



**(4) Consolidated Statements of Cash Flows**

(In million yen)

	FY ended Dec. 31, 2017 (from Apr. 1, 2017 to Dec. 31, 2017)	FY ended Dec. 31, 2018 (from Jan. 1, 2018 to Dec. 31, 2018)
<b>Cash flows from operating activities</b>		
Profit before income taxes	7,772	8,929
Depreciation	2,360	3,085
Amortization of goodwill	111	140
Increase (decrease) in net defined benefit liability	101	(314)
Increase (decrease) in provision of allowance for doubtful accounts	(5)	32
Interest and dividend income	(236)	(289)
Interest expenses	259	308
Share of (profit) loss of entities accounted for using equity method	(18)	(44)
Foreign exchange losses (gains)	(83)	115
Loss (gains) on sale and revaluation of investment securities	13	117
Loss (gains) on sale and retirement of non-current assets	116	35
Loss on valuation of shares of subsidiaries and associates	—	536
Decrease (increase) in notes and accounts receivable-trade	(4,238)	2,293
Decrease (increase) in inventories	(4,116)	(756)
Increase (decrease) in notes and accounts payable-trade	1,745	(900)
Increase (decrease) in accounts payable-other	494	(169)
Increase (decrease) in advances received	1,252	(1,482)
Other	342	492
Subtotal	5,872	12,128
Interest and dividends income received	233	285
Interest expenses paid	(260)	(316)
Income tax refund (or paid)	(1,322)	(2,821)
Net cash provided by operating activities	4,522	9,275
<b>Cash flows from investing activities</b>		
Payments into time deposits	(836)	(168)
Proceeds from withdrawal of time deposits	657	242
Purchase of property, plant and equipment	(4,213)	(8,134)
Proceeds from sale of property, plant and equipment	362	301
Purchase of intangible assets	(181)	(207)
Purchase of investment securities	(0)	(0)
Proceeds from sale of investment securities	149	—
Purchase of shares of subsidiaries and associates	(680)	(43)
Payments of loans receivable	(1)	(59)
Collection of loans receivable	82	20
Other	(52)	(131)
Net cash provided by investing activities	(4,715)	(8,188)

(In million yen)

	FY ended Dec. 31, 2017 (from Apr. 1, 2017 to Dec. 31, 2017)	FY ended Dec. 31, 2018 (from Jan. 1, 2018 to Dec. 31, 2018)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	143	(572)
Proceeds from long-term loans payable	8,731	7,373
Repayment of long-term loans payable	(8,244)	(8,904)
Repayments of finance lease obligations	(101)	(174)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(939)	(1,127)
Other	(28)	(79)
Net cash provided by financing activities	(439)	(3,485)
Effect of exchange rate change on cash and cash equivalents	670	(1,026)
Net increase (decrease) in cash and cash equivalents	37	(3,424)
Cash and cash equivalents at the beginning of the period	36,037	36,075
Cash and cash equivalents at the end of the period	36,075	32,650

**(5) Notes to Consolidated Financial Statements**

(Notes regarding going concern assumptions)

None

(Segment information, etc.)

a. Segment information

## 1. Summary of reportable segments

Reportable segments are business units of Sodick for which stand-alone financial information is available and whose allocation of management resources and financial results are at regular intervals the subject of decisions and assessments of the board of directors.

Sodick runs its business operations using comprehensive strategic planning that distinguishes between products and services. The Group's three reportable segments comprise Machine Tool Segment, Industrial Machinery Segment and Food Processing Machinery Segment.

Main products by segment comprise electrical discharge machines and machining centers at Machine Tool Segment, plastic injection molding machines at Industrial Machinery Segment, and noodle production plant and equipment at Food Processing Machinery Segment. At each segment the scope of operations includes product development, manufacture, and sales.

## 2. Method of computation of net sales, income or loss, assets, liabilities, and other items by reportable segments

The accounting methods at each reportable segment are the same as described in the "Important Matters Concerning the Basis of Preparation of Consolidated Financial Statements."

Income information of reportable segments reflects operating income.

Intersegment sales data are based on arm's length transaction prices.

## 3. Information on sales, operating income (loss), assets, and other items by reportable segment

Fiscal year ended December 31, 2017 (from April 1, 2017 to December 31, 2017)

(In million yen)

	Reportable Segment				Others (Note 1)	Total	Adjustment amount (Note 2, 3, 4, 5)	Amount stated on the consolidated statement of income (Note 6)
	Machine Tool Segment	Industrial Machinery Segment	Food Processing Machinery Segment	Reportable Segment Total				
Net Sales								
Sales to outside parties	47,559	9,981	3,467	61,008	4,596	65,604	—	65,604
Intersegment sales or transfers	73	186	—	259	2,633	2,893	(2,893)	—
Total	47,632	10,168	3,467	61,267	7,230	68,498	(2,893)	65,604
Segment income	7,478	976	178	8,633	847	9,481	(1,991)	7,490
Segment assets	65,995	13,461	3,507	82,964	13,910	96,875	24,939	121,815
Other								
Depreciation	1,490	268	68	1,827	404	2,231	128	2,360
Amortization of goodwill	69	23	—	92	19	111	—	111
Increase in tangible and intangible non-current assets	2,634	588	33	3,256	726	3,982	606	4,588

Notes: 1. The category headed "Others" covers business segments outside reportable ones, such as precision molds and molding operations, elemental technology operations, and lease operations.

2. The adjustment amount of -¥1,991 million to segment income includes -¥12 million in eliminations of intersegment transactions and -¥1,978 million in group overhead not allocable to individual reportable segments. Group overhead consists mainly of the cost of head office functions not attributable to any particular reportable segment.

3. The adjustment amount of ¥24,939 million to segment assets includes ¥26,528 million in group assets that are not allocable to reportable segments and -¥1,588 million in eliminations of intersegment transactions. Group assets consist mainly of assets related to head office functions not attributable to reportable segments.

4. The adjustment amount of ¥128 million to depreciation of the category headed "Others" consists of ¥128 million in Group-based depreciation not attributable to reportable segments.

5. The adjustment amount of ¥606 million to increases in property, plant, and equipment and intangible assets in the category headed "Others" consists of ¥606 million in Group-based property, plant, and equipment and intangible assets not attributable to reportable segments.

6. Segment income is stated on reconciliation with the operating income stated in the consolidated statement of income.

Fiscal year ended December 31, 2018 (from January 1, 2018 to December 31, 2018)

(In million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment amount (Note 2, 3, 4, 5)	Amount stated on the consolidated statement of income (Note 6)
	Machine Tool Segment	Industrial Machinery Segment	Food Processing Machinery Segment	Reportable Segment Total				
Net Sales								
Sales to outside parties	58,607	11,155	6,560	76,323	6,392	82,716	—	82,716
Intersegment sales or transfers	103	130	—	233	3,118	3,351	(3,351)	—
Total	58,710	11,286	6,560	76,556	9,511	86,068	(3,351)	82,716
Segment income	9,988	802	674	11,466	1,030	12,496	(2,607)	9,888
Segment assets	69,781	12,242	2,761	84,785	13,383	98,168	21,386	119,555
Other								
Depreciation	1,766	369	93	2,229	648	2,878	207	3,085
Amortization of goodwill	91	31	—	123	17	140	—	140
Increase in tangible and intangible non-current assets	6,023	217	336	6,577	805	7,383	1,193	8,576

- Notes:
1. The category headed "Others" covers business segments outside reportable ones, such as precision molds and molding operations, elemental technology operations, and lease operations.
  2. The adjustment amount of -¥2,607 million to segment income includes -¥27 million in eliminations of intersegment transactions and -¥2,635 million in group overhead not allocable to individual reportable segments. Group overhead consists mainly of the cost of head office functions not attributable to any particular reportable segment.
  3. The adjustment amount of ¥21,386 million to segment assets includes ¥22,845 million in group assets that are not allocable to reportable segments and -¥1,459 million in eliminations of intersegment transactions. Group assets consist mainly of assets related to head office functions not attributable to reportable segments.
  4. The adjustment amount of ¥207 million to depreciation of the category headed "Others" consists of ¥207 million in Group-based depreciation not attributable to reportable segments.
  5. The adjustment amount of ¥1,193 million to increases in property, plant, and equipment and intangible assets in the category headed "Others" consists of ¥1,193 million in Group-based property, plant, and equipment and intangible assets not attributable to reportable segments.
  6. Segment income is stated on reconciliation with the operating income stated in the consolidated statement of income.

Summary of Financial Statements for the Year Ended December 31, 2018

(Per-share information)

	FY ended Dec. 31, 2017 (from Apr. 1, 2017 to Dec. 31, 2017)	FY ended Dec. 31, 2018 (from Jan. 1, 2018 to Dec. 31, 2018)
Net assets per share (yen)	1,172.12	1,235.46
Earnings per share (yen)	122.15	137.58
Diluted Earnings per share (yen)	104.86	118.13

Note: The table below shows the basis of calculation of earnings per share and diluted earnings per share.

	FY ended Dec. 31, 2017 (from Apr. 1, 2017 to Dec. 31, 2017)	FY ended Dec. 31, 2018 (from Jan. 1, 2018 to Dec. 31, 2018)
Earnings per share (yen)		
Profit attributable to owners of the parent (¥ Million)	5,736	6,462
Portion not attributable to shares of common stock (¥ Million)	—	—
Profit attributable to owners of parent company's common stock (¥ Million)	5,736	6,462
Average number of common stock outstanding (thousands of shares)	46,961	46,972
Diluted earnings per share		
Adjustment to Profit attributable to owners of the parent (¥ Million)	—	—
Increase in the number of common stock (thousands of shares)	7,743	7,733
(of which convertible bonds (thousands of shares))	(7,743)	(7,733)
Description of dilutive shares not included in calculation of diluted earnings per share due to no dilutive effect	—	—

(Material subsequent events)

(Acquisition of consolidated subsidiary)

The Company announced absorption-type merger, effective January 1, 2019, with Sodick FT Co., Ltd. as the surviving company, and Sodick LED Co., Ltd. as the absorbed company, according to a resolution of the Board of Directors Meeting held on November 14, 2018.

1. Transaction summary

(1) Entities involved in the business combination and their lines of business

(Surviving company)

Name: Sodick FT Co., Ltd.

Business line: Development and production of components and supplies used for EDMs. Leasing of machine tools. Development, production and marketing of fine ceramics products, metal molds and molding products. Real estate management.

(Absorbed company)

Name: Sodick LED Co., Ltd.

Business line: Production and marketing of industrial products related to LEDs.

(2) Date of merger

January 1, 2019

(3) Legal method of merger

Absorption-type merger with Sodick FT Co., Ltd. as the surviving company, and Sodick LED Co., Ltd. as the absorbed company

(4) Name of combined entity: Sodick FT Co., Ltd.

(5) Other points related to the transaction

The merger is expected to achieve further enhancement of the operating platform and profitability with more effective use of management resources and more efficient business operations by streamlining the corporate structure.

2. Summary of accounting treatments used

The merger will be treated for accounting purposes as a transaction under common control in accordance with Accounting Standards for Business Combinations and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.