



## Summary of Financial Statements for the Year Ended December 31, 2017 (J-GAAP) (Consolidated)

February 14, 2018

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 ordinary general shareholders' meeting: March 29, 2018  
 Scheduled date of dividend payout: March 30, 2018  
 Scheduled date of filing of financial statements: March 29, 2018  
 Explanatory documents supplemental to the 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 Fiscal Year Ended December 31, 2017 (from April 1, 2017 to December 31, 2017)

#### (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, 2017	65,604	—	7,490	—	7,910	—	5,736	—
Fiscal year ended March 31, 2017	61,812	(5.1)	5,236	(17.6)	4,620	(19.2)	3,644	(12.5)

Note: Comprehensive income: Fiscal year ended December 31, 2017: ¥7,415 million (-%) Fiscal year ended March 31, 2017: ¥2,728 million (+144.2%)

	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, 2017	122.15	104.86	11.1	6.8	11.4
Fiscal year ended March 31, 2017	76.91	66.10	7.4	4.4	8.5

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

Fiscal year ended December 31, 2017: ¥18 million Fiscal year ended March 31, 2017: ¥45 million

The Company has implemented a change in fiscal term-end from March 31 to December 31, effective from the fiscal year under review, with approval for partial amendments to the Articles of Incorporation by the 41st ordinary general shareholders' meeting held on June 29, 2017. Accordingly, the fiscal year ended December 31, 2017 is a transitional period for the fiscal term change. Consolidated financial results for the period comprise 9 months (from April 1, 2017 to December 31, 2017) of results for the Company as well as consolidated subsidiaries and entities accounted for using the equity method whose fiscal year ends on March 31, and 12 months (from January 1, 2017 to December 31, 2017) of results for seven consolidated subsidiaries in China whose fiscal year ends December 31, resulting in irregular settlement of accounts. As a result, year-on-year changes are not provided.

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ Million	¥ Million	%	¥
Fiscal year ended December 31, 2017	121,815	55,166	45.2	1,172.12
Fiscal year ended March 31, 2017	109,271	48,710	44.5	1,035.19

Reference: Shareholders' Equity: Fiscal year ended December 31, 2017: ¥55,047 million Fiscal year ended March 31, 2017: ¥48,612 million

#### (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, 2017	4,522	(4,715)	(439)	36,075
Fiscal year ended March 31, 2017	8,373	(2,132)	3,134	36,037

### 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 March 31, 2017	—	9.00	—	10.00	19.00	892	24.7	1.8
Fiscal year ended December 31, 2017	—	10.00	—	12.00	22.00	1,033	18.0	1.9
Fiscal year ending December 31, 2018 (Forecasts)	—	12.00	—	12.00	24.00		20.1	

### 3. Forecast for the Fiscal Year Ending December 31, 2018 (From January 1, 2018 to December 31, 2018)

(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
Second Quarter	41,000	—	4,100	—	4,100	—	2,900	—	61.75
Full-year	81,000	—	8,000	—	8,000	—	5,700	—	121.37

Effective from the fiscal year under review, the Company has changed its fiscal year-end from March 31 to December 31. Accordingly, consolidated financial results for the fiscal year ended December 31, 2017 comprise 9 months (from April 1, 2017 to December 31, 2017) of results for the Company as well as consolidated subsidiaries and entities accounted for using the equity method whose fiscal year ends on March 31, and 12 months (from January 1, 2017 to December 31, 2017) of results for consolidated subsidiaries whose fiscal year ends December 31, resulting in irregular settlement of accounts. As a result, year-on-year changes are not provided.

#### \*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, 2017	53,441,227 shares	Fiscal year ended March 31, 2017	53,437,354 shares
(ii) Number of treasury shares as of the balance sheet date	Fiscal year ended December 31, 2017	6,477,450 shares	Fiscal year ended March 31, 2017	6,476,992 shares
(iii) Average number of shares outstanding during period	Fiscal year ended December 31, 2017	46,961,396 shares	Fiscal year ended March 31, 2017	47,391,822 shares

#### (Reference) Summary of Non-consolidated Results

##### 1. Non-consolidated Results for the Fiscal Year Ended December 31, 2017 (from April 1, 2017 to December 31, 2017)

###### (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, 2017	36,807	—	3,288	—	3,495	—	2,759	—
Fiscal year ended March 31, 2017	39,348	(1.7)	1,293	14.9	2,125	16.7	1,380	(2.2)

	Earnings per Share	Diluted Earnings per Share
	¥	¥
Fiscal year ended December 31, 2017	58.76	50.44
Fiscal year ended March 31, 2017	29.12	25.03

###### (2) Non-consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ Million	¥ Million	%	¥
Fiscal year ended December 31, 2017	88,084	34,980	39.7	744.85
Fiscal year ended March 31, 2017	83,194	32,992	39.7	702.55

Reference: Shareholders' Equity: Fiscal year ended December 31, 2017: ¥34,980 million Fiscal year ended March 31, 2017: ¥32,992 million

\*These financial statements are not subject to audit.

#### \*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) Outlook for the Next Fiscal Year."

## 1. Overview of Results of Operations, etc.

The Company has implemented a change in fiscal term-end from March 31 to December 31, effective from the fiscal year under review, with approval for partial amendments to the Articles of Incorporation by the 41st ordinary general shareholders' meeting held on June 29, 2017. Accordingly, the fiscal year ended December 31, 2017 is a transitional period for the fiscal term change. Consolidated financial results for the period comprise 9 months (from April 1, 2017 to December 31, 2017) of results for the Company as well as consolidated subsidiaries and entities accounted for using the equity method whose fiscal year ends on March 31, and 12 months (from January 1, 2017 to December 31, 2017) of results for seven consolidated subsidiaries in China whose fiscal year ends December 31, resulting in irregular settlement of accounts. As a result, year-on-year changes are not provided.

### (1) Analysis of Results of Operations

During the fiscal year under review, the overall Japanese economy followed a moderate upward path, due primarily to favorable corporate performance on the back of increased exports and continued recovery in consumer spending helped by the improved employment environment. Meanwhile, in the global economic arena, despite concerns over U.S. policies, the political situation in Europe, growing tensions over North Korea, etc. still lingering, the U.S. economy fared well underpinned by improvement in the employment environment, strong consumer spending and a recovery in corporate earnings, whereas European economies continued to pick up thanks to a gradual increase in exports and growth of consumer spending. China's economy generally remained on solid footing supported mainly by expansion of infrastructure investment by the government and an increase in exports. Other Asian countries also saw their economies continue to recover, although the pace of recovery varied across countries and regions.

In the machinery industry to which Sodick Group belongs, domestic demand, mainly that from the automotive, semiconductor and electronic component-related industries, continued to be brisk, while overseas demand from customers in the automotive and aerospace-related industries in the U.S. and Europe remained strong. In China, demand from smartphone-related industries was robust and capital spending was furthered in a wide range of industries, such as the automotive, electronic component and industrial machinery industries. Demand in other Asian countries also continued to pick up.

In this business environment, Sodick Group was proactively engaged in sales activities, including the demonstration of "Plastic Molding Revolution" utilizing a metal 3D printer OPM350L and an injection molding machine MR30, an injection molding machine designed especially for metal 3D printers, at MECHATRONICS TECHNOLOGY JAPAN2017 held in Nagoya, and the world's first ever exhibition of a new model ALC800G wire-cut EDM suitable for manufacturing large metal molds and large parts at EMO2017, a world machine tool exhibition held in Germany. In addition, at IPF2017 (International Plastic Fair), we showcased together with state-of-the-art fully-electric injection molding machines an ICF-V system that enables the entire process from loading molds on a molding machine and drying and supplying materials to producing molded products and changing molds to be conducted in a fully automated fashion, thereby proposing an IoT-based smart factory solution for injection molding. In research and development, we have 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-related industries. Furthermore, we have added to the MS series of fully-electric injection molding machines with an automatic plasticizing equipment new models, MS50 for the production of small molded products and MS200 for the production of larger molded products such as automotive parts, to enhance our product line-up with the aim of boosting sales and shares in premium market segments such as those in emerging countries. All business segments implemented aggressive R&D activities as is witnessed by the fact that the food processing machinery segment also developed a sterile-packed cooked rice production system to which technology of noodle making machines was applied.

In addition, we are pressing ahead with the strengthening of manufacturing systems to meet the ever-increasing demand. In Japan, the Kaga Plant has embarked on construction of a multi-factory capable of manufacturing a wide variety of products including EDMs, machining centers, metal 3D printers and injection molding machines, in order to establish manufacturing systems which will flexibly respond to market changes. We will also relocate the logistics center in Fukui to the Kaga Plant site, thereby raising the packaging and transport efficiency and promoting cost savings. In the international arena, we are endeavoring to strengthen the production capability through expansion of the 2nd factory in Thailand. Moreover, a new R&D building is being built at the Head Office in Yokohama to facilitate metal 3D printer-related R&D, development of new element technologies such as new electrical discharge power units and new-generation CNCs and that of next-generation technologies. The sales company in the U.S. has transferred to new premises and strengthened marketing activities in North American markets.

Sodick Group enjoyed robust domestic demand from the automotive, smartphone and semiconductor-related industries thanks partly to the manufacturing subsidy program. In North America, demand from the automotive, aerospace and medical equipment-related industries dwindled for a while, but then showed signs of recovery toward the end of the year under review. In Europe, despite slackening business in some countries such as Russia and Turkey, demand from the automotive and aerospace-related industries, mainly in Germany and Italy, remained solid. In China, both orders received and sales continued to be robust bolstered by expanding demand for high-precision machinery owing to the increasing sophistication and automation of manufacturing as well as the government's subsidy policies. In other countries and regions in Asia, demand from the automotive, smartphone and semiconductor-related industries picked up gradually.

As a result of the above, the consolidated net sales for the year under review totaled ¥65,604 million, with operating income at ¥7,490 million, ordinary income at ¥7,910 million and profit attributable to owners of the parent at ¥5,736 million.

Results by segment are described below.

	(In Million yen)	
(Breakdown of Net Sales)	Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)	Fiscal year ended December 31, 2017 (from April 1, 2017 to December 31, 2017)
Machine Tool Segment	43,355	47,559
Industrial Machinery Segment	9,366	9,981
Food Processing Machinery Segment	3,429	3,467
Others	5,661	4,596
Net Sales Total	61,812	65,604

	(In Million yen)	
(Breakdown of Segment Income)	Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)	Fiscal year ended December 31, 2017 (from April 1, 2017 to December 31, 2017)
Machine Tool Segment	6,213	7,478
Industrial Machinery Segment	617	976
Food Processing Machinery Segment	159	178
Others	859	874
Adjustment	(2,614)	(1,991)
Operating Income Total	5,236	7,490

\* The year ended December 31, 2017 is an irregular 9-month period due to a change in fiscal year-ends. Accordingly, year-on-year changes are not provided.

#### < Machine Tool Segment >

The main business of this segment is production and sale of electrical discharge machines (EDMs) and provision of related maintenance services and supplies.

In China, the largest market for the Company, both orders received and sales jumped much more than predicted at the beginning of the period and helped drive earnings growth, thanks to high demand mainly from the automotive-related industries where electronics were increasingly incorporated into cars and the shift to electric vehicles was accelerating and the smartphone-related industries where more and more sophisticated models were produced, prompted by the increasing sophistication and automation of manufacturing as well as the government's subsidy policies. Despite some transactions negatively affected by production delay and extension of delivery periods owing partly to a shortage of major components stemming from a surge in demand, demand from a wide range of industries has continued to be brisk in China even after the early fall when we usually see a demand decrease in the country. While demand appeared to be somewhat losing its momentum in North America, the manufacturing subsidy program boosted performance of the segment in Japan. In Europe, demand from the automotive and aerospace-related industries, mainly in Germany and Italy, remained solid. In other countries and regions in Asia, demand from the automotive and semiconductor-related industries picked up gradually. As a result of the above, the segment chalked up net sales of ¥47,559 million with segment income of ¥7,478 million.

#### < Industrial Machinery Segment >

The main business of this segment is production and sale of injection molding machines and provision of related maintenance services and supplies.

The segment enjoyed strong demand for high added-value components such as connectors and sensors for automobiles as well as optical lenses for smartphones and vehicle mounted cameras, mainly in China, Asia and Japan. Also buoyed by solid demand for silicon molding machines used in the manufacture of water-resistant smartphones, the segment racked up net sales of ¥9,981 million and segment income of ¥976 million.

#### < Food Processing Machinery Segment >

This segment is engaged in development, production and sale of a wide range of noodle making machines, noodle making plants, etc. as well as provision of related maintenance services.

In addition to the continuing strong demand for high-quality noodle making equipment, there was a rising demand for noodle making machines for bean curd noodles and other unique noodles, owing to increases in healthy eating habits, and for sterile-packed cooked rice production system to which some technologies of noodle making equipment are applied. Demand for automation equipment that will promote a reduction in workforce and better hygiene has also been expanding. Although net sales for the cumulative second quarter remained at a low level, because of delay in the acceptance inspection of some projects, the completion of such inspection boosted net sales in the third quarter and consequently, net sales of the food processing machinery segment for the year under review totaled ¥3,467 million.

On the other hand, segment income amounted to ¥178 million, due to one-off costs for establishing a new product.

## &lt;Others&gt;

This segment consists of: precision mold and precision molding operations involving make-to-order production of precision connectors and other products; element technology operations involving development, production and sale of products utilizing Sodick's unique technologies such as linear motors and ceramics components as well as LED lighting equipment; and leasing operations involving leasing of EDMs, machining centers and injection molding machines. While precision mold and precision molding operations continued to enjoy high demand from the automotive-related industry, sale of ceramics to the booming semiconductor equipment industry remained strong. As a result, net sales of this segment were ¥4,596 million and segment income of ¥847 million.

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

Total assets stood at ¥121,815 million as of the end of the year under review, an increase of ¥12,543 million compared to the level at the end of the previous fiscal year, primarily due to a ¥3,731 million increase in notes and accounts receivable-trade, a ¥1,804 million increase in construction in progress, and a ¥1,788 million increase in raw materials and supplies.

Meanwhile, liabilities at the end of the period totaled ¥66,648 million, an increase of ¥6,087 million from the end of the previous year, mainly reflecting a ¥2,172 million increase in other current liabilities and a ¥2,339 million increase in long-term loans payable.

Net assets totaled ¥55,166 million at the end of the period, an increase of ¥6,455 million from the end of the preceding year, largely due to a ¥4,779 million increase in retained earnings. As a result, an equity ratio stood at 45.2% at the end of the period.

**(ii) Cash Flows**

Cash and cash equivalents (hereinafter, "cash") were ¥36,075 million at the end of the fiscal year under review, up ¥37 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 flow from operations of ¥4,522 million (as compared with ¥8,373 million in the preceding fiscal year) was the result of ¥7,772 million of profit before income taxes, ¥2,360 million of depreciation, and a ¥1,745 million increase in notes and accounts payable-trade, partially offset by a ¥4,238 million increase of notes and accounts receivable-trade and a ¥4,116 million increase in inventories.

**(Cash flows from investing activities)**

Cash used by investing activities of ¥4,715 million (as compared with ¥2,132 million used in the preceding year) was primarily for ¥4,213 million for purchase of property, plant and equipment.

**(Cash flows from financing activities)**

Cash flow from financing activities of ¥439 million use (as compared with ¥3,134 million acquisition in the previous year) was primarily related to repayment of long-term loans payable of ¥8,244 million and cash dividends paid of ¥939 million, partially offset by ¥8,731 million of proceeds from long-term loans payable.

Cash flow indicators of Sodick Group trended as follows.

	FY ended March 31, 2015	FY ended March 31, 2016	FY ended March 31, 2017	FY ended December 31, 2017
Equity ratio (%)	47.4	49.8	44.5	45.2
Equity ratio based on market capitalization (%)	63.5	42.5	47.3	56.5
Ratio of cash flow to interest-bearing liabilities (years)	4.3	5.1	4.9	9.2
Interest coverage ratio (times)	14.9	13.5	20.3	17.4

Note: 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% or 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 ¥22.0 per share, comprised of a fiscal year-end regular dividend of ¥12.0 and a second quarter-end dividend of ¥10.0 each.

For the next fiscal year, we expect to propose an annual dividend of ¥24.0 per share, comprised of a fiscal year-end regular

dividend of ¥12.0 and a second quarter-end dividend of ¥12.0.

#### (4) Outlook for the Next Fiscal Year

Despite some concerns such as those over trade policies in the U.S., political conditions in Europe, geopolitical risks in East Asia and risk of exchange fluctuations associated with interest rate increases in Europe, the U.S. and elsewhere, demand for capital investment is expected to continue growing amid ongoing development of manufacturing at an international level. Of all industries, the automotive industry, in which the Company's major customers operate, now focuses on automotive lightening, introduction of automotive electronics and electronic systems and shift to next-generation vehicles, while the smartphone industry, on production of increasingly advanced models, and accordingly, the need for high-precision machinery is forecast to further increase.

Under these circumstances, the machine tool segment and the industrial machinery segment are anticipated to enjoy continued automotive and smartphone-related demand mainly in China, the largest market for the Company. Solid demand is also expected in Japan, Europe, the U.S. and other countries and regions in Asia. Meanwhile, 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 a new product, sterile-packed cooked rice production system. Performance of the other segments is also forecast to be propped up by continued demand from the booming automotive and semiconductor-related industries.

In the fiscal year ending December 31, 2018, net sales of Sodick Group are expected to amount to ¥81,000 million, with operating income of ¥8,000 million, ordinary income of ¥8,000 million and profit attributable to owners of the parent of ¥5,700 million. These forecasts are based on the fiscal year average exchange rates of 112 yen and 132 yen respectively for the U.S. dollar and the euro.

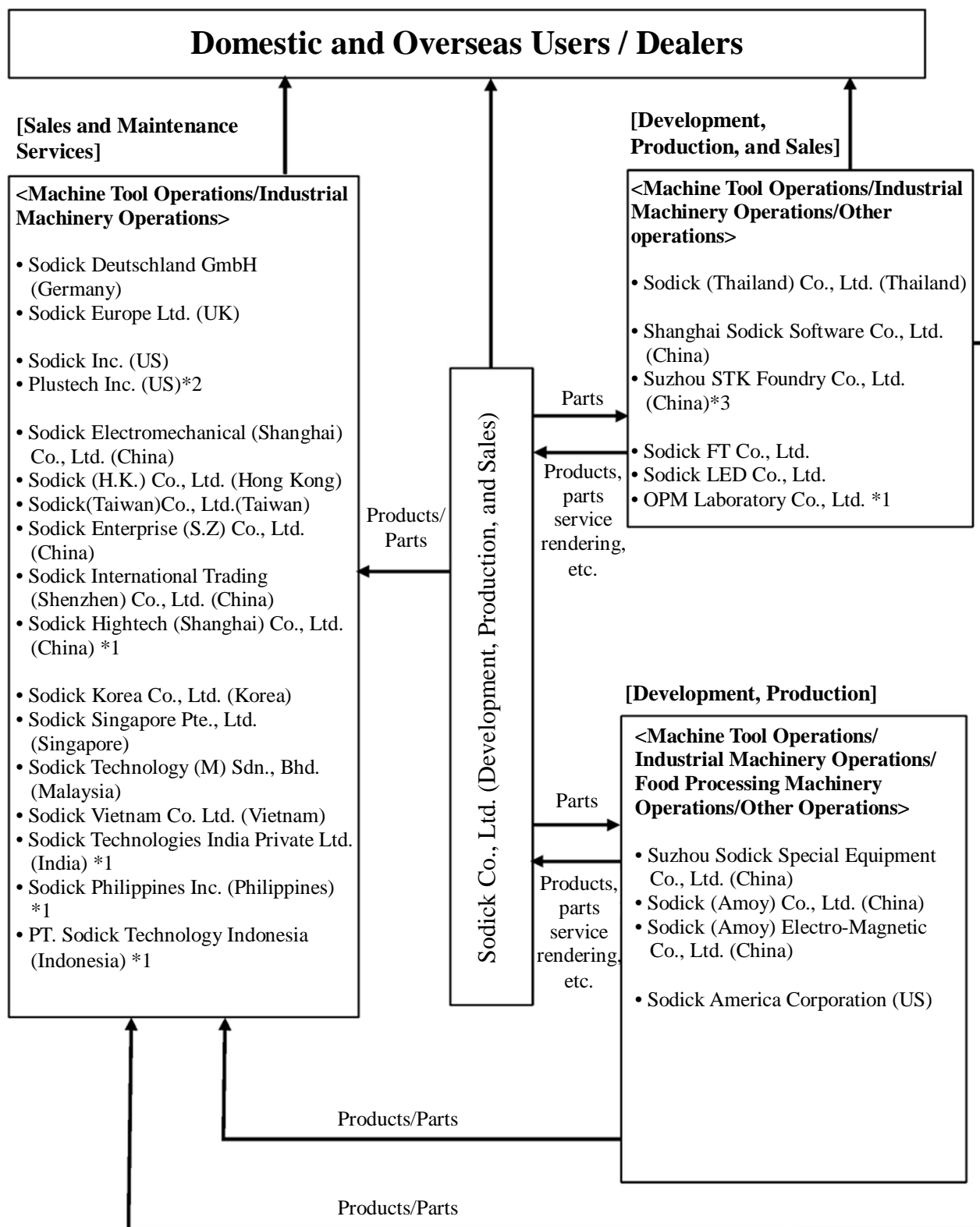
	Fiscal year ending December 31, 2018 Full-year forecasts (¥ Million)	Fiscal year ended December 31, 2017 Actual results (¥ Million)
Net sales	81,000	<u>65,604</u>
Machine tool segment	57,000	<u>47,559</u>
Industrial machinery segment	12,100	<u>9,981</u>
Food processing machinery segment	5,900	<u>3,467</u>
Other segments	6,000	<u>4,596</u>
Operating income	8,000	<u>7,490</u>
Ordinary income	8,000	<u>7,910</u>
Profit attributable to owners of the parent	5,700	<u>5,736</u>

The fiscal year ended December 31, 2017 is a transitional period for the fiscal term change, and consolidated financial results for the period comprise 9 months. As a result, year-on-year changes are not provided.

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.

## 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 electric 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 and noodle production equipment; and (iv) Other operations engaged in the manufacture of synthetic resin products, the development, manufacture, and marketing of linear motor applications, associated control equipment, ceramics products, and LED lighting, as well as leasing of electric discharge machines. 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 March 31, 2017 (As of March 31, 2017)	Fiscal year ended December 31, 2017 (As of December 31, 2017)
<b>Assets</b>		
Current assets:		
Cash and deposits	36,847	37,014
Notes and accounts receivable-trade	14,317	18,048
Electronically recorded monetary claims-operating	283	1,136
Merchandise and finished goods	7,406	8,986
Work in process	8,006	9,270
Raw materials and supplies	7,232	9,021
Deferred tax assets	1,417	1,610
Other	2,779	2,588
Allowance for doubtful accounts	(154)	(149)
Total current assets	78,136	87,527
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,310	20,604
Machinery, equipment and vehicles	17,592	19,268
Tools, furniture and fixtures	2,926	3,163
Land	7,234	7,267
Leased assets	765	774
Construction in progress	217	2,021
Accumulated depreciation	(25,278)	(26,805)
Total property, plant and equipment	23,768	26,296
Intangible assets		
Goodwill	1,888	1,780
Other	1,298	1,115
Total intangible assets	3,187	2,895
Investments and other assets		
Investment securities	3,276	4,075
Long-term loans receivable	28	13
Deferred tax assets	99	96
Other	884	1,024
Allowance for doubtful accounts	(110)	(114)
Total investments and other assets	4,179	5,096
Total non-current assets	31,135	34,287
Total Assets	109,271	121,815

(In million yen)

	Fiscal year ended March 31, 2017 (As of March 31, 2017)	Fiscal year ended December 31, 2017 (As of December 31, 2017)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable- trade	5,501	6,092
Electronically recorded obligations-operating	5,776	6,807
Short-term loans payable	4,497	4,739
Current portion of long-term loans payable	10,287	8,460
Accounts payable-other	1,207	1,666
Income taxes payable	595	1,183
Provision for product warranties	368	461
Provision for quality guarantee	4	5
Provision for bonuses	550	539
Provision for point card certificates	1	0
Other	4,218	6,390
Total current liabilities	33,009	36,349
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	7,995	7,991
Long-term loans payable	18,173	20,512
Provision for directors' retirement benefits	23	23
Provision for product warranties	245	277
Net defined benefit liability	532	534
Asset retirement obligations	81	67
Other	499	890
Total non-current liabilities	27,551	30,298
Total liabilities	60,560	66,648
<b>Net Assets</b>		
Shareholders' equity		
Capital stock	20,778	20,780
Capital surplus	5,881	5,883
Retained earnings	22,735	27,514
Treasury shares	(4,697)	(4,697)
Total shareholders' equity	44,698	49,481
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,105	1,294
Foreign currency translation adjustment	2,821	4,196
Remeasurements of defined benefit plans	(12)	75
Total accumulated other comprehensive income	3,914	5,566
Non-controlling interests	97	119
Total Net Assets	48,710	55,166
Total Liabilities and Net Assets	109,271	121,815

Summary of Financial Statements for the Year Ended December 31, 2017

**(2) Consolidated Statements of Income and Comprehensive Income**

(Consolidated Statements of Income)

(In million yen)

	Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)	Fiscal year ended December 31, 2017 (from April 1, 2017 to December 31, 2017)
Net sales	61,812	65,604
Cost of sales	39,318	42,445
Gross profit	22,494	23,159
Selling, general and administrative expenses		
Personnel expenses	6,750	6,058
Provision of allowance for doubtful accounts	(6)	14
Amortization of goodwill	145	111
Provision for point card certificates	0	(0)
R&D expenses	2,148	2,016
Other	8,218	7,468
Total selling, general and administrative expenses	17,257	15,669
Operating income	5,236	7,490
Non-operating income		
Interest income	146	185
Dividends income	48	51
Foreign exchange gain	—	341
Equity in earnings of affiliates	45	18
Subsidy income	75	140
Gain on sale of scraps	24	21
Other	176	132
Total non-operating income	517	890
Non-operating expenses		
Interest expenses	410	259
Foreign exchange losses	572	—
Commissions for syndicate loan	—	108
Other	149	102
Total non-operating expenses	1,133	470
Ordinary income	4,620	7,910
Extraordinary income		
Gain on sales of non-current assets	85	98
Other	0	0
Total extraordinary income	85	98
Extraordinary losses		
Loss on sales of non-current assets	9	18
Loss on retirement of non-current assets	40	196
Loss on valuation of shares of subsidiaries and associates	462	—
Other	—	21
Total extraordinary losses	512	236
Profit before income taxes	4,193	7,772
Income taxes - current	1,134	2,059
Income taxes - deferred	(599)	(47)
Total income taxes	535	2,012
Profit	3,658	5,759
Profit attributable to non-controlling interests	13	23
Profit attributable to owners of the parent	3,644	5,736

## (Consolidated Statements of Comprehensive Income)

(In million yen)

	Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)	Fiscal year ended December 31, 2017 (from April 1, 2017 to December 31, 2017)
Profit	3,658	5,759
Other comprehensive income		
Valuation difference on available-for-sale securities	356	188
Foreign currency translation adjustments	(1,439)	1,376
Remeasurements of defined benefit plans, net of tax	152	87
Share of other comprehensive income of entities accounted for using equity method	0	2
Total other comprehensive income	(929)	1,655
Comprehensive income	2,728	7,415
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,724	7,387
Comprehensive income attributable to non-controlling interests	4	27

Summary of Financial Statements for the Year Ended December 31, 2017

**(3) Consolidated Statements of Changes in Equity**

Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(In million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current fiscal year	20,775	5,879	19,870	(1,696)	44,828
Changes of items during current fiscal year					
Issuance of new shares - exercise of subscription rights to shares	2	2			5
Dividends of surplus			(875)		(875)
Reserve for the awards and welfare fund for employees of foreign subsidiaries			(9)		(9)
Profit attributable to owners of the parent			3,644		3,644
Change of scope of consolidation			104		104
Purchase of treasury shares				(3,000)	(3,000)
Net changes of items other than shareholders' equity					
Total changes of items during current fiscal year	2	2	2,864	(3,000)	(130)
Balance at end of current fiscal year	20,778	5,881	22,735	(4,697)	44,698

	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	748	4,251	(165)	4,835	94	49,758
Changes of items during period						
Issuance of new shares - exercise of subscription rights to shares						5
Dividends of surplus						(875)
Reserve for the awards and welfare fund for employees of foreign subsidiaries						(9)
Profit attributable to owners of the parent						3,644
Change of scope of consolidation						104
Purchase of treasury shares						(3,000)
Net changes of items other than shareholders' equity	356	(1,430)	152	(920)	3	(917)
Changes of items during fiscal year	356	(1,430)	152	(920)	3	(1,047)
Balance at end of current fiscal year	1,105	2,821	(12)	3,914	97	48,710

Fiscal year ended December 31, 2017 (from April 1, 2017 to December 31, 2017)

(In million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current fiscal year	20,778	5,881	22,735	(4,697)	44,698
Changes of items during current fiscal year					
Issuance of new shares - exercise of subscription rights to shares	2	2			4
Dividends of surplus			(939)		(939)
Reserve for the awards and welfare fund for employees of foreign subsidiaries			(17)		(17)
Profit attributable to owners of the parent			5,736		5,736
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during current fiscal year	2	2	4,779	(0)	4,782
Balance at end of current fiscal year	20,780	5,883	27,514	(4,697)	49,481

	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	1,105	2,821	(12)	3,914	97	48,710
Changes of items during period						
Issuance of new shares - exercise of subscription rights to shares						4
Dividends of surplus						(939)
Reserve for the awards and welfare fund for employees of foreign subsidiaries						(17)
Profit attributable to owners of the parent						5,736
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	188	1,374	87	1,651	21	1,673
Changes of items during fiscal year	188	1,374	87	1,651	21	6,455
Balance at end of current fiscal year	1,294	4,196	75	5,566	119	55,166

**(4) Consolidated Statements of Cash Flows**

(In million yen)

	Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)	Fiscal year ended December 31, 2017 (from April 1, 2017 to December 31, 2017)
<b>Cash flows from operating activities</b>		
Profit before income taxes	4,193	7,772
Depreciation	2,697	2,360
Amortization of goodwill	145	111
Increase (decrease) in net defined benefit liability	1	101
Increase (decrease) in provision of allowance for doubtful accounts	(21)	(5)
Interest and dividend income	(195)	(236)
Interest expenses	410	259
Share of (profit) loss of entities accounted for using equity method	(45)	(18)
Foreign exchange losses (gains)	8	(83)
Loss (gains) on sale and revaluation of investment securities	—	13
Loss (gains) on sale and retirement of non-current assets	(35)	116
Loss on valuation of shares of subsidiaries and associates	462	—
Decrease (increase) in notes and accounts receivable-trade	(85)	(4,238)
Decrease (increase) in inventories	(1,051)	(4,116)
Increase (decrease) in notes and accounts payable-trade	2,432	1,745
Increase (decrease) in accounts payable-other	(209)	494
Increase (decrease) in advances received	706	1,252
Other	48	342
Subtotal	9,463	5,872
Interest and dividends income received	201	233
Interest expenses paid	(412)	(260)
Income tax refund (or paid)	(879)	(1,322)
Net cash provided by operating activities	8,373	4,522
<b>Cash flows from investing activities</b>		
Payments into time deposits	(551)	(836)
Proceeds from withdrawal of time deposits	84	657
Purchase of property, plant and equipment	(1,848)	(4,213)
Proceeds from sale of property, plant and equipment	507	362
Purchase of intangible assets	(356)	(181)
Purchase of investment securities	(100)	(0)
Proceeds from sale of investment securities	5	149
Proceeds from purchase of shares of subsidiaries and associates	(3)	(680)
Payments of loans receivable	(38)	(1)
Collection of loans receivable	111	82
Other	58	(52)
Net cash used in investing activities	(2,132)	(4,715)

(In million yen)

	Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)	Fiscal year ended December 31, 2017 (from April 1, 2017 to December 31, 2017)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(159)	143
Proceeds from long-term loans payable	11,000	8,731
Repayment of long-term loans payable	(11,661)	(8,244)
Proceeds from issuance of bonds with subscription rights to shares	8,000	—
Repayments of finance lease obligations	(137)	(101)
Purchase of treasury shares	(3,000)	(0)
Cash dividends paid	(875)	(939)
Other	(31)	(28)
Net cash provided by financing activities	3,134	(439)
Effect of exchange rate change on cash and cash equivalents	(664)	670
Net increase (decrease) in cash and cash equivalents	8,710	37
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 the period	36,037	36,075



**(5) Notes to Consolidated Financial Statements**

(Notes regarding going concern assumptions)

None

(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 electric discharge machining tools 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 March 31, 2017 (from April 1, 2016 to March 31, 2017)

(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	43,355	9,366	3,429	56,150	5,661	61,812	-	61,812
Intersegment sales or transfers	80	6	-	86	2,680	2,767	(2,767)	-
Total	43,435	9,373	3,429	56,237	8,342	64,580	(2,767)	61,812
Segment income	6,213	617	159	6,991	859	7,851	(2,614)	5,236
Segment assets	57,207	13,465	3,136	73,810	10,684	84,494	24,776	109,271
Other								
Depreciation	1,729	239	113	2,082	422	2,505	191	2,697
Amortization of goodwill	91	31	-	122	23	145	-	145
Increase in tangible and intangible non-current assets	1,575	397	40	2,013	402	2,416	177	2,594

- 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 ¥2,614 million to segment income includes ¥17 million in eliminations of intersegment transactions and ¥2,596 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 ¥24,776 million to segment assets includes ¥26,452 million in group assets that are not allocable to reportable segments and ¥1,676 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 ¥191 million to depreciation of the category headed "Others" consists of ¥191 million in Group-based depreciation not attributable to reportable segments.
5. The adjustment amount of ¥177 million to increases in property, plant, and equipment and intangible assets in the category headed "Others" consists of ¥177 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, 2017 (from April 1, 2017 to December 31, 2017)

(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	47,559	9,981	3,467	61,008	4,596	65,604	—	65,604
Intersegment sales or transfers	73	186	—	259	2,633	2,893	(2,893)	—
Total	47,632	10,168	3,467	61,267	7,230	68,498	(2,893)	65,604
Segment income	7,478	976	178	8,633	847	9,481	(1,991)	7,490
Segment assets	65,995	13,461	3,507	82,964	13,910	96,875	24,939	121,815
Other								
Depreciation	1,490	268	68	1,827	404	2,231	128	2,360
Amortization of goodwill	69	23	—	92	19	111	—	111
Increase in tangible and intangible non-current assets	2,634	588	33	3,256	726	3,982	606	4,588

- 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 ¥1,991 million to segment income includes ¥12 million in eliminations of intersegment transactions and ¥1,978 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 ¥24,939 million to segment assets includes ¥26,528 million in group assets that are not allocable to reportable segments and ¥1,588 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 ¥128 million to depreciation of the category headed "Others" consists of ¥128 million in Group-based depreciation not attributable to reportable segments.
  5. The adjustment amount of ¥606 million to increases in property, plant, and equipment and intangible assets in the category headed "Others" consists of ¥606 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, 2017

(Per-share information)

	Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)	Fiscal year ended December 31, 2017 (from April 1, 2017 to December 31, 2017)
Net assets per share (yen)	1,035.19	1,172.12
Earnings per share (yen)	76.91	122.15
Diluted Earnings per share (yen)	66.10	104.86

Notes:

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

	Fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)	Fiscal year ended December 31, 2017 (from April 1, 2017 to December 31, 2017)
Earnings per share (yen)		
Profit attributable to owners of the parent (¥ Million)	3,644	5,736
Portion not attributable to shares of common stock (¥ Million)	—	—
Profit attributable to owners of parent company's common stock (¥ Million)	3,644	5,736
Average number of common stock outstanding (thousands of shares)	47,391	46,961
Diluted earnings per share		
Adjustment to Profit attributable to owners of the parent (¥ Million)	—	—
Increase in the number of common stock (thousands of shares)	7,747	7,743
(of which convertible bonds (thousands of shares))	(7,747)	(7,743)
Description of dilutive shares not included in calculation of diluted earnings per share due to no dilutive effect	—	—

(Material subsequent events)

No applicable information