



\* Notes

- (1) Changes in important subsidiaries during the consolidated quarter (nine months) under review (changes occurred in specified subsidiaries in conjunction with a change in the scope of consolidation): None
- (2) Application of accounting procedures specific to creation 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: Yes
  - (ii) Change of accounting policies other than stated in (i): None
  - (iii) Change of accounting estimates: None
  - (iv) Retroactive restatement: None
- Note: For details, see page 4 of the attachment and look under “(3) Change of accounting policies; change and/or restatement of accounting estimates” of “2. Summary (Notes) Information.”

(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)	3Q FY 2017	53,432,510 shares	FY 2016	53,432,510 shares
(ii) Number of treasury shares as of the balance sheet date	3Q FY 2017	6,476,803 shares	FY 2016	3,114,773 shares
(iii) Average number of shares (cumulative quarterly statistics)	3Q FY 2017	47,534,152 shares	3Q FY 2016	50,317,880 shares

\* Implementation of quarterly review procedures

This quarterly summary of financial statements requires no quarterly review procedures in accordance with the Financial Instruments and Exchange Act. As of the time of disclosure of this quarterly summary of financial statements, review procedures of quarterly consolidated financial statements in accordance with the Financial Instruments and Exchange Act have not been concluded.

\* Disclaimer

The estimates stated above are projections based on currently available information and involve a considerable number of uncertain factors. Due to changes in industry conditions, actual results can be different from the above estimates. Information concerning results projections are available for reference on page 3 of the quarterly summary of financial statements (attached documentation) in section "1. Qualitative Information on Quarterly Financial Results (3) Explanation of consolidated earnings estimates and forward-looking information."

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## 1. Qualitative Information for Quarterly Financial Results

### (1) Explanation of Operating Results

The Japanese economy during the quarter period under review experienced a moderate recovery on the whole, partially helped by recovering consumer spending in an improving labor market. Meanwhile, in the global economic arena, the U.S. economy continued to grow, helped by improvement in the job market and strong personal consumption, while a firm recovery was seen in Europe on the back of improving consumer spending during the quarter.

On the other hand, the economic outlook remains uncertain, in light of possible impact on the global economy with economic policies that are expected to be adopted by the new administration of the United States, and Britain's departure from the EU, along with geopolitical risks associated with general elections taking place in Europe this year. Furthermore, a slowdown in economic growth is underway in emerging economies such as China and Southeast Asian countries.

The machine tools industry, in which Sodick Group operates, experienced a responsive spike in demand following an incentive program implemented by the Japanese government, aiming to facilitate capital spending in the private sector. Overall, however, the machine tool market remained weak during the quarter. North America continued to enjoy firm demand from customers in the automotive, aerospace and other industries, while the European market remained strong, particularly in Germany, where resilient growth in demand was seen in the automotive and aerospace sectors. China and Southeast Asian countries are beginning to see some recovery in isolated areas but not in general.

Given this business environment, Sodick Group remained focused on taking steps to enhance the Sodick brand through aggressive marketing activities, which included strong product presentation at JIMTOF 2016 International Machine Tool Fair held at Tokyo Big Sight in November of last year. At this machine tool fair, the company demonstrated a revolutionary plastic molding process by using OPM350L, a large-sized precision metal 3D printer, combined with MR30, an injection molding machine designed especially for metal 3D printer, alongside an exhibition of new models of electrical discharge machines (EDMs) and injection molding machines as well as cutting-edge system utilizing IoT technologies.

Overall, Sodick Group experienced a lackluster performance in business during the quarter, despite the positive impact of the government's incentive program implemented in June for the manufacturing industry in Japan. When it comes to overseas business, the company continued to enjoy brisk demand from the automotive, aerospace and medical equipment industries in North America. In some parts of Europe, such as Russia and Turkey, the company suffered a decline in demand. Overall, Sodick continued to enjoy firm demand during the quarter. In China, demand has remained strong since the Chinese New Year holidays last year which carried into the third quarter when there is usually a slowdown in demand during this period. There is growing demand for ultra-precision models, while the company suffered a slowdown in sales growth during the first quarter as a result of a setback in order intake towards the end of the previous fiscal year. Markets in Southeast Asian countries continued to experience challenges during the first half, but in recent months, they have started to see a moderate recovery trend underway in sales to the automotive and other industries. In addition, strong demand has come from smartphone companies. However, the yen's value in the currency market remained stronger on a year-on-year basis during the third quarter, which has left net sales lower for the quarter compared to the corresponding period of last year.

As a result, consolidated net sales for the fiscal third quarter totaled ¥44,294 million, down ¥4,516 million (-9.3%) year on year, with operating income of ¥3,346 million, down ¥1,283 million (-27.7%), ordinary income of ¥2,864 million, down ¥1,492 million (-34.3%), and profit attributable to owners of parent at ¥2,488 million, down ¥931 million (-27.2%).

Analysis of Sales by Business Segments:

Machine Tool Segment – Given the incentive program implemented by the government in June for the manufacturing industry in Japan, there was a spike in demand following the brisk capital investment implemented by some of the customers in the automotive industry on the domestic front. However, the overall market remained sluggish. When it comes to overseas business, the company continues to enjoy strong demand from customers in the automotive, aerospace, and medical equipment industries in North America. In addition, there appears to be a rebound in demand from energy-related companies. Meanwhile, the company experienced mixed business performance in Europe during the quarter. More specifically, there was strong demand from the automotive and aerospace industries in Germany, U.K., and Italy, while a plunge in demand was seen in Russia, Turkey and other countries. In China, demand has remained strong since Chinese New Year holidays of last year propelled by growing demand for ultra-precision models from customers in the automotive and smartphone industries, and remained strong even in the third quarter, which usually experiences a slowdown in demand. In other Asian markets, Korea continued to experience sluggish demand, while Thailand and Indonesia have started to see a recovery in demand from automotive manufacturers and others. With a negative currency impact, the Machine Tool segment achieved net sales of ¥31,630 million in the fiscal third quarter, down ¥4,958 million (-13.6%) compared to the corresponding period of previous fiscal year.

Industrial Machinery Segment – On the domestic front, the company continued to enjoy growth in demand, driven by active capital investment among customers for automotive connectors, electronic components, lenses used for smartphones, and ultra-precision EDMs sold to high value-added component manufacturers. In overseas markets, North America continued to achieve strong sales results to medical equipment and automotive manufacturers, while China and other Asian countries enjoyed strong demand from automotive and smartphone manufacturers for products including lenses and molding machines that are used to make waterproof silicone cases. The level of order intake remained as high as ever recorded in history during the third quarter. As a result, the Industrial Machinery segment achieved net sales of ¥6,111 million in the fiscal third quarter, down ¥177 million (-2.8%) compared to the corresponding period of previous fiscal year.

Food Processing Machinery Segment – In this segment, the company develops, manufactures and markets noodle-making machines and plants, and their applied products, as well as provide maintenance services related to those products. In the domestic market, demand driven by capital investment continues to come from convenience stores, supermarkets, and restaurant chains aiming to upgrade the quality of noodles served in restaurants. The company enjoys growth in demand from confectionery companies and manufacturers of packaging materials for precooked rice and deli products. In overseas markets, demand has been growing for the company's noodle-making machines, on the back of the increasing popularity of Japanese food, including long-life noodles in China and easy-to-cook frozen noodles in America. As a result, the Food Processing Machinery segment achieved net sales of ¥2,253 million in the fiscal third quarter, up ¥219 million (+10.8%) compared to the corresponding period of previous fiscal year.

Others – This business category refers to those sales related to high-precision metal molds and die machinery for order manufacturing of precision connectors and other products, element technology involving development, production, and marketing operations of products based on the company's proprietary technology such as linear motors and ceramics, as well as LED lighting equipment, and leasing operations for the products manufactured by the company. The high-precision mold and die machinery operations continued to enjoy firm demand, primarily from the automotive industry. Meanwhile, the company achieved strong external sales of linear motors and ceramic products. As a result, the Others segment achieved net sales of ¥4,299 million in the fiscal third quarter, up ¥399 million (+10.2%) compared to the corresponding period of previous fiscal year.

**(2) Analysis of Financial Condition**

Total assets stood at ¥109,526 million as of the end of the third quarter of FY2017, an increase of ¥9,804 million compared to the level at the end of the prior consolidated fiscal year, primarily due to a ¥9,206 million increase in cash and deposits, among other factors.

Meanwhile, liabilities at the end of the quarter totaled ¥63,292 million, an increase of ¥13,329 million from the end of the previous financial year, mainly reflecting an ¥8,000 million increase in bonds, a ¥1,812 million increase in long-term loans payable, and a ¥1,012 million increase in notes and accounts payable - trade.

Net assets totaled ¥46,233 million at the end of the quarter, a decrease of ¥3,525 million from the end of FY2016, primarily attributable to a ¥3,000 million increase in treasury shares and a ¥2,653 million decrease in foreign currency translation adjustment partially offset by a ¥1,718 million increase in retained earnings.

**(3) Explanation of information on future estimates, including consolidated earnings forecasts**

No revision has been made to the earnings forecasts as announced on August 10, 2016.

## **2. Summary (Notes) Information**

### **(1) Changes in important subsidiaries during the consolidated quarter (nine months) under review**

No relevant category.

### **(2) Application of accounting procedures specific to creation of quarterly consolidated financial statements**

No relevant category.

### **(3) Change of accounting policies; change and/or restatement of accounting estimates**

(Application of practical solution concerning the change of depreciation method under the FY2016 tax system revision)

Due to the revision of the Corporation Tax Act, beginning with the first quarter of the fiscal year, the Company applies the "Practical solution concerning the change of depreciation method under the FY2016 tax system revision" (Practical Solutions Statement No. 32, June 17, 2016). As a consequence, for buildings, accompanying facilities, and structures acquired on or after April 1, 2016, the method of depreciation has been changed from the declining balance method to the straight line method.

This change has negligible effects on consolidated income for the period under review.

### **(4) Supplementary information**

(Application of the application guideline concerning the recoverability of deferred tax assets)

Beginning with the first quarter of the fiscal year, the Company applies the "Application Guideline concerning the Recoverability of Deferred Tax Assets" (Business Accounting Standard Application Guideline No. 26, March 28, 2016).

**3. Consolidated Financial Statements****(1) Consolidated balance sheets**

(In million yen)

	FY 2016 (consolidated) (As of March 31, 2016)	3Q FY 2017 (consolidated) (As of December 31, 2016)
<b>Assets</b>		
Current Assets		
Cash and deposits	27,663	36,869
Notes and accounts receivable – trade	14,556	14,225
Electronically recorded monetary claims – operating	209	423
Commodity and merchandise	7,587	7,770
Work-in-process	7,338	7,589
Raw materials and inventory	7,284	7,280
Other current assets	3,377	4,179
Allowance for doubtful accounts	(169)	(169)
<b>Total current assets</b>	<b>67,846</b>	<b>78,168</b>
Fixed Assets		
Tangible Fixed Assets		
Buildings and structures	20,178	19,815
Machinery, equipment and vehicles	16,987	16,727
Other fixed assets	10,899	11,067
Accumulated depreciation	(23,728)	(24,207)
<b>Total tangible fixed assets</b>	<b>24,336</b>	<b>23,402</b>
Intangible Fixed Assets		
Goodwill	2,037	1,942
Other intangible fixed assets	1,425	1,325
<b>Total intangible fixed assets</b>	<b>3,463</b>	<b>3,268</b>
Investments and other assets		
Other assets	4,200	4,803
Allowance for doubtful accounts	(125)	(115)
<b>Total investments and other assets</b>	<b>4,075</b>	<b>4,687</b>
<b>Total Fixed Assets</b>	<b>31,875</b>	<b>31,358</b>
<b>Total Assets</b>	<b>99,722</b>	<b>109,526</b>

	FY 2016 (consolidated) (As of March 31, 2016)	3Q FY 2017 (consolidated) (As of December 31, 2016)
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and accounts payable – trade	4,026	5,039
Electronically recorded monetary claims – operating	4,820	5,357
Short-term loans payable	4,693	4,437
Long-term borrowings redeemable within one year	10,393	11,154
Income taxes payable	235	426
Allowance	909	688
Other current liabilities	4,578	6,059
<b>Total current liabilities</b>	<b>29,656</b>	<b>33,162</b>
<b>Fixed Liabilities</b>		
Convertible bond-type bonds with subscription rights to share	—	8,000
Long-term loans payable	18,740	20,553
Allowance	260	273
Net defined benefit liability	738	685
Asset removal obligations	99	98
Other fixed liabilities	467	520
<b>Total fixed liabilities</b>	<b>20,306</b>	<b>30,130</b>
<b>Total Liabilities</b>	<b>49,963</b>	<b>63,292</b>
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Capital stock	20,775	20,775
Capital surplus	5,879	5,879
Retained earnings	19,870	21,588
Treasury stock	(1,696)	(4,697)
<b>Total shareholders' equity</b>	<b>44,828</b>	<b>43,546</b>
<b>Accumulated other comprehensive income</b>		
Unrealized gain on available-for-sale securities	748	1,150
Foreign currency translation adjustment	4,251	1,598
Remeasurements of defined benefit plans	(165)	(142)
<b>Total accumulated other comprehensive income</b>	<b>4,835</b>	<b>2,606</b>
Non-controlling interests	94	80
<b>Total Net Assets</b>	<b>49,758</b>	<b>46,233</b>
<b>Total Liabilities and Net Assets</b>	<b>99,722</b>	<b>109,526</b>

**(2) Consolidated statements of income / Consolidated statements of comprehensive income**  
**(Consolidated statements of income)**  
**(3rd quarter)**

(In million yen)

	3Q FY 2016 (April 1, 2015 – December 31, 2015)	3Q FY 2017 (April 1, 2016 – December 31, 2016)
Net Sales	48,811	44,294
Cost of Sales	31,278	28,235
Gross Profit	17,532	16,059
Selling, General and Administrative Expenses		
Personnel expenses	5,073	5,023
Reversal of allowance for loan losses	23	13
Other	7,805	7,675
Total selling, general and administrative expenses	12,902	12,712
Operating Income	4,630	3,346
Non-operating Income		
Interest income	124	100
Dividends income	47	45
Equity in earnings of affiliates	—	25
Import tax refund, etc.	102	—
Other non-operating income	221	194
Total non-operating income	496	366
Non-operating Expenses		
Interest expenses	364	316
Foreign exchange loss	314	395
Other non-operating expenses	90	137
Total non-operating expense	769	849
Ordinary Income	4,356	2,864
Extraordinary Income		
Gain on sales of fixed assets	61	72
Other extraordinary income	—	0
Total extraordinary income	61	72
Extraordinary Loss		
Loss on sales of fixed assets	0	9
Loss on retirement of fixed assets	25	26
Total extraordinary loss	26	35
Net Income before Income Taxes	4,392	2,901
Current Income Taxes	1,078	795
Deferred Income Taxes	(131)	(389)
Total Income Taxes	947	405
Profit	3,445	2,495
Profit Attributable to Non-controlling Interests	25	6
Profit Attributable to Owners of the Parent	3,420	2,488

**(Consolidated statements of comprehensive income)  
(3rd quarter)**

(In million yen)

	3Q FY 2016 (April 1, 2015 – December 31, 2015)	3Q FY 2017 (April 1, 2016 – December 31, 2016)
Profit	3,445	2,495
Other Comprehensive Income		
Unrealized gain on available-for-sale securities	104	401
Foreign currency translation adjustment	(1,204)	(2,683)
Remeasurements of defined benefit plans	(6)	23
Share of other comprehensive income of affiliates accounted for using equity method	—	10
Total other comprehensive income	(1,107)	(2,248)
Quarterly Comprehensive Income	2,338	247
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	2,315	260
Comprehensive income attributable to non-controlling interests	22	(13)

**(3) Notes concerning quarterly consolidated financial statements**

(Notes on premise of going concern)

No relevant category.

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

Based on the resolution of the board of directors' meeting held on April 1, 2016, the Company acquired 3,361,600 shares of own stock. As a result, in the first quarter of the fiscal year, treasury stock increased by ¥2,999 million. As of the end of the third quarter the Company held ¥4,697 million in treasury stock.

I. 3Q FY 2016 (from April 1, 2015 to December 31, 2015)

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

(In million yen)

	Reportable Segment				Others (Note 1)	Total	Adjustment amount (Note 2)	Amount stated on the consolidated statement of income for the quarter (Note 3)
	Machine Tool Operations	Industrial Machinery Operations	Food Processing Machinery Operations	Reportable Segment Total				
Net Sales								
Sales to outside customers	36,588	6,289	2,033	44,911	3,900	48,811	—	48,811
Inter-segment sales or transfers	51	4	—	55	1,878	1,934	(1,934)	—
Total	36,639	6,294	2,033	44,966	5,778	50,745	(1,934)	48,811
Segment income	5,366	103	292	5,762	691	6,454	(1,823)	4,630

- Notes:
1. The "Others" category refers to business segments such as High-precision Mold and Die Machinery Operations, Elemental Technology Operations, and Lease Operations not included in reportable segments.
  2. The segment income adjustment amount of -¥1,823 million includes ¥16 million in eliminations of inter-segment transactions and -¥1,840 million in group overhead not attributable to individual reportable segments. Group overhead consists mainly of the cost of head office functions not attributable to reportable segments.
  3. The segment income has been reconciled with the operating income stated on the consolidated statement of income for the period.

2. Information concerning impairment losses on fixed assets, goodwill, etc., by reportable segment

No applicable information.

II. 3Q FY 2017 (from April 1, 2016 to December 31, 2016)

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

(In million yen)

	Reportable Segment				Others (Note 1)	Total	Adjustment amount (Note 2)	Amount stated on the consolidated statement of income for the quarter (Note 3)
	Machine Tool Operations	Industrial Machinery Operations	Food Processing Machinery Operations	Reportable Segment Total				
Net Sales								
Sales to outside customers	31,630	6,111	2,253	39,994	4,299	44,294	—	44,294
Inter-segment sales or transfers	81	6	—	87	1,984	2,071	(2,071)	—
Total	31,711	6,117	2,253	40,082	6,284	46,366	(2,071)	44,294
Segment income	4,237	199	171	4,608	663	5,271	(1,924)	3,346

- Notes:
1. The "Others" category refers to business segments such as High-precision Mold and Die Machinery Operations, Elemental Technology Operations, and Lease Operations not included in reportable segments.
  2. The segment income adjustment amount of -¥1,924 million includes ¥3 million in eliminations of inter-segment transactions and -¥1,927 million in group overhead not attributable to individual reportable segments. Group overhead consists mainly of the cost of head office functions not attributable to reportable segments.
  3. The segment income has been reconciled with the operating income stated on the consolidated statement of income for the period.

2. Information concerning impairment losses on fixed assets, goodwill, etc., by reportable segment

No applicable information.