



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

February 14, 2020

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 27, 2020
 Scheduled date of dividend payout: March 30, 2020
 Scheduled date of filing of financial statements: March 27, 2020
 Explanatory documents supplemental to the financial statements: Yes
 Result briefing: None

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

1. Consolidated Results for the Fiscal Year Ended December 31, 2019 (from January 1, 2019 to December 31, 2019)

(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, 2019	67,591	(18.3)	3,422	(65.4)	3,558	(63.0)	2,002	(69.0)
Fiscal year ended December 31, 2018	82,716	–	9,888	–	9,619	–	6,462	–

Note: Comprehensive income: Fiscal year ended December 31, 2019: ¥1,713million (-58.8%) Fiscal year ended December 31, 2018: ¥4,155 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, 2019	42.58	36.57	3.4	3.0	5.1
Fiscal year ended December 31, 2018	137.58	118.13	11.4	8.0	12.0

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

Fiscal year ended December 31, 2019: ¥42 million Fiscal year ended December 31, 2018: ¥44 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. As a result of this change, the fiscal year ended December 31, 2017 is an irregular accounting period and therefore, no year-on-year comparisons are available for the fiscal year ended December 31, 2018.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ Million	¥ Million	%	¥
Fiscal year ended December 31, 2019	114,647	58,745	51.2	1,247.06
Fiscal year ended December 31, 2018	119,082	58,129	48.7	1,235.46

Reference: Shareholders' Equity: Fiscal year ended December 31, 2019: ¥58,665 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 the fiscal year. This change has been applied retrospectively to figures for the fiscal year ended December 31, 2018.

(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, 2019	8,336	(5,609)	(2,228)	32,890
Fiscal year ended December 31, 2018	9,275	(8,188)	(3,485)	32,650

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, 2018	–	12.00	–	12.00	24.00	1,127	17.4	2.0
Fiscal year ended December 31, 2019	–	12.00	–	13.00	25.00	1,176	58.7	2.0
Fiscal year ending December 31, 2020 (Forecasts)	–	12.00	–	13.00	25.00		37.9	

3. Forecast for the Fiscal Year Ending December 31, 2020 (From January 1, 2020 to December 31, 2020)

(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
Full-year	67,800	0.3	3,800	11.0	3,800	6.8	3,100	54.8	65.90

*The effect of the spread of the new coronavirus is not factored into the full-year forecasts.

*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, 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	Fiscal year ended December 31, 2019	6,407,799 shares	Fiscal year ended December 31, 2018	6,477,947 shares
(iii) Average number of shares outstanding during period	Fiscal year ended December 31, 2019	47,018,752 shares	Fiscal year ended December 31, 2018	46,972,790 shares

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Results for the Fiscal Year Ended December 31, 2019 (from January 1, 2019 to December 31, 2019)

(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, 2019	42,557	(12.2)	817	(77.8)	2,019	(63.4)	1,466	(67.6)
Fiscal year ended December 31, 2018	48,475	–	3,673	–	5,515	–	4,521	–

	Earnings per Share	Diluted Earnings per Share
	¥	¥
Fiscal year ended December 31, 2019	31.19	26.79
Fiscal year ended December 31, 2018	96.26	82.65

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ Million	¥ Million	%	¥
Fiscal year ended December 31, 2019	83,731	38,405	45.9	816.40
Fiscal year ended December 31, 2018	87,525	38,061	43.5	810.29

Reference: Shareholders' Equity: Fiscal year ended December 31, 2019: ¥38,405 million Fiscal year ended December 31, 2018: ¥38,061 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) Future Outlook."

1. Overview of Results of Operations, etc.

(1) Analysis of Results of Operations

Matters concerning the future in the text are based on the judgments of the Company as of the end of the fiscal year under review.

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 of the fiscal year under review. The comparison of the financial position is made using retrospectively revised figures at the end of the previous fiscal year.

(i) General overview

During the fiscal year under review, the global economy, chiefly the manufacturing sector, continued to slow owing largely to the following: decelerating economic growth in China on account of an export slump and decreased capital investment dented by the trade conflict with the U.S.; weak capital investment in the U.S., despite strong consumer spending; and the turmoil of Brexit and German's stagnant economy in Europe. In Japan, economic growth appeared to be pausing, and the manufacturing sector continued its correction phase on the back of the global economic slowdown and sluggish exports.

In this business environment, formulating a long-term business plan "Next Stage 2026 – Toward Further Growth –," Sodick Group has been making efforts to, based on its founding spirit of "create, implement, and overcome difficulties," to enhance its skills to contribute to a prosperous future and realize a sustainable society through *monozukuri* (manufacturing).

On the R&D front, we have developed new products that meet market needs, such as Die-sinker EDM AG200L, a type of machine which has recently been in greater demand from the auto-related industries and is ideal for large and more complicated mold processing, and a cooling system for granular bodies suitable for temperature control for granular materials and quality control of dough. The Die-sinker EDM AG200L received the Monozukuri Prize at the Nikkan Kogyo Shimbun's 2019 (62nd) Best 10 New Product Awards.

As part of sales activities, we actively showcased our products at major international trade shows and many other exhibitions, including the China International Machine Tool Show CIMT2019 (Beijing, China; April), an international exhibition of equipment and technology for the food industry FOOMA2019 (Tokyo, Japan; July), an international machine tool trade show EMO2019 (Hannover, Germany; September), and a machine tool exhibition MECT2019 (Nagoya, Japan; October), in a bid to spread the Sodick brand and expand sales.

In addition, we have established the Singapore Techno Centre with the aim of supporting cutting edge *monozukuri* in Asia. We have also established a sales company for food processing machinery in Shanghai, China to strengthen our operating structure.

As a result of the above, the consolidated net sales for the year under review totaled ¥67,591 million (down 18.3% year on year), with operating income at ¥3,422 million (down 65.4%), ordinary income at ¥3,558 million (down 63.0%) and profit attributable to owners of the parent at ¥2,002 million (down 69.0%).

(ii) Segment overview

Machine Tool Segment	Net sales	¥45,797 million	Y/y change (rate)	Down 21.9%
	Operating income	¥4,621 million	Y/y change (amount)	Down ¥5,367 million
<p>In North America, demand from the aerospace and medical equipment-related industries remained robust. However, as the U.S.-China trade conflict had a negative impact on not only China's economy, the Company's largest customer market, but also the global economy as a whole for a prolonged period, a wide range of industries from the automotive industry to the smartphone and electronic component industries tended to delay their capital investment. As a result, sales volumes of EDMs sharply decreased.</p> <p>Segment income also plummeted from the prior year, chiefly on account of a lower plant-utilization rate associated with a decrease in sales volume as well as an increase in fixed costs.</p>				
Industrial Machinery Segment	Net sales	¥9,773 million	Y/y change (rate)	Down 12.4%
	Operating income	¥165 million	Y/y change (amount)	Down ¥637 million
<p>Capital investment tended to be delayed at home and abroad owing to the U.S.-China trade conflict. Demand from the smartphone and electronic component-related industries in Japan, China and other regions and countries in Asia remained sluggish. As a result, sales volumes declined.</p> <p>On the other hand, demand from the auto-related industries in Japan as well as that for optical lens molding machines and infrastructure development to respond to 5G started to pick up.</p>				
Food Processing Machinery Segment	Net sales	¥6,283 million	Y/y change (rate)	Down 4.2%
	Operating income	¥625 million	Y/y change (amount)	Down ¥48 million
<p>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. 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. Demand for automation equipment for the purpose of hygiene control and labor saving also expanded. However, segment sales for the year under review dropped slightly from the preceding year because of postponement of investment decisions stemming from the global economic slowdown.</p>				
Others	Net sales	¥5,737 million	Y/y change (rate)	Down 10.3%
	Operating income	¥311 million	Y/y change (amount)	Down ¥718 million
<p>Other segments consist of precision mold and precision molding operations involving the made-to-order production of precision connectors and other products, and element technology operations involving the sale, etc. of linear motors and ceramic components.</p> <p>While demand for precision mold and precision molding operations started recovering, sales of element technology operations were weak owing to a reduced demand for ceramics. Profitability of these segments has yet to recover attributable to the reinforcement of the capability of production facilities for medium- to long-term business expansion and R&D investments in automatization.</p>				

(2) Analysis of Financial Position**(i) Assets, Liabilities and Net Assets**

Total assets stood at ¥114,647 million as of the end of the year under review, a decrease of ¥4,435 million compared to the level at the end of the previous fiscal year, primarily due to a ¥2,174 million increase in accumulated depreciation, a ¥1,469 million decrease in raw materials and supplies and a ¥1,198 million decrease in notes and accounts receivable-trade.

Meanwhile, liabilities at the end of the fiscal year under review totaled ¥55,902 million, a decrease of ¥5,051 million from the end of the previous year, mainly reflecting a ¥1,960 million decrease in current liabilities, a ¥1,597 million decrease in short-term loans payable and a ¥1,456 million decrease in long-term loans payable.

Net assets totaled ¥58,745 million at the end of the fiscal year under review, an increase of ¥615 million from the end of the preceding year, largely due to a ¥847 million increase in retained earnings, partially offset by a ¥227 million decrease in foreign currency translation adjustment. As a result, the equity ratio stood at 51.2% at the end of the fiscal year.

(ii) Cash Flows

Cash and cash equivalents (hereinafter, “cash”) were ¥32,890 million at the end of the fiscal year under review, down ¥240 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 from operating activities of ¥8,336 million (as compared with ¥9,275 million in the preceding fiscal year) was chiefly due to ¥3,369 million in profit before income taxes and ¥3,664 million in depreciation.

(Cash flows from investing activities)

Cash used by investing activities of ¥5,609 million (as compared with ¥8,188 used in the preceding year) was primarily due to ¥5,645 million for the purchase of property, plant and equipment.

(Cash flows from financing activities)

Cash used by financing activities of ¥2,228 million (as compared with ¥3,485 million used in the previous year) was primarily due to the repayment of long-term loans payable of ¥8,291 million and the decrease in short-term loans payable of ¥1,645 million, partially offset by ¥8,000 million proceeds from long-term loans payable.

Cash flow indicators of Sodick Group trended as follows.

	FY ended Mar. 31, 2017	FY ended Dec. 31, 2017	FY ended Dec. 31, 2018	FY ended Dec. 31, 2019
Equity ratio (%)	44.5	45.2	48.7	51.2
Equity ratio based on market capitalization (%)	47.3	56.5	27.2	40.0
Ratio of cash flow to interest-bearing liabilities (years)	4.9	9.2	4.3	4.6
Interest coverage ratio (times)	20.3	17.4	29.3	28.5

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 ¥25 per share, comprised of a fiscal year-end regular dividend of ¥13 and a second quarter-end dividend of ¥12.

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) Future Outlook

We expect that the demand for capital investment will continue to grow amid ongoing 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, sees demand for automotive lightening as well as automotive electronics and electronic systems further increase in response to CASE (Connected, Autonomous, Shared/Service, Electric) and MaaS (Mobility as a Service). In addition, as capital investment to upgrade systems increases in line with the development of AI and IoT and towards diffusion of the next-generation mobile technology 5G, capital investment-related demand for high-precision machinery is likely to further rise. However, we expect that the business outlook will remain uncertain in view of a prolonged trade conflict between China and the U.S., the Brexit issue, growing tension in the Middle East, spread of the new coronavirus, a possible economic slump in Japan after the Tokyo Olympics and Paralympics, etc.

Under these circumstances, each segment is forecast to perform in the next fiscal year as follows:

< Machine Tool Segment/Industrial Machinery Segment >

It is anticipated that the machine tool segment and the industrial machinery segment will see potential demand mainly 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. However, due to the global economic slowdown hit by a prolonged trade conflict between the U.S. and China, demand for capital investment is likely to remain slack.

< Food Processing Machinery Segment >

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. Particularly in China, where demand is expected to surge, we established a sales company, Sodick Tom Food-Machines (Shanghai) Co., Ltd., in Shanghai in July 2019. We will strengthen our sales skills and operation and service structures in China in order to secure market share for automatic noodle boiling machines, the Company's competitive edge.

< Others >

Precision mold and precision molding operations are expected to see recovery in demand from the auto-related industries, while external sales of ceramics are expected to see recovery in demand from the semiconductor-related industries. Precision mold and precision molding operations strive to enhance the capability of production facilities for automatization and savings in labor to achieve medium- to long-term business expansion.

For the fiscal year ending December 31, 2020, Sodick Group aims to achieve net sales of ¥67,800 million (up 0.3% year on year), with operating income of ¥3,800 million (up 11.0%), ordinary income of ¥3,800 million (up 6.8%), and net profit attributable to owners of the parent of ¥3,100 million (up 54.8%). These forecasts are based on the fiscal year average exchange rate of 106 yen against the U.S. dollar and 118 yen against the euro.

	FY ending Dec. 31, 2020 Full-year forecasts (¥ Million)	FY ended Dec. 31, 2019 Actual results (¥ Million)	Year-on-year change (%)
Net sales	67,800	67,591	0.3
Operating income	3,800	3,422	11.0
Ordinary income	3,800	3,558	6.8
Profit attributable to owners of the parent	3,100	2,002	54.8

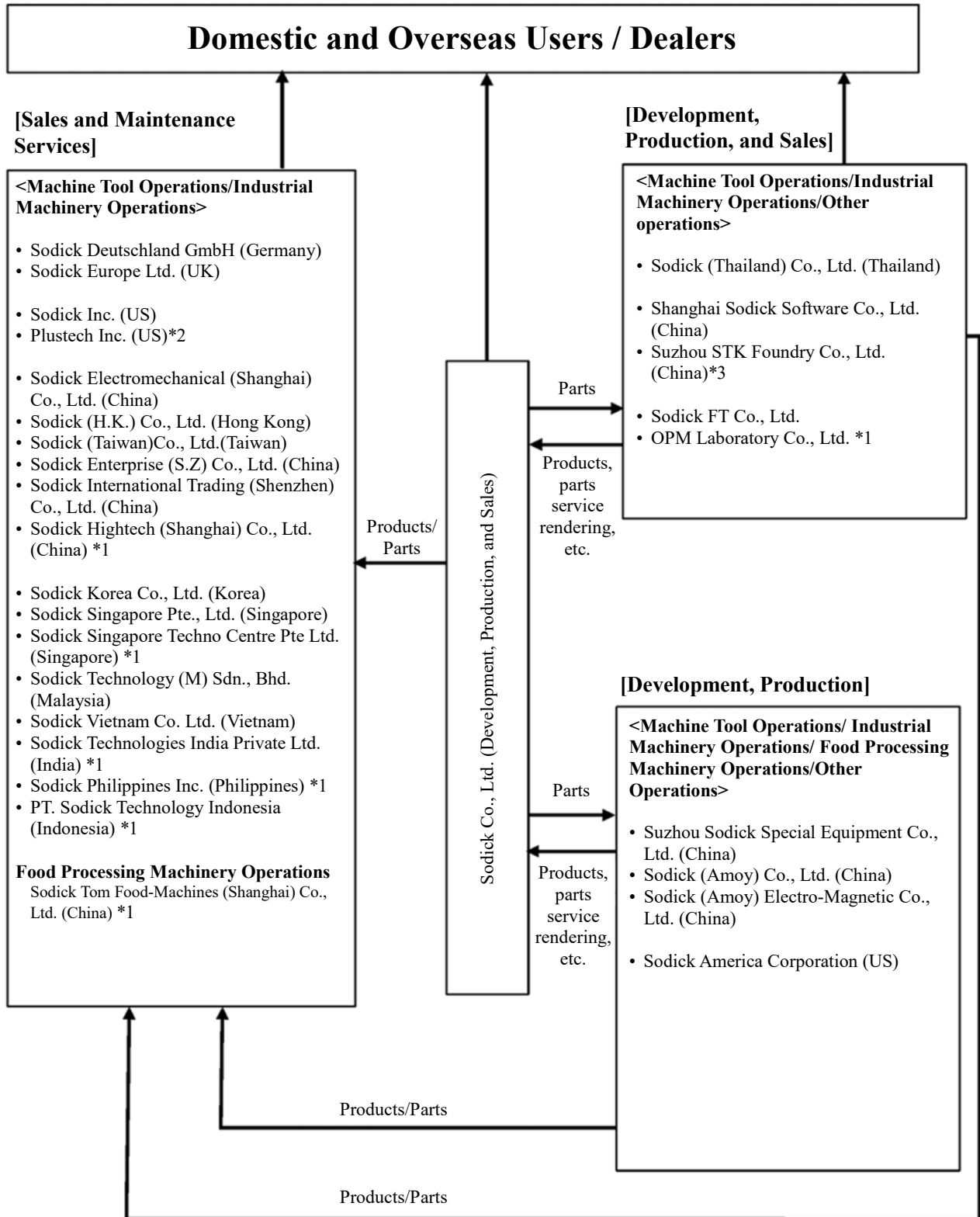
Reference: Breakdown of Net Sales by Segment>

	FY ending Dec. 31, 2020 Full-year forecasts (¥ Million)	FY ended Dec. 31, 2019 Actual results (¥ Million)	Year-on-year change (%)
Machine tool segment	45,400	45,797	(0.9)
Industrial machinery segment	9,700	9,773	(0.8)
Food processing machinery segment	6,300	6,283	0.3
Other segments	6,400	5,737	11.6

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. Furthermore, the effect of the spread of the new coronavirus is not factored into the full-year forecasts.

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 include precision mold and precision molding operations involving the made-to-order production of precision connectors and other products, and element technology operations involving the sale, etc. of linear motors and ceramic components. 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, 2018 (as of December 31, 2018)	Fiscal year ended December 31, 2019 (as of December 31, 2019)
Assets		
Current assets:		
Cash and deposits	33,546	33,873
Notes and accounts receivable-trade	14,972	13,773
Electronically recorded monetary claims-operating	1,545	1,589
Merchandise and finished goods	9,774	8,733
Work in process	8,661	7,585
Raw materials and supplies	8,809	7,339
Other	2,807	2,774
Allowance for doubtful accounts	(171)	(379)
Total current assets	79,946	75,290
Non-current assets		
Property, plant and equipment		
Buildings and structures	26,262	28,257
Machinery, equipment and vehicles	20,059	20,887
Tools, furniture and fixtures	3,486	3,831
Land	7,540	7,274
Leased assets	1,020	1,699
Construction in progress	1,168	706
Accumulated depreciation	(28,626)	(30,800)
Total property, plant and equipment	30,912	31,856
Intangible assets		
Goodwill	1,642	1,494
Other	902	916
Total intangible assets	2,544	2,411
Investments and other assets		
Investment securities	3,607	3,501
Long-term loans receivable	8	5
Deferred tax assets	1,092	601
Other	1,088	1,075
Allowance for doubtful accounts	(117)	(95)
Total investments and other assets	5,679	5,088
Total non-current assets	39,136	39,357
Total Assets	119,082	114,647

Summary of Financial Statements for the Year Ended December 31, 2019

(In million yen)

	Fiscal year ended December 31, 2018 (as of December 31, 2018)	Fiscal year ended December 31, 2019 (as of December 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable- trade	4,855	4,231
Electronically recorded obligations-operating	5,969	5,063
Short-term loans payable	4,106	2,508
Current portion of long-term loans payable	7,777	8,944
Current portion of bonds	-	140
Accounts payable-other	1,412	1,092
Income taxes payable	535	293
Provision for product warranties	444	365
Provision for quality guarantee	4	2
Provision for bonuses	614	325
Provision for point card certificates	1	1
Other	6,083	4,123
Total current liabilities	31,804	27,092
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	7,981	8,841
Long-term loans payable	19,659	18,203
Provision for directors' retirement benefits	20	22
Provision for product warranties	280	248
Net defined benefit liability	609	545
Asset retirement obligations	68	63
Other	528	885
Total non-current liabilities	29,148	28,810
Total liabilities	60,953	55,902
Net Assets		
Shareholders' equity		
Capital stock	20,785	20,785
Capital surplus	5,877	5,896
Retained earnings	32,823	33,670
Treasury shares	(4,698)	(4,647)
Total shareholders' equity	54,788	55,705
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	967	901
Foreign currency translation adjustment	2,513	2,286
Remeasurements of defined benefit plans	(236)	(227)
Total accumulated other comprehensive income	3,244	2,960
Non-controlling interests	96	79
Total Net Assets	58,129	58,745
Total Liabilities and Net Assets	119,082	114,647

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(In million yen)

	FY ended Dec. 31, 2018 (from Jan. 1, 2018 to Dec. 31, 2018)	FY ended Dec. 31, 2019 (from Jan. 1, 2019 to Dec. 31, 2019)
Net sales	82,716	67,591
Cost of sales	52,488	45,421
Gross profit	30,227	22,169
Selling, general and administrative expenses		
Personnel expenses	7,843	7,469
Provision of allowance for doubtful accounts	55	1
Amortization of goodwill	140	139
Provision for point card certificates	0	0
R&D expenses	2,352	2,528
Other	9,946	8,609
Total selling, general and administrative expenses	20,338	18,747
Operating income	9,888	3,422
Non-operating income		
Interest income	227	256
Dividends income	62	236
Equity in earnings of affiliates	44	42
Subsidy income	189	212
Gain on sale of scraps	41	20
Other	230	244
Total non-operating income	795	1,013
Non-operating expenses		
Interest expenses	308	285
Foreign exchange losses	429	132
Provision of allowance for doubtful accounts	0	274
Directors' condolence allowance	193	–
Other	132	184
Total non-operating expenses	1,065	877
Ordinary income	9,619	3,558
Extraordinary income		
Gain on sales of non-current assets	29	138
Other	–	3
Total extraordinary income	29	141
Extraordinary losses		
Loss on sales of non-current assets	7	114
Loss on retirement of non-current assets	57	31
Loss on valuation of investment securities	–	87
Loss on valuation of shares of subsidiaries and associates	117	–
Loss on valuation of investments in capital of subsidiaries and associates	–	94
Business structure improvement expenses	536	–
Other	1	2
Total extraordinary losses	719	330
Profit before income taxes	8,929	3,369
Income taxes - current	2,102	888
Income taxes - deferred	340	479
Total income taxes	2,443	1,368
Profit	6,485	2,001
Profit (loss) attributable to non-controlling interests	23	(1)
Profit attributable to owners of the parent	6,462	2,002

Summary of Financial Statements for the Year Ended December 31, 2019

(Consolidated Statements of Comprehensive Income)

(In million yen)

	FY ended Dec. 31, 2018 (from Jan. 1, 2018 to Dec. 31, 2018)	FY ended Dec. 31, 2019 (from Jan. 1, 2019 to Dec. 31, 2019)
Profit	6,485	2,001
Other comprehensive income		
Valuation difference on available-for-sale securities	(327)	(65)
Foreign currency translation adjustments	(1,686)	(227)
Remeasurements of defined benefit plans, net of tax	(311)	9
Share of other comprehensive income of entities accounted for using equity method	(5)	(4)
Total other comprehensive income	(2,330)	(287)
Comprehensive income	4,155	1,713
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,141	1,718
Comprehensive income attributable to non-controlling interests	13	(4)

(3) Consolidated Statements of Changes in Equity

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)
Disposal of treasury shares					
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)
Disposal of treasury shares						
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

Summary of Financial Statements for the Year Ended December 31, 2019

Fiscal year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)

(In million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current fiscal year	20,785	5,877	32,823	(4,698)	54,788
Changes of items during current fiscal year					
Dividends of surplus			(1,128)		(1,128)
Reserve for the awards and welfare fund for employees of foreign subsidiaries			(26)		(26)
Profit attributable to owners of the parent			2,002		2,002
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				51	51
Restricted stock compensation		18			18
Net changes of items other than shareholders' equity					
Total changes of items during current fiscal year	—	18	847	50	916
Balance at end of current fiscal year	20,785	5,896	33,670	(4,647)	55,705

	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	967	2,513	(236)	3,244	96	58,129
Changes of items during period						
Dividends of surplus						(1,128)
Reserve for the awards and welfare fund for employees of foreign subsidiaries						(26)
Profit attributable to owners of the parent						2,002
Purchase of treasury shares						(0)
Disposal of treasury shares						51
Restricted stock compensation						18
Net changes of items other than shareholders' equity	(65)	(227)	9	(284)	(16)	(300)
Changes of items during fiscal year	(65)	(227)	9	(284)	(16)	615
Balance at end of current fiscal year	901	2,286	(227)	2,960	79	58,745

(4) Consolidated Statements of Cash Flows

(In million yen)

	FY ended Dec. 31, 2018 (from Jan. 1, 2018 to Dec. 31, 2018)	FY ended Dec. 31, 2019 (from Jan. 1, 2019 to Dec. 31, 2019)
Cash flows from operating activities		
Profit before income taxes	8,929	3,369
Depreciation	3,085	3,664
Amortization of goodwill	140	139
Increase (decrease) in net defined benefit liability	(314)	(49)
Increase (decrease) in provision for bonuses	83	(286)
Increase (decrease) in provision of allowance for doubtful accounts	32	188
Interest and dividend income	(289)	(493)
Interest expenses	308	285
Share of (profit) loss of entities accounted for using equity method	(44)	(42)
Foreign exchange losses (gains)	115	11
Loss (gains) on sale and revaluation of investment securities	117	90
Loss (gains) on sale and retirement of non-current assets	35	8
Business restructuring expenses	536	–
Decrease (increase) in trade receivables	2,293	1,070
Decrease (increase) in inventories	(756)	2,944
Increase (decrease) in trade payable	(900)	(1,519)
Increase (decrease) in accounts payable-other	(169)	(258)
Increase (decrease) in advances received	(1,482)	(408)
Increase (decrease) in accrued consumption taxes	(18)	582
Other	427	(56)
Subtotal	12,128	9,352
Interest and dividends income received	285	410
Interest expenses paid	(316)	(292)
Income tax refund (or paid)	(2,821)	(1,133)
Net cash provided by operating activities	9,275	8,336
Cash flows from investing activities		
Payments into time deposits	(168)	(53)
Proceeds from withdrawal of time deposits	242	48
Purchase of property, plant and equipment	(8,134)	(5,645)
Proceeds from sale of property, plant and equipment	301	767
Purchase of intangible assets	(217)	(357)
Purchase of investment securities	(0)	(0)
Proceeds from sale of investment securities	–	1
Purchase of shares of subsidiaries and associates	(43)	(75)
Payments of loans receivable	(59)	(332)
Collection of loans receivable	20	145
Other	(131)	(108)
Net cash provided by investing activities	(8,188)	(5,609)

Summary of Financial Statements for the Year Ended December 31, 2019

(In million yen)

	FY ended Dec. 31, 2018 (from Jan. 1, 2018 to Dec. 31, 2018)	FY ended Dec. 31, 2019 (from Jan. 1, 2019 to Dec. 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(572)	(1,645)
Proceeds from long-term loans payable	7,373	8,000
Repayment of long-term loans payable	(8,904)	(8,291)
Proceeds from issuance of bonds	–	1,000
Repayments of finance lease obligations	(174)	(138)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(1,127)	(1,128)
Other	(79)	(24)
Net cash provided by financing activities	(3,485)	(2,228)
Effect of exchange rate change on cash and cash equivalents	(1,026)	(302)
Net increase (decrease) in cash and cash equivalents	(3,424)	195
Cash and cash equivalents at the beginning of the period	36,075	32,650
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	–	44
Cash and cash equivalents at the end of the period	32,650	32,890

(5) Notes to Consolidated Financial Statements

(Notes regarding going concern assumptions)

None

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

During the consolidated first quarter of the fiscal year, 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 of the fiscal year.

(Changes of the presentation method)

(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 the fiscal year. Deferred tax assets are classified as investments and other assets, while deferred tax liabilities are classified as non-current liabilities.

As a result, “Deferred tax assets” under “Current assets” decreased by ¥1,476 million and “Deferred tax assets” under “Investments and other assets” increased by ¥1,003 million in the consolidated balance sheets of the previous consolidated fiscal year. In addition, “Other” under “Current liabilities” decreased by ¥5 million and “Other” under “Non-current liabilities” decreased by ¥467 million in the consolidated balance sheets of the previous consolidated fiscal year.

(Additional information)

(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.)

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, 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	69,597	12,239	2,761	84,598	13,355	97,953	21,128	119,082
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 ¥21,128 million to segment assets includes ¥22,587 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 "Other" 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 "Other" 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.

Fiscal year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)

(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	45,797	9,773	6,283	61,854	5,737	67,591	–	67,591
Intersegment sales or transfers	37	151	–	188	2,101	2,289	(2,289)	–
Total	45,834	9,925	6,283	62,042	7,838	69,881	(2,289)	67,591
Segment income	4,621	165	625	5,411	311	5,723	(2,301)	3,422
Segment assets	65,828	11,890	2,917	80,636	12,766	93,403	21,244	114,647
Other								
Depreciation	2,486	390	113	2,989	527	3,516	147	3,664
Amortization of goodwill	91	31	–	122	16	139	–	139
Increase in tangible and intangible non-current assets	4,877	272	80	5,229	752	5,982	579	6,561

- 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 -¥2,301 million to segment income includes -¥58 million in eliminations of intersegment transactions and -¥2,359 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 ¥21,244 million to segment assets includes ¥22,416 million in group assets that are not allocable to reportable segments and -¥1,172 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 ¥147 million to depreciation of the category headed “Other” consists of ¥147 million in Group-based depreciation not attributable to reportable segments.
 5. The adjustment amount of ¥579 million to increases in property, plant, and equipment and intangible assets in the category headed “Other” consists of ¥579 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, 2019

(Per-share information)

	FY ended Dec. 31, 2018 (from Jan. 1, 2018 to Dec. 31, 2018)	FY ended Dec. 31, 2019 (from Jan. 1, 2019 to Dec. 31, 2019)
Net assets per share (yen)	1,235.46	1,247.06
Earnings per share (yen)	137.58	42.58
Diluted Earnings per share (yen)	118.13	36.57

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

	FY ended Dec. 31, 2018 (from Jan. 1, 2018 to Dec. 31, 2018)	FY ended Dec. 31, 2019 (from Jan. 1, 2019 to Dec. 31, 2019)
Earnings per share (yen)		
Profit attributable to owners of the parent (¥ Million)	6,462	2,002
Portion not attributable to shares of common stock (¥ Million)	—	—
Profit attributable to owners of parent company's common stock (¥ Million)	6,462	2,002
Average number of common stock outstanding (thousands of shares)	46,972	47,018
Diluted earnings per share		
Adjustment to Profit attributable to owners of the parent (¥ Million)	—	—
Increase in the number of common stock (thousands of shares)	7,733	7,733
(of which convertible bonds (thousands of shares))	(7,733)	(7,733)
Description of dilutive shares not included in calculation of diluted earnings per share due to no dilutive effect	—	—

(Material subsequent events)

None