



Summary of Financial Statements for the First Quarter of the Year Ending December 31, 2019 (J-GAAP) (Consolidated)

May 10, 2019

Stock Exchange: Tokyo Stock Exchange, 1st Section

Company Name: Sodick Co., Ltd.

Code Number: 6143 URL <https://www.sodick.co.jp>

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Scheduled Date of Filing of Quarterly Report: May 10, 2019

Scheduled Date of Dividend Payout: —

Explanatory Documents Supplemental to the Quarterly Financial Statements: Yes

Result Briefing: No

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

1. Consolidated Results for the 1Q of the Fiscal Year Ending December 31, 2019 (from January 1, 2019 to March 31, 2019)

(1) Consolidated Financial Results (Accumulated Total)

(Percentages indicate quarter on quarter changes)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
1Q of the fiscal year ending December 31, 2019	18,828	2.4	2,093	(6.0)	2,168	11.4	1,460	10.2
1Q of the fiscal year ended December 31, 2018	18,385	—	2,227	—	1,947	—	1,324	—

Note: Comprehensive income: 1Q of the fiscal year ending December 31, 2019: ¥1,984 million (—%) 1Q of the fiscal year ended December 31, 2018: ¥7 million (—%)

	Earnings per Share	Diluted Earnings per Share
	¥	¥
1Q of the fiscal year ending December 31, 2019	31.09	26.69
1Q of the fiscal year ended December 31, 2018	28.20	24.21

The Company implemented a change in fiscal term-end from March 31 to December 31, effective from the fiscal year ended December 31, 2017, with approval for partial amendments to the Articles of Incorporation by the 41st ordinary general shareholders' meeting held on June 29, 2017. Owing to this change, the period of 1Q of the fiscal year ended December 31, 2018 does not correspond to the comparable period of 1Q of the fiscal year ended December 31, 2017. As a result, quarter on quarter changes are not provided for 1Q of the fiscal year ended December 31, 2018.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ Million	¥ Million	%	¥
1Q of the fiscal year ending December 31, 2019	118,117	59,536	50.3	1,265.51
Fiscal year ended December 31, 2018	119,082	58,129	48.7	1,235.46

Reference: Shareholders' Equity: 1Q of the fiscal year ending December 31, 2019: ¥59,444 million /Fiscal year ended December 31, 2018: ¥58,033 million

Note: The Company has adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28; February 16, 2018), effective from the beginning of 1Q under review. This change has been applied retrospectively to figures for the fiscal year ended December 31, 2018.

2. Cash Dividends

	Annual Dividend				Total
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	
Fiscal year ended December 31, 2018	Yen —	Yen 12.00	Yen —	Yen 12.00	Yen 24.00
Fiscal year ending December 31, 2019	—	—	—	—	—
Fiscal year ending December 31, 2019 (Forecast)	—	12.00	—	13.00	25.00

Note: Revisions to most recently announced dividend forecast: None

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 Parent		Earnings per Share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	Yen
Second Quarter (Cumulative)	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

Note: Revisions to most recently announced consolidated results forecast: None

* Notes

(1) Changes in important subsidiaries during the consolidated cumulative first quarter under review (changes occurred in specified subsidiaries in conjunction with a change in the scope of consolidation): None

(2) Application of accounting specific to the preparation of quarterly consolidated financial statements: None

(3) 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 any stated in (i): None

(iii) Change of accounting estimates: None

(iv) Retroactive restatement: None

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

(i) Shares issued and outstanding as of the balance sheet date (including treasury shares)	1Q of the fiscal year ending December 31, 2019	53,450,916 shares	Fiscal year ended December 31, 2018	53,450,916 shares
(ii) Number of treasury shares as of the balance sheet date	1Q of the fiscal year ending December 31, 2019	6,478,072 shares	Fiscal year ended December 31, 2018	6,477,947 shares
(iii) Average number of shares outstanding during period (quarterly cumulative total)	1Q of the fiscal year ending December 31, 2019	46,972,920 shares	1Q of the fiscal year ended December 31, 2018	46,971,710 shares

* This summary of quarterly financial statements is not subject to any quarterly review by certified public accountants or by auditing companies.

* 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. In addition, for matters regarding forecasts, please refer to: "1. Qualitative Information regarding the Quarterly Financial Statements under Review (3) Explanation regarding Future Forecast Information including Projections of Consolidated Results" on Page 6 of the attachment to this summary of quarterly financial statements.

1. Qualitative Information regarding the Quarterly Financial Statements under Review

The matters mentioned in the text regarding the future are what Sodick Group judged to be as of the end of the quarterly consolidated accounting period under review.

(1) Explanation regarding Results of Operations

During the consolidated cumulative first quarter under review, the Japanese economy continued to follow a moderate recovery path owing primarily to improvement in the employment and income environment as well as corporate earnings, despite the recent minor slump in exports and production. Meanwhile, in the global economic arena, the U.S. economy fared well, underpinned largely by improvement in the employment environment and strong consumer spending, whereas European economic growth continued to slow dented by a decline in exports and consumer spending. China also suffered a continued economic downturn owing mainly to the sluggish growth in exports resulting from the US-China trade friction. Other Asian countries saw their overall economic growth leveled off, although the pace of growth varied across countries and regions. However, the future still remains uncertain, especially owing to a number of worrying causes, including the effect of trade policies in the U.S. and China, the political climate in Europe and fluctuations in financial markets.

In this business environment, Sodick Group made efforts to strengthen the Sodick brand by displaying our products at exhibitions in various parts of the world. In India, a growing market, we participated in the country's biggest machine tools expo, IMTEX 2019, held in January and showcased there a range of our products to expand sales. Also at the Taipei International Machine Tool Show (TIMTOS 2019) held in March in Taiwan, we showcased a metal 3D printer, the LPM325, that offers high-speed metal casting to meet diverse needs for metal 3D printers, as part of our active sales activities to boost our market share in the country.

Furthermore, we have been pressing ahead with the strengthening of sales systems, as is witnessed by the fact that a technical center was established in Singapore to support cutting-edge manufacturing that utilizes metal 3D printers. By establishing it, we will develop customer support systems, including commissioned mold manufacturing and processing based on state-of-the-art technologies, consulting, sales support and maintenance services, and aim to achieve expansion and spread of metal 3D printers in Singapore and other Asian countries and regions. We also have been promoting development of sales bases in the U.K., where we have constructed a new office building which functions as a technical center as well, thereby striving to strengthen sales capacity in various regions.

As a result of the above, the consolidated net sales for the first quarter under review totaled ¥18,828 million (up 2.4% quarter on quarter) with operating income at ¥2,093 million (down 6.0%), ordinary income at ¥2,168 million (up 11.4%), and profit attributable to owners of parent at ¥1,460 million (up 10.2%).

Results by segment are described below.

	(In million yen)	
(Breakdown of Net Sales)	1Q of the fiscal year ended December 31, 2018 (from January 1 to March 31, 2018)	1Q of the fiscal year ending December 31, 2019 (from January 1 to March 31, 2019)
Machine Tool Segment	13,366	13,362
Industrial Machinery Segment	2,424	2,320
Food Processing Machinery Segment	1,005	1,776
Others	1,588	1,369
Net Sales Total	18,385	18,828

	(In million yen)	
(Breakdown of Segment Income)	1Q of the fiscal year ended December 31, 2018 (from January 1 to March 31, 2018)	1Q of the fiscal year ending December 31, 2019 (from January 1 to March 31, 2019)
Machine Tool Segment	2,361	2,191
Industrial Machinery Segment	148	80
Food Processing Machinery Segment	68	336
Others	308	-7
Adjustment	(660)	(507)
Operating Income Total	2,227	2,093

< Machine Tool Segment >

In China, the largest market for the Company, sales were weak as orders received had decreased since the beginning of last autumn chiefly owing to postponement of investment decisions caused by the U.S.-China trade conflict. However, demand in general, including that for capital investment to respond to 5G, has recently been picking up. In North America, despite cautious capital spending in the auto-related industries, demand from the aerospace and medical equipment-related industries was robust. Domestic demand, including that from the auto-related industries for large projects, also remained solid. In other countries and regions in Asia such as Thailand, India, Vietnam, and Malaysia, demand, mainly that from the auto-related industries, continued to be steady. In Europe, on the other hand, demand from the auto-related industries somewhat lost its momentum.

As a result of the above, the segment chalked up net sales of ¥13,362 million (down 0.0% quarter on quarter) with segment income of ¥2,191 million (down 7.2%).

< Industrial Machinery Segment >

Demand for components such as connectors and sensors for auto-related industries, mainly those in Japan, remained solid. The segment continued to enjoy strong demand in North America, chiefly that from the medical equipment-related industries. Although demand from the smartphone-related industries in China and other countries and regions in Asia continued to lose its momentum, demand for infrastructure development started to pick up helped by the governments' economic stimulus packages and measures to respond to 5G. As a result of the above, the segment racked up net sales of ¥2,320 million (down 4.3% quarter on quarter) and segment income of ¥80 million (down 46.0%).

< Food Processing Machinery Segment >

The food processing machinery 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. In addition to the continuing strong demand for high-quality noodle making equipment, there was a rising demand for sterile-packed cooked rice production systems both in Japan and abroad. Thanks to robust sales of high-value added noodle making equipment in Japan, net sales of the food processing machinery segment totaled ¥1,776 million (up 76.7% quarter on quarter) and segment income amounted to ¥336 million (up 388.0%), enabling the segment to achieve high profitability.

< 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, the production and sales of products utilizing Sodick's unique technologies such as linear motors and ceramics components as well as LED lighting equipment and leasing operations involving leasing of EDMs, machining centers and injection molding machines. While demand for precision mold and precision molding operations from the auto-related industries lost its momentum, sale of ceramics mainly to the semiconductor production equipment industries decreased. As a result, in the segments, net sales were ¥1,369 million (down 13.8% quarter on quarter), and segment loss was ¥7 million (segment income for the same quarter of the previous fiscal year was ¥308 million), and profitability deteriorated due to upfront investments in R&D and facilities for medium-to long-term growth.

(2) Explanation regarding Financial Position

Total assets at the end of the quarterly consolidated accounting period under review stood at ¥118,177 million, a decrease of ¥905 million compared to the level at the end of the previous consolidated fiscal year, primarily due to a ¥1,342 million decrease in other current assets and a ¥1,317 million decline in cash and deposits, partially offset by a ¥1,809 million increase in notes and accounts receivable-trade.

Liabilities at the end of the period totaled ¥58,640 million, a decrease of ¥2,312 million from the end of the previous consolidated fiscal year, mainly reflecting a ¥2,105 million decrease in other current liabilities.

Net assets totaled ¥59,536 million at the end of the period, an increase of ¥1,407 million from the end of the preceding consolidated fiscal year, largely due to an ¥890 million increase in retained earnings and ¥523 million increase in foreign currency translation adjustment.

The Company has adopted Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28; February 16, 2018), effective from the beginning of 1Q under review. With regard to explanations regarding the financial position, comparison and analysis are made after this change has been applied retrospectively to figures for the previous consolidated fiscal year.

(3) Explanation regarding Future Forecast Information including Projections of Consolidated Results

There has been no change in the projections of results that were announced on February 14, 2019.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(In million yen)

	Fiscal Year ended December 31, 2018 (As of December 31, 2018)	1Q Fiscal Year ending December 31, 2019 (As of March 31, 2019)
Assets		
Current assets		
Cash and deposits	33,546	32,228
Notes and accounts receivable-trade	14,972	16,782
Electronically recorded monetary claims-operating	1,545	1,616
Merchandise and finished goods	9,774	8,991
Work in process	8,661	8,526
Raw materials and supplies	8,809	8,640
Other	2,807	1,465
Allowance for doubtful accounts	(171)	(166)
Total current assets	79,946	78,083
Non-current assets		
Property, plant and equipment		
Buildings and structures	26,262	26,968
Machinery, equipment and vehicles	20,059	21,045
Other	13,216	13,496
Accumulated depreciation	(28,626)	(29,545)
Total property, plant and equipment	30,912	31,966
Intangible assets		
Goodwill	1,642	1,608
Other	902	911
Total intangible assets	2,544	2,519
Investments and other assets		
Other	5,797	5,843
Allowance for doubtful accounts	(117)	(235)
Total investments and other assets	5,679	5,607
Total non-current assets	39,136	40,094
Total Assets	119,082	118,177

(In million yen)

	Fiscal Year ended December 31, 2018 (As of December 31, 2018)	1Q Fiscal Year ending December 31, 2019 (As of March 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,855	4,972
Electronically recorded obligations-operating	5,969	5,196
Short-term loans payable	4,106	4,113
Current portion of long-term loans payable	7,777	7,748
Income taxes payable	535	671
Provision	1,064	1,288
Other	7,496	5,390
Total current liabilities	31,804	29,382
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	7,981	7,981
Long-term loans payable	19,659	19,631
Provision	301	264
Net defined benefit liability	609	702
Assets retirement obligations	68	69
Other	528	610
Total non-current liabilities	29,148	29,258
Total liabilities	60,953	58,640
Net Assets		
Shareholders' equity		
Capital stock	20,785	20,785
Capital surplus	5,877	5,877
Retained earnings	32,823	33,713
Treasury shares	(4,698)	(4,698)
Total shareholders' equity	54,788	55,678
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	967	1,025
Foreign currency translation adjustment	2,513	3,037
Remeasurements of defined benefit plans	(236)	(296)
Total accumulated other comprehensive income	3,244	3,766
Non-controlling interests	96	92
Total Net Assets	58,129	59,536
Total Liabilities and Net Assets	119,082	118,177

(2) Consolidated Statements of Quarterly Income and Comprehensive Income
 (Consolidated Statements of Quarterly Income)
 (1Q Consolidated Results Accumulation Period)

(In million yen)

	1Q Fiscal Year ended December 31, 2018 (From January 1, 2018 to March 31, 2018)	1Q Fiscal Year ending December 31, 2019 (From January 1, 2019 to March 31, 2019)
Net sales	18,385	18,828
Cost of sales	11,612	12,183
Gross profit	6,772	6,645
Selling, general and administrative expenses		
Personnel expenses	1,833	1,897
Provision of allowance for doubtful accounts	6	20
Other	2,704	2,634
Total selling, general and administrative expenses	4,544	4,552
Operating income	2,227	2,093
Non-operating income		
Interest income	56	57
Dividends income	3	103
Foreign exchange gain	-	23
Share of profit of entities accounted for using equity method	8	-
Subsidy income	69	69
Other	119	47
Total non-operating income	256	301
Non-operating expenses		
Interest expenses	82	68
Foreign exchange losses	427	-
Share of loss of entities accounted for using equity method	-	12
Provision of allowance for doubtful accounts	-	120
Other	27	24
Total non-operating expenses	537	226
Ordinary income	1,947	2,168
Extraordinary income		
Gain on sales of non-current assets	2	4
Total extraordinary income	2	4
Extraordinary losses		
Loss on sales of non-current assets	0	50
Loss on retirement of non-current assets	6	3
Loss on valuation of investments in capital of subsidiaries and associates	-	52
Other	-	3
Total extraordinary losses	6	108
Profit before income taxes	1,943	2,064
Income taxes - current	533	497
Income taxes - deferred	83	106
Total income taxes	617	603
Profit	1,325	1,461
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	1,324	1,460

(Statements of Quarterly Consolidated Income)
(IQ Consolidated Results Accumulation Period)

(In million yen)

	1Q Fiscal Year ended December 31, 2018 (From January 1, 2018 to March 31, 2018)	1Q Fiscal Year ending December 31, 2019 (From January 1, 2019 to March 31, 2019)
Profit	1,325	1,461
Other comprehensive income		
Valuation difference on available-for-sale securities	(141)	58
Foreign currency translation adjustments	(1,045)	525
Remeasurements of defined benefit plans, net of tax	(112)	(60)
Share of other comprehensive income of entities accounted for using equity method	(18)	(0)
Total other comprehensive income	(1,317)	523
Comprehensive income	7	1,984
Comprehensive income		
Comprehensive income attributable to owners of parent	9	1,981
Comprehensive income attributable to non-controlling interests	(1)	2

(3) Notes to Quarterly Consolidated Financial Statements

(Notes regarding going concern assumptions)

None

(Notes in case of significant variation in shareholders' equity)

None

(Changes in the scope of consolidation or the scope of application of the equity method)

In 1Q under review, the Company passed a resolution to implement an absorption-type merger, with Sodick F.T, the Company's subsidiary, as the surviving company and Sodick LED as the absorbed company. The merger took place on January 1, 2019. As a result of this, Sodick LED has been excluded from the scope of consolidation, effective from 1Q under review.

(Additional information)

(Application of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)

The Company has adopted Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28; February 16, 2018), effective from the beginning of 1Q under review. Deferred tax assets are classified as investments and other assets, while deferred tax liabilities are classified as non-current liabilities.

(Introduction of restricted stock compensation plan)

The Company resolved, at its Board of Directors meeting held on February 14, 2019, to introduce a restricted stock compensation plan for its Directors (excluding External Directors; hereinafter, "Eligible Directors") with the aim of having Eligible Directors share advantages and disadvantages of stock price fluctuations with shareholders and getting Eligible Directors more motivated than ever before to contribute to raising share price and improving corporate value.

The Company also resolved, at its Board of Directors meeting held on April 19, 2019, to dispose of its treasury shares. Payment procedures were completed on May 8, 2019.

(Segment information, etc.)

I Previous consolidated cumulative first quarter (from January 1, 2018 to March 31, 2018)

1. Information on sales and operating income (loss) by reportable segment

(In million yen)

	Reportable Segment				Others (Note 1)	Total	Adjustment amount (Note 2)	Amount stated on the quarterly consolidated statement of income (Note 3)
	Machine Tool Segment	Industrial Machinery Segment	Food Processing Machinery Segment	Reportable Segment Total				
Net Sales								
Sales to outside parties	13,366	2,424	1,005	16,796	1,588	18,385	-	18,385
Intersegment sales or transfers	25	17	-	42	857	899	(899)	-
Total	13,392	2,441	1,005	16,839	2,445	19,284	(899)	18,385
Segment income	2,361	148	68	2,579	308	2,888	(660)	2,227

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 -¥660 million to segment income includes -¥37 million in eliminations of intersegment transactions and -¥623 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. Segment income is stated on reconciliation with the operating income stated in the Consolidated Statements of Quarterly Income.

2. Information on impairment loss or goodwill, etc. of non-current assets by reportable segment: None

II Current consolidated cumulative first quarter (from January 1, 2019 to March 31, 2019)

1. Information on sales and operating income (loss) by reportable segment

(In million yen)

	Reportable Segment				Others (Note 1)	Total	Adjustment amount (Note 2)	Amount stated on the quarterly consolidated statement of income (Note 3)
	Machine Tool Segment	Industrial Machinery Segment	Food Processing Machinery Segment	Reportable Segment Total				
Net Sales								
Sales to outside parties	13,362	2,320	1,776	17,459	1,369	18,828	-	18,828
Intersegment sales or transfers	7	75	-	82	569	652	(652)	-
Total	13,369	2,396	1,776	17,542	1,939	19,481	(652)	18,828
Segment income or loss	2,191	80	336	2,608	(7)	2,600	(507)	2,093

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 -¥507 million to segment income or loss includes ¥66 million in eliminations of intersegment transactions and -¥573 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. Segment income or loss is stated on reconciliation with the operating income stated in the Consolidated Statements of Quarterly Income.

2. Information on impairment loss or goodwill, etc. of non-current assets by reportable segment: None