



Summary of Financial Statements for the Second Quarter of the Year Ending December 31, 2017 (J-GAAP) (Consolidated)

November 14, 2017

Stock Exchange: Tokyo Stock Exchange, 1st Section

Company Name: Sodick Co., Ltd.
 Code Number: 6143 URL <https://www.sodick.co.jp>
 Representative: Yuji Kaneko, President, Representative Director
 Contact: Hirofumi Maejima, Executive Managing Director
 Scheduled date of filing of quarterly report: November 14, 2017
 Scheduled date of dividend payout: December 5, 2017
 Explanatory Documents Supplemental to the Quarterly Financial Statements: Yes
 Result Briefing: Yes (for institutional investors and analysts)

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

1. Consolidated Results for the 2Q of the Year Ending December 31, 2017 (from April 1, 2017 to September 30, 2017)

(1) Consolidated Financial Results (Accumulated)

(Percentages indicate quarter on quarter changes)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of the Parent	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
2Q of the year ending December 31, 2017	42,408	—	4,206	—	4,466	—	3,159	—
2Q of the year ended March 31, 2017	28,387	(13.2)	1,982	(37.5)	1,050	(66.5)	1,058	(59.3)

Note: Comprehensive income: 2Q of the year ending December 31, 2017: ¥4,009 million (-%), 2Q of the year ended March 31, 2017: (¥3,212) million (-%)

	Earnings per Share	Diluted Earnings per Share
	¥	¥
2Q of the year ending December 31, 2017	67.27	57.75
2Q of the year ended March 31, 2017	22.14	19.05

The Company has implemented a change in fiscal term-end from March 31 to December 31, effective from the current fiscal year, with approval for partial amendments to the Articles of Incorporation by the 41st ordinary general shareholders' meeting held on June 29, 2017. Consequently, the current consolidated fiscal year shall be a transitional period for the fiscal term change and the current quarterly consolidated results accumulating period shall be 6 months (from April 1 to September 30, 2017) for the Company, consolidated subsidiaries and entities accounted for using the equity method whose fiscal year ends on March 31, and 9 months (from January 1 to September 30, 2017) for consolidated subsidiaries whose fiscal year ends December 31, resulting in irregular settlement of accounts. This applies to the seven consolidated subsidiaries in China whose fiscal year ends on December 31. Accordingly, changes compared to the same quarter in the preceding fiscal year are not included.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ Million	¥ Million	%	¥
2Q of the year ending December 31, 2017	120,296	52,233	43.3	1,109.86
The year ended March 31, 2017	109,271	48,710	44.5	1,035.19

(Reference) Shareholder's equity: 2Q of the year ending December 31, 2017: ¥52,119 million, the year ended March 31, 2017: ¥48,612 million

2. Cash Dividends

	Annual Dividend				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
	Yen	Yen	Yen	Yen	Yen
The year ended March 31, 2017	—	9.00	—	10.00	19.00
The year ending December 31, 2017	—	10.00	—	—	—
The year ending December 31, 2017 (Projection)	—	—	—	10.00	20.00

Note: Amendments from dividend projections announced recently: None

3. Forecast for the year ending December 31, 2017 (From April 1 to December 31, 2017)

(Percentages indicate quarter on quarter changes)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of the Parent		Earnings per Share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	Yen
The year ending December 31, 2017	60,500	—	6,000	—	6,300	—	4,300	—	91.57

Note: Amendments from Financial results projections announced recently: Yes

The Company implemented a change in fiscal term-end from March 31 to December 31, effective from the current fiscal year, with approval for partial amendments to the Articles of Incorporation by the 41st ordinary general shareholders' meeting held on June 29, 2017. Consequently, the consolidated financial projection in the transitional period for the fiscal year ending December 31, 2017 represents nine months from April 1, 2017 to December 31, 2017. Therefore, percentage changes compared to the preceding fiscal year are not applicable.

Consolidated results projections for the 12 months from January 1 to December 31, 2017 (comparable base) are as follows: Net sales: ¥73,800 million, Operating income: ¥7,500 million, Ordinary income: ¥7,600 million, profit attributable to owners of the parent: ¥5,100 million, Earnings per Share: ¥108.60.

*Notes

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

- (2) Application of special accounting processes in 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 year ending December 31, 2017	53,438,322 shares	The year ended March 31, 2017	53,437,354 shares
(ii) Number of treasury shares as of the balance sheet date	2Q of the year ending December 31, 2017	6,477,290 shares	The year ended March 31, 2017	6,476,992 shares
(iii) Average number of shares outstanding during period (quarterly accumulation)	2Q of the year ending December 31, 2017	46,960,697 shares	2Q of the year ended March 31, 2017	47,824,933 shares

*The quarterly summary of financial statements is not subject of quarterly review.

*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 results in these forecasts. For items pertaining to projected figures, see "1. Qualitative Information pertaining to Settlement of Accounts in the Current Quarter (3) Description of Future Predictive Information including Consolidated Results Projections" on page 1 of the Summary of Financial Statements (attached document).

1. Qualitative Information pertaining to Settlement of Accounts in the current Quarter

The Company has implemented a change in fiscal term-end from March 31 to December 31, effective from the current fiscal year, with approval for partial amendments to the Articles of Incorporation by the 41st ordinary general shareholders' meeting held on June 29, 2017. Consequently, the current consolidated fiscal year shall be a transitional period for the fiscal term change and the current quarterly consolidated results accumulating period shall be 6 months (from April 1 to September 30) for the Company, consolidated subsidiaries and entities accounted for using the equity method whose fiscal year ends on March 31, and 9 months (from January 1 to September 30) for consolidated subsidiaries whose fiscal year ends on December 31, resulting in the irregular settlement of accounts. This applies to the seven consolidated subsidiaries in China whose fiscal year ends on December 31. Accordingly, changes compared to the same quarter in the preceding fiscal year are not included.

(1) Description of Results of Operations

The Japanese economy during the consolidated quarter under review experienced a moderate recovery on the whole, partially helped by good corporate earnings amid a recovery in exports as well as recovering consumer spending in an improving labor market. Meanwhile, in the global economic arena, while factors such as the policies of the administration in the United States, the political situation in Europe and a tenuous situation in North Korea have given rise to concerns, the U.S. economy was strong, helped by improvement in the job market and strong personal consumption, as well as a recovery in corporate earnings, while a recovery was also seen in Europe on the back of steadily improving consumer spending during the fiscal period. In China, the pace of growth started to gather momentum again, helped by promising personal consumption and government-driven infrastructure investments. Economies in other Asian countries are seeing continuing recovery, although the degrees of recovery vary with the region.

The machine tools industry, in which Sodick Group operates, experienced huge demand from customers, mainly in the automotive, semiconductor and electronic component industries in Japan. In overseas areas also, the United States continued to enjoy strong demand from customers in the automotive and aerospace industries, while Europe also enjoyed strong demand, partially thanks to the effect of exhibitions. China saw huge demand from customers in the smartphone industry and capital spending furthered in a wide range of industries, such as automotive, electronic components and industrial machinery industries. Improvements were also seen in other Asian countries, too, spurred by a recovery in exports.

Given this business environment, Sodick Group expanded its aggressive sales activities, in which Sodick exhibited for the first time in the world a new model ALC800G wire electric discharge machine suitable for manufacturing large metal molds and large parts at EMO 2017, a world machine tool exhibition held in Hanover, Germany, in September 2017. In addition, the Company exhibited its products at exhibitions at various locations worldwide, such as MTA VIETNAM 2017 and PDMEX 2017 in the Philippines, to enhance its brand power. In research and development, Sodick has developed the AL800G wire-cut EDM with a linear motor drive that is capable of manufacturing large metal molds and large parts for the automotive, aerospace, energy, electrical and electronic industries, and has started selling those machines. Furthermore, the Company has newly developed electric injection molding machines with 50-ton and 200-ton clamping forces, in addition to the MS100 with a 100-ton clamping force, increasing the size of the line of those machines with large and small clamping forces, with the aim of increasing sales in the premium market segment in the molding machine market.

Sodick Group experienced an increase in sales thanks to orders in connection with the incentive program adopted in Japan in March and steady growth in orders from the automotive and smartphone industries. Overseas, the Company saw a lull in demand from the automotive, aerospace, medical equipment and energy industries in North America. Although there was a stagnancy in demand in some areas of Europe, including Russia and Turkey, Sodick saw continued strong demand from the automotive and aerospace industries, mainly in Germany, the U.K. and Italy. In China, factors such as the increasing sophistication of production and automation are driving growing demand for high-precision machinery, with a continued resulting high level of orders, backed by the government's subsidy policies. Asia, too, is seeing a recovery in the automotive, smartphone and semiconductor industries.

As a result of the above, the consolidated net sales for the second quarter under review totaled ¥42,408 million, with operating income at ¥4,206 million, ordinary income at ¥4,466 million and profit attributable to owners of the parent at ¥3,159 million.

Analysis of Sales by Business Segments:

Machine tool Segment

The Company experienced an increase in sales thanks to orders in connection with the production incentive adopted in March and saw steady growth in orders from the customers in the automotive and smartphone industries. Overseas, North America saw a lull in demand in the automotive, aerospace and medical equipment industries, where

demand had been firm in their undertone. In Europe, while business was stagnant in Russia and Turkey, sales in the automotive and aerospace industries were steady, mainly in Germany, the U.K. and Italy. Meanwhile, in China, the effects of increasing sophistication of production and automation and incentives by the Chinese government resulted in a continuing high level of orders and sales, mainly in the automotive industry, in which electrical motorization is progressing, and in the smartphone industry, which is undergoing ever-further sophistication. In Asia, demand in the automotive industry is expanding, mainly in Thailand and Malaysia, while demand was seen in the semiconductor and smartphone industries in South Korea. As a result of the above, net sales for the business under review are ¥31,494 million.

Industrial Machinery Segment

On the home front, there was a huge demand for high added-value components such as connectors and sensors for automobiles, as well as optical lenses and connectors for smartphones, and additionally, there was a demand for vertical injection molding machines for large parts for automotive parts. Overseas, in North America, a recovery was seen in demand from the medical equipment and automotive industries, where a slight slowdown had been seen in their demand. Meanwhile, in China and other Asian countries, there was good demand for the molding of optical lenses for automobiles and smartphones, as well as waterproof silicon molding. As a result of the above, net sales for the business under review are ¥6,531 million.

Food Processing Machinery Segment

In the food processing machinery segment, the Company is engaged in the development, manufacture and sale of products such as noodle making machines and plants, as well as the provision of related maintenance services. On the domestic market, in addition to the continuing strong demand from convenience stores, supermarkets and restaurant chains for high-quality noodle making equipment, demand was seen for noodle making machines for bean curd noodles and other unique noodles, owing to increases in healthy eating habits, and for rice cookers that are incorporated as part of the noodle making machines. Overseas too, demand was seen for long-life noodle making machines, as well as rice cookers. Although orders and delivery were smoothly carried out roughly according to plan, since acceptances in several orders were put off until or after the third quarter in this segment, where the average unit price is relatively high, sales were low compared to the full-year plan. As a result of the above, net sales for the business under review are ¥1,493 million.

Others

This business category refers to those sales related to high-precision metal molds and die machinery for the 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 EDMs, machining centers and injection molding machine. The high-precision mold and die machinery operations continued to enjoy huge demand, primarily from the automotive industry, while there was strong growth in sales of ceramics for semiconductor devices in the active market. As a result of the above, net sales for the business under review are ¥2,888 million.

(2) Description of Financial Position

Total assets stood at ¥120,296 million, an increase of ¥11,025 million compared to the level at the end of the previous consolidated fiscal year, primarily due to a ¥2,352 million increase in merchandize and finished goods, a ¥1,914 million increase in notes and accounts receivable-trade, an ¥1,629 million increase in cash and deposits and a ¥1,455 million increase in work in process.

Meanwhile, liabilities at the end of the period totaled ¥68,063 million, an increase of ¥7,502 million from the end of the previous financial year, mainly reflecting a ¥3,248 million increase in current liabilities, a ¥1,723 million increase in notes and accounts payable-trade and a ¥1,364 million increase in long-term loans payable.

Net assets stood at ¥52,233 million, an increase of ¥3,522 million compared to the level at the end of the previous consolidated fiscal year, primarily due to a ¥2,672 million increase in retained earnings.

(3) Description of Future Predictive Information, including Consolidated Results Projections

There have been changes to the results projections announced on May 12, 2017.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(In million yen)

	FY2016 (As of March 31, 2017)	2Q Consolidated Results Accumulation Period (As of September 30, 2017)
Assets		
Current assets:		
Cash and deposits	36,847	38,476
Notes and accounts receivable-trade	14,317	16,232
Electronically recorded monetary claims-operating	283	1,005
Merchandise and finished goods	7,406	9,758
Work in process	8,006	9,462
Raw materials and supplies	7,232	8,677
Other	4,197	4,152
Allowance for doubtful accounts	(154)	(169)
Total current assets	78,136	87,594
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,310	20,619
Machinery, equipment and vehicles	17,592	18,676
Other	11,144	12,375
Accumulated depreciation	(25,278)	(26,606)
Total property, plant and equipment	23,768	25,065
Intangible assets		
Goodwill	1,888	1,814
Other	1,298	1,162
Total intangible assets	3,187	2,977
Investments and other assets		
Other	4,289	4,769
Allowance for doubtful accounts	(110)	(108)
Total investments and other assets	4,179	4,660
Total non-current assets	31,135	32,702
Total Assets	109,271	120,296

(In million yen)

	FY2016 (As of March 31, 2017)	2Q Consolidated Results Accumulation Period (As of September 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,501	7,224
Electronically recorded obligations-operating	5,776	6,880
Short-term loans payable	4,497	4,928
Current portion of long-term loans payable	10,287	8,868
Income taxes payable	595	1,194
Provision	924	1,169
Other	5,426	8,674
Total current liabilities	33,009	38,940
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	7,995	7,994
Long-term loans payable	18,173	19,537
Provision	269	287
Net defined benefit liability	532	553
Asset retirement obligations	81	82
Other	499	666
Total non-current liabilities	27,551	29,122
Total liabilities	60,560	68,063
Net Assets		
Shareholders' equity		
Capital stock	20,778	20,778
Capital surplus	5,881	5,882
Retained earnings	22,735	25,407
Treasury shares	(4,697)	(4,697)
Total shareholders' equity	44,698	47,371
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,105	1,197
Foreign currency translation adjustment	2,821	3,562
Remeasurements of defined benefit plans	(12)	(11)
Total accumulated other comprehensive income	3,914	4,748
Non-controlling interests	97	113
Total Net Assets	48,710	52,233
Total Liabilities and Net Assets	109,271	120,296

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

(In millions of yen)

	2Q FY2016 (From April 1, 2016 To September 30, 2016)	2Q Consolidated Results Accumulation Period (From April 1, 2017 To September 30, 2017)
Net sales	28,387	42,408
Cost of sales	18,063	27,834
Gross profit	10,323	14,574
Selling, general and administrative expenses		
Personnel expenses	3,368	3,916
Provision of allowance for doubtful accounts	8	5
Other	4,964	6,445
Total selling, general and administrative expenses	8,341	10,367
Operating income	1,982	4,206
Non-operating income		
Interest income	74	137
Dividends income	33	36
Foreign exchange gain	—	198
Equity in earnings of affiliates	22	20
Gain on sales of scraps	11	16
Other	112	187
Total non-operating income	253	596
Non-operating expenses		
Interest expenses	210	181
Foreign exchange losses	860	—
Commission for syndicate loan	—	88
Other	115	67
Total non-operating expenses	1,185	336
Ordinary income	1,050	4,466
Extraordinary income		
Gain on sales of non-current assets	63	73
Total extraordinary income	63	73
Extraordinary losses		
Loss on sales of non-current assets	8	14
Loss on retirement of non-current assets	6	15
Loss on sales of investment securities	—	11
Loss on valuation of golf club membership	—	10
Total extraordinary losses	14	52
Profit before income taxes	1,098	4,487
Income taxes – current	405	1,503
Income taxes – deferred	(371)	(189)
Total income taxes	34	1,313
Profit	1,064	3,173
Profit attributable to non-controlling interests	5	14
Profit attributable to owners of the parent	1,058	3,159

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

(In millions of yen)

	2Q FY2016 (From April 1, 2016 To September 30, 2016)	2Q Consolidated Results Accumulation Period (From April 1, 2017 To September 30, 2017)
Profit	1,064	3,173
Other comprehensive income		
Valuation difference on available-for-sale securities	(16)	91
Foreign currency translation adjustments	(4,256)	741
Remeasurements of defined benefit plans, net of tax	21	1
Share of other comprehensive income of entities accounted for using equity method	(25)	1
Total other comprehensive income	(4,277)	835
Comprehensive income	(3,212)	4,009
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,200)	3,993
Comprehensive income attributable to non-controlling interests	(12)	15

(3) Consolidated Statements of Quarterly Cash Flow

(In million yen)

	2Q FY2016 (From April 1, 2016 To September 30, 2016)	2Q Consolidated Results Accumulation Period (From April 1, 2017 To September 30, 2017)
Cash flows from operating activities		
Profit before income taxes	1,098	4,487
Depreciation	1,288	1,592
Amortization of goodwill	75	76
Increase (decrease) in provision of allowance for doubtful accounts	7	12
Increase (decrease) in net defined benefit liability	(44)	13
Interest and dividends income	(107)	(173)
Interest expenses	210	181
Foreign exchange losses (gains)	45	(64)
Decrease (increase) in notes and accounts receivable-trade	657	(2,411)
Decrease (increase) in inventories	(1,456)	(4,892)
Increase (decrease) in notes and accounts payable-trade	795	2,732
Increase (decrease) in accounts payable -other	(50)	240
Increase (decrease) in advances received	701	2,583
Other	1,270	406
Subtotal	4,491	4,783
Interest and dividends received	113	174
Interest expenses paid	(213)	(186)
Income tax refund (or paid)	(430)	(850)
Net cash provided by operating activities	3,960	3,921
Cash flows from investing activities		
Payments into time deposit	(346)	(1,059)
Proceeds from withdrawal of time deposits	245	692
Purchase of property, plant and equipment	(814)	(2,167)
Proceeds from sale of property, plant and equipment	434	188
Purchase of intangible assets	(130)	(121)
Purchase of investment securities	(0)	(0)
Proceeds from sale of investment securities	2	149
Purchase of shares of subsidiaries and associates	(3)	(468)
Payments of loans receivable	(27)	(1)
Collection of loans receivable	78	49
Other	33	(31)
Net cash used in investing activities	(526)	(2,771)

(In million yen)

	2Q FY2016 (From April 1, 2016 To September 30, 2016)	2Q Consolidated Results Accumulation Period (From April 1, 2017 To September 30, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(149)	367
Proceeds from long-term loans payable	10,500	5,623
Repayment of long-term loans payable	(5,550)	(5,702)
Proceeds from issuance of bonds with subscription rights to shares	8,000	—
Purchase of treasury shares	(3,000)	(0)
Cash dividends paid	(452)	(469)
Repayments of finance lease obligations	(68)	(59)
Other	(14)	(14)
Net cash used in financing activities	9,263	(255)
Effect of exchange rate change on cash and cash equivalents	(2,017)	374
Net increase (decrease) in cash and cash equivalents	10,680	1,268
Cash and cash equivalents at the beginning of the period	27,328	36,037
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(0)	—
Cash and cash equivalents at the end of current period	38,007	37,306

(4) Notes concerning Quarterly Consolidated Financial Statements
(Notes on premise of ongoing concern)
No applicable items.

(Notes in case of significant variation in shareholder's equity)
No applicable items.

(Segment Information, etc.)

I. Previous consolidated cumulative second quarter (From April 1 to September 30, 2016)

1. Information pertaining to reportable segment-specific net sales and profits or losses

(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	19,983	3,860	1,772	25,616	2,770	28,387	—	28,387
Intersegment sales or transfers	29	1	—	31	1,301	1,333	(1,333)	—
Total	20,013	3,861	1,772	25,648	4,072	29,720	(1,333)	28,387
Segment income	2,606	17	154	2,778	483	3,262	(1,279)	1,982

- Notes:
1. The category headed "Others" covers business segments outside reportable ones, such as precision molds and molding operations, elemental technology operations, and lease operations.
 2. The adjustment amount of (¥1,279) million to segment income includes (¥4) million in eliminations of intersegment transactions and (¥1,274) 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. Losses under segment income are adjusted with operating income in Consolidated Statements of Quarterly Income and Comprehensive Income.

2. Information on impairment loss or goodwill under reportable segment-specific non-current assets

No applicable items

II. Current consolidated cumulative second quarter (From April 1 to September 30, 2017)

1. Information pertaining to reportable segment-specific net sales and profits or losses

(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	31,494	6,531	1,493	39,519	2,888	42,408	—	42,408
Intersegment sales or transfers	14	178	—	192	1,889	2,081	(2,081)	—
Total	31,508	6,709	1,493	39,712	4,778	44,490	(2,081)	42,408
Segment income or loss	4,220	714	(68)	4,865	653	5,519	(1,313)	4,206

- Notes:
1. The category headed "Others" covers business segments outside reportable ones, such as precision molds and molding operations, elemental technology operations, and lease operations.
 2. The adjustment amount of (¥1,313) million to segment income or loss includes (¥27) million in eliminations of intersegment transactions and (¥1,285) 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. Losses under segment income or loss are adjusted with operating income in Consolidated Statements of Quarterly Income and Comprehensive Income.

2. Information on impairment loss or goodwill under reportable segment-specific non-current assets

No applicable items