



Summary of Financial Statements for the Second Quarter of the Year Ending December 31, 2020 (J-GAAP) (Consolidated)

August 7, 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 filing of quarterly report: August 7, 2020
 Scheduled date of dividend payout: September 4, 2020
 Explanatory documents supplemental to the quarterly financial statements: Yes
 Results 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 2Q of the Fiscal Year Ending December 31, 2020 (from January 1, 2020 to June 30, 2020)

(1) Consolidated Financial Results (Accumulated Total)

(Percentages indicate year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of the Parent	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
2Q of the fiscal year ending December 31, 2020	26,702	(18.4)	345	(83.8)	362	(82.5)	105	(88.1)
2Q of the fiscal year ended December 31, 2019	32,717	(21.0)	2,127	(59.7)	2,073	(60.0)	892	(75.7)

Note: Comprehensive income: 2Q of the fiscal year ending December 31, 2020: -¥1,298 million (-%) 2Q of the fiscal year ended December 31, 2019: ¥30 million (-98.6%)

	Earnings per Share	Diluted Earnings per Share
	¥	¥
2Q of the fiscal year ending December 31, 2020	2.25	1.93
2Q of the fiscal year ended December 31, 2019	18.98	16.30

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ Million	¥ Million	%	¥
2Q of the fiscal year ending December 31, 2020	116,992	56,846	48.5	1,206.60
Fiscal year ended December 31, 2019	114,647	58,745	51.2	1,247.06

Reference: Shareholders' Equity: 2Q of the fiscal year ending December 31, 2020: ¥56,773 million Fiscal year ended December 31, 2019: ¥58,665 million

2. Cash Dividends

	Annual Dividend				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
	¥	¥	¥	¥	¥
Fiscal year ended December 31, 2019	—	12.00	—	13.00	25.00
Fiscal year ending December 31, 2020	—	12.00			
Fiscal year ending December 31, 2020 (Forecast)			—	13.00	25.00

Note: Revisions to the most recently announced dividend forecast: None

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	%	¥
Full-year	54,500	(19.4)	1,000	(70.8)	1,000	(71.9)	500	(75.0)	10.63

Notes: Revisions to the most recently announced consolidated results forecast: Yes

*Notes

- (1) Changes in important subsidiaries during the consolidated cumulative second quarter under review (changes in specified subsidiaries resulting in 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 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)	2Q of the fiscal year ending December 31, 2020	53,363,016 shares	Fiscal year ended December 31, 2019	53,450,916 shares
(ii) Number of treasury shares as of the balance sheet date	2Q of the fiscal year ending December 31, 2020	6,310,499 shares	Fiscal year ended December 31, 2019	6,407,799 shares
(iii) Average number of shares outstanding during period (quarterly cumulative total)	2Q of the fiscal year ending December 31, 2020	47,026,602 shares	2Q of the fiscal year ended December 31, 2019	46,993,899 shares

* Quarterly financial statements are not subject to a quarterly review 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. 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 4 of the attachment to this summary of quarterly financial statements.

1. Qualitative Information regarding the Quarterly Financial Statements under Review

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

(1) Explanation regarding Results of Operations

During the consolidated cumulative second quarter under review, we saw a tense economic situation where economic activities have been restrained owing to the spread of the new coronavirus (COVID-19) infection. In Japan, an unpredictable situation remained continuous after the termination of the declaration of a state of emergency. In addition, a tense situation continued in the West, including lockdown and restriction of going outside. In China, which is the Company's largest market, the termination of movement restriction spread after April, when the infection turned toward settlement, and the recovery of consumption in China was conveyed. However, the situation was very uncertain owing mainly to the fact that export to the West has not recovered.

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).

Regarding prevention of the spread of COVID-19 infection, Sodick has maintained a system of continuing business while reducing the risk of infection by encouraging working at home and staggered working hours, not to mention being thorough in safety and health. On the sales front, as exhibitions cancelled one after another, we are conducting activities using IT in such a way as holding Web exhibitions. In the production activities, we adjusted the Thailand Factory's running days to adjust production in line with demand reduction to reduce costs.

Under these circumstances, the consolidated net sales for the second quarter under review totaled ¥26,702 million (down 18.4% year on year), with operating income at ¥345 million (down 83.8% year on year), ordinary income at ¥362 million (down 82.5% year on year) and profit attributable to owners of the parent at ¥105 million (down 88.1% year on year).

The results of operations by segment are as follows:

Machine Tool Segment	Net Sales	¥17,063 million	Y/y change (rate)	Down 27.2%
	Operating income	¥941 million	Y/y change (amount)	Down ¥1,921 million
Owing to the spread of COVID-19 infection, the economy slowed down all over the world. A wide range of industries, including the automotive industry, the electronic component industry, and the aerospace industry, tended to postpone product shipment and capital investment owing mainly to the suspension of business activities. On the other hand, demand recovered in 5G-related and semiconductor-related segments in China after March but could not make up a fall in demand in the world. So net sales fell substantially year on year. Segment income also plummeted year on year, chiefly on account of a lower plant-utilization rate associated with a decrease in sales volume.				
Industrial Machinery Segment	Net Sales	¥5,316 million	Y/y change (rate)	Up 26.2%
	Operating income	¥276 million	Y/y change (amount)	Up ¥279 million
Economic activities continued to be restrained owing to the global spread of COVID-19 infection. As there was a demand for next generation auto-related industries, such as CASE, in addition to some projects for 5G smartphone antenna components and lenses, net sales rose year on year. A break was seen in demand in the most recent time, and the situation is unpredictable.				
Food Processing Machinery Segment	Net Sales	¥1,515 million	Y/y change (rate)	Down 35.4%
	Operating income	¥5 million	Y/y change (amount)	Down ¥287 million
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. There was a rising demand related to nest-dweller consumption incidental to refraining from going outside, in addition to that for sanitary equipment and equipment to respond to manpower reduction. However, in addition to the fact that sales of major projects are expected to be booked in and after the second half of the year, there was also a move to postpone capital investment in food service-related business owing to the spread of COVID-19 infection. Furthermore, owing to the absence of major noodle-making projects in the same period a year ago, sales plunged from a year earlier.				
Others	Net Sales	¥2,807 million	Y/y change (rate)	Up 3.4%
	Operating income	¥219 million	Y/y change (amount)	Up ¥155 million
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. Demand for ceramics continued to slow down owing to the spread of COVID-19 infection. In mold and molding operations, net sales rose from a year earlier, in which business environment got worse owing to trade friction between the U.S. and China. However, the outlook continued to be uncertain owing to a sluggish demand in the automotive industry due to the spread of COVID-19 infection.				

(2) Explanation regarding Financial Position

Total assets stood at ¥116,992 million as of the end of the quarterly consolidated accounting period under review, an increase of ¥2,345 million compared to the level at the end of the previous fiscal year, due primarily to a ¥4,992 million increase in cash and deposits, partially offset by a ¥2,165 million decrease in notes and accounts receivable-trade.

Meanwhile, liabilities at the end of the period under review totaled ¥60,145 million, an increase of ¥4,243 million from the end of the previous fiscal year, due mainly to a ¥3,041 million increase in long-term loans payable, and a ¥787 million increase in other current liabilities.

Net assets totaled ¥56,846 million at the end of the period under review, a decrease of ¥1,898 million from the end of the previous fiscal year, due mainly to a ¥1,055 million decrease in foreign currency translation adjustment and a ¥556 million decrease in retained earnings.

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

There have been revisions to the projections of results that were announced on February 14, 2020.

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

(In million yen)

	Fiscal year ended December 31, 2019 (as of December 31, 2019)	2Q fiscal year ending December 31, 2020 (as of June 30, 2020)
Assets		
Current assets:		
Cash and deposits	33,873	38,866
Notes and accounts receivable-trade	13,773	11,607
Electronically recorded monetary claims-operating	1,589	1,930
Merchandise and finished goods	8,733	9,498
Work in process	7,585	8,128
Raw materials and supplies	7,339	7,408
Other	2,774	2,169
Allowance for doubtful accounts	(379)	(474)
Total current assets	75,290	79,135
Non-current assets		
Property, plant and equipment		
Buildings and structures	28,257	27,957
Machinery, equipment and vehicles	20,887	20,724
Other	13,512	13,687
Accumulated depreciation	(30,800)	(31,766)
Total property, plant and equipment	31,856	30,603
Intangible assets		
Goodwill	1,494	1,417
Other	916	890
Total intangible assets	2,411	2,307
Investments and other assets		
Other	5,184	5,041
Allowance for doubtful accounts	(95)	(95)
Total investments and other assets	5,088	4,946
Total non-current assets	39,357	37,857
Total Assets	114,647	116,992

(In million yen)

	Fiscal year ended December 31, 2019 (as of December 31, 2019)	2Q fiscal year ending December 31, 2020 (as of June 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable- trade	4,231	4,948
Electronically recorded obligations-operating	5,063	4,651
Short-term loans payable	2,508	2,728
Current portion of bonds payable	140	8,121
Current portion of long-term loans payable	8,944	8,868
Income taxes payable	293	412
Provision	695	754
Other	5,215	6,003
Total current liabilities	27,092	36,487
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	8,841	790
Long-term loans payable	18,203	21,244
Provision	271	223
Net defined benefit liability	545	527
Asset retirement obligations	63	64
Other	885	808
Total non-current liabilities	28,810	23,658
Total liabilities	55,902	60,145
Net Assets		
Shareholders' equity		
Capital stock	20,785	20,785
Capital surplus	5,896	5,877
Retained earnings	33,670	33,114
Treasury shares	(4,647)	(4,566)
Total shareholders' equity	55,705	55,210
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	901	543
Foreign currency translation adjustment	2,286	1,230
Remeasurements of defined benefit plans	(227)	(211)
Total accumulated other comprehensive income	2,960	1,562
Non-controlling interests	79	73
Total Net Assets	58,745	56,846
Total Liabilities and Net Assets	114,647	116,992

Summary of Financial Statements for the Second Quarter of the Year Ending December 31, 2020

(2) Consolidated Statements of Quarterly Income and Comprehensive Income

(Consolidated Statements of Quarterly Income)

(2Q Consolidated Results Accumulation Period)

(In million yen)

	2Q FY ended Dec. 31, 2019 (from Jan. 1, 2019 to Jun. 30, 2019)	2Q FY ending Dec. 31, 2020 (from Jan. 1, 2020 to Jun. 30, 2020)
Net Sales	32,717	26,702
Cost of sales	21,386	18,270
Gross profit	11,331	8,432
Selling, general and administrative expenses		
Personnel expenses	3,715	3,585
Provision of allowance for doubtful accounts	71	68
Other	5,416	4,432
Total selling, general and administrative expenses	9,203	8,086
Operating income	2,127	345
Non-operating income		
Interest income	120	127
Dividends income	215	86
Share of profit of entities accounted for using equity method	8	11
Subsidy income	91	171
Gain on sale of scraps	10	6
Other	81	107
Total non-operating income	526	511
Non-operating expenses		
Interest expenses	142	136
Foreign exchange losses	241	197
Provision of allowance for doubtful accounts	152	40
Other	43	119
Total non-operating expenses	580	494
Ordinary Income	2,073	362
Extraordinary income		
Gain on sales of non-current assets	8	21
Other	1	3
Total extraordinary income	10	24
Extraordinary losses		
Loss on sales of non-current assets	50	2
Loss on retirement of non-current assets	21	4
Loss on valuation of shares of subsidiaries and associates	44	–
Loss on valuation of investments in capital of subsidiaries and associates	52	–
Other	3	1
Total extraordinary losses	172	8
Profit before income taxes	1,911	378
Income taxes - current	390	414
Income taxes - deferred	625	(137)
Total income taxes	1,016	276
Profit	895	101
Profit (loss) attributable to non-controlling interests	3	(3)
Profit attributable to owners of the parent	892	105

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

(In million yen)

	2Q FY ended Dec. 31, 2019 (from Jan. 1, 2019 to Jun. 30, 2019)	2Q FY ending Dec. 31, 2020 (from Jan. 1, 2020 to Jun. 30, 2020)
Profit	895	101
Other comprehensive income		
Valuation difference on available-for-sale securities	(129)	(357)
Foreign currency translation adjustment	(675)	(1,052)
Remeasurements of defined benefit plans, net of tax	(49)	15
Share of other comprehensive income of entities accounted for using equity method	(10)	(6)
Total other comprehensive income	(864)	(1,400)
Comprehensive income	30	(1,298)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	30	(1,292)
Comprehensive income attributable to non-controlling interests	0	(6)

Summary of Financial Statements for the Second Quarter of the Year Ending December 31, 2020

(3) Consolidated Statements of Quarterly Cash Flows

(In million yen)

	2Q FY ended Dec. 31, 2019 (from Jan. 1, 2019 to Jun. 30, 2019)	2Q FY ending Dec. 31, 2020 (from Jan. 1, 2020 to Jun. 30, 2020)
Cash flows from operating activities		
Profit before income taxes	1,911	378
Depreciation	1,667	1,671
Amortization of goodwill	70	69
Increase (decrease) in provision for bonuses	(51)	105
Increase (decrease) in allowance for doubtful accounts	180	98
Increase (decrease) in retirement benefit liability	50	13
Interest and dividend income	(335)	(214)
Interest expenses	142	136
Foreign exchange losses (gains)	5	9
Decrease (increase) in trade receivables	2,739	1,692
Decrease (increase) in inventories	(108)	(1,817)
Increase (decrease) in trade payables	(979)	351
Increase (decrease) in accounts payable-other	(383)	(78)
Increase (decrease) in advances received	434	829
Increase (decrease) in accrued consumption taxes	734	180
Other	141	906
Subtotal	6,222	4,335
Interest and dividends received	307	149
Interest paid	(147)	(140)
Income taxes (paid) refund	(575)	(473)
Net Cash used in operating activities	5,807	3,871
Cash flows from investing activities		
Payments into time deposits	(122)	(37)
Proceeds from withdrawal of time deposits	10	-
Purchase of property, plant and equipment	(3,294)	(778)
Proceeds from sales of property, plant and equipment	518	135
Purchase of intangible assets	(138)	(76)
Purchase of investment securities	(0)	(0)
Proceeds from sales of investment securities	1	-
Loan advances	(332)	-
Collection of loans receivable	2	1
Other	(37)	9
Net Cash used in investing activities	(3,392)	(746)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(413)	249
Proceeds from long-term loans payable	3,900	7,100
Repayment of long-term loans payable	(4,152)	(4,119)
Redemption of bonds	-	(70)
Purchase of treasury shares	(0)	(52)
Dividends paid	(563)	(611)
Repayments of finance lease obligations	(91)	(116)
Other	(13)	(17)
Net Cash used in financing activities	(1,335)	2,361
Effect of exchange rate change on cash and cash equivalents	(434)	(478)
Net increase (decrease) in cash and cash equivalents	645	5,008
Cash and cash equivalents at beginning of period	32,650	32,890
Cash and cash equivalents at end of period	*1 33,295	*1 37,898

(4) 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)

None

(Segment information, etc.)

[Segment information]

I Previous consolidated cumulative second quarter (from January 1, 2019 to June 30, 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	23,444	4,213	2,344	30,002	2,715	32,717	–	32,717
Intersegment sales or transfers	15	107	–	123	1,214	1,337	(1,337)	–
Total	23,459	4,321	2,344	30,125	3,930	34,055	(1,337)	32,717
Segment income (loss)	2,862	(3)	293	3,152	64	3,216	(1,089)	2,127

- Notes: 1. The category headed "Others" covers business segments outside reportable ones, such as precision molds and molding operations, elemental technology operations, lease operations, etc.
2. The adjustment amount of -¥1,089 million to segment income (loss) includes ¥60 million in eliminations of intersegment transactions and -¥1,149 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 (loss) is stated on reconciliation with the operating income (loss) stated in the consolidated statement of quarterly income.

2. Information on impairment loss or goodwill, etc. of non-current assets by reportable segment

None

II Current consolidated cumulative second quarter (from January 1, 2020 to June 30, 2020)

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	17,063	5,316	1,515	23,894	2,807	26,702	–	26,702
Intersegment sales or transfers	62	5	–	67	859	927	(927)	–
Total	17,126	5,321	1,515	23,962	3,666	27,629	(927)	26,702
Segment income	941	276	5	1,223	219	1,442	(1,097)	345

- Notes: 1. The category headed "Others" covers business segments outside reportable ones, such as precision molds and molding operations, elemental technology operations, lease operations, etc.
2. The adjustment amount of -¥1,097 million to segment income includes -¥51 million in eliminations of intersegment transactions and -¥1,045 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 (loss) stated in the consolidated statement of quarterly income.

2. Information on impairment loss or goodwill, etc. of non-current assets by reportable segment

None