

## Summary of Financial Statements for the First Quarter of the Year Ending December 31, 2018 (J-GAAP) (Consolidated)



May 11, 2018

Company Name: Sodick Co., Ltd. Stock Exchange: Tokyo Stock Exchange, 1st Section  
 Code Number: 6143 URL <https://www.sodick.co.jp>  
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 Scheduled Date of Filing of Quarterly Report: May 11, 2018 Scheduled Date of Dividend Payout:-  
 Explanatory Documents Supplemental to the Quarterly Financial Statements: Yes  
 Result Briefing: No

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

## 1. Consolidated Results for the 1Q of the Fiscal Year Ending December 31, 2018 (from January 1, 2018 to March 31, 2018)

(1) Consolidated Financial Results (Accumulated Total) (Percentages indicate quarter-on-quarter changes)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of the Parent	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
1Q of the fiscal year ending December 31, 2018	18,385	-	2,227	-	1,947	-	1,324	-
1Q of the fiscal year ended December 31, 2017	21,179	-	1,442	-	1,639	-	1,137	-

Note: Comprehensive income: 1Q of the fiscal year ending December 31, 2018: ¥7 million (-%) 1Q of the fiscal year ended December 31, 2017: ¥1,120 million (-%)

	Earnings per Share	Diluted Earnings per Share
	¥	¥
1Q of the fiscal year ending December 31, 2018	28.20	24.21
1Q of the fiscal year ended December 31, 2017	24.23	20.80

The Company has implemented a change in fiscal term-end from March 31 to December 31, effective from the fiscal year ended December 31, 2017, 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. The previous consolidated cumulative first quarter comprises 3 months (from April 1, 2017 to June 30, 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 6 months (from January 1, 2017 to June 30, 2017) of results for seven consolidated subsidiaries in China whose fiscal year ends December 31, resulting in irregular settlement of accounts. As a result, changes compared to the same quarter preceding fiscal year are not provided.

## (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ Million	¥ Million	%	¥
1Q of the fiscal year ending December 31, 2018	122,657	54,617	44.4	1,160.22
Fiscal year ended December 31, 2017	121,815	55,166	45.2	1,172.12

Reference: Shareholders' Equity: 1Q of the year ending December 31, 2018: ¥54,499 million /The year ended December 31, 2017: ¥55,047million

## 2. Cash Dividends

	Annual Dividend				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
Fiscal year ended December 31, 2017	Yen -	Yen 10.00	Yen -	Yen 12.00	Yen 22.00
Fiscal year ending December 31, 2018	-				
Fiscal year ending December 31, 2018 (Forecasts)		12.00	-	12.00	24.00

Note: Amendments from dividend forecasts announced recently: None

## 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

Note: Amendments from results forecasts announced recently: None

The fiscal year ended December 31, 2017 is a transitional period for the fiscal term change, resulting in irregular settlement of accounts. As a result, year-on-year changes are not provided.

\* Notes

- (1) Changes in important subsidiaries during the consolidated cumulative first quarter under review (changes occurred in specified subsidiaries in conjunction with a change in the scope of consolidation): None
- (2) Application of accounting specific to the preparation of quarterly consolidated financial statements: None
- (3) Change of accounting policies; change and/or restatement of accounting estimates
- (i) Change of accounting policies caused by revision of accounting standards: None
  - (ii) Change of accounting policies other than stated in (i): None
  - (iii) Change of accounting estimates: None
  - (iv) Retroactive restatement: None

(4) Number of shares issued and outstanding (shares of common stock)

(i) Shares issued and outstanding as of the balance sheet date (including treasury shares)	1Q of the fiscal year ending December 31, 2018	53,450,916 shares	Fiscal year ended December 31, 2017	53,441,227 shares
(ii) Number of treasury shares as of the balance sheet date	1Q of the fiscal year ending December 31, 2018	6,477,563 shares	Fiscal year ended December 31, 2017	6,477,450 shares
(iii) Average number of shares outstanding during period (quarterly cumulative total)	1Q of the fiscal year ending December 31, 2018	46,971,710 shares	1Q of the fiscal year ended December 31, 2017	46,960,362 shares

\* This summary of quarterly financial statements is not subject to any quarterly review by certified public accountants or by auditing companies.

\* Cautionary statement regarding forward-looking information

The Company bases the above forecasts on judgments that rely on currently available information and contain numerous uncertainties. Changing conditions and other factors may cause actual results to differ from the above forecasts. In addition, for matters regarding forecasts, please refer to: “1. Qualitative Information regarding the Quarterly Financial Statements under Review (3) Explanation regarding Future Forecast Information including Projections of Consolidated Results” on Page 5 of the attachment to this summary of quarterly financial statements.

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

The matters mentioned in the text regarding the future are what Sodick Group (the Company, consolidated subsidiaries and entities accounted for using the equity method) judged to be as of the end of the quarterly consolidated accounting period under review.

The Company has implemented a change in fiscal term-end from March 31 to December 31, effective from the fiscal year ended December 31, 2017, 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. The consolidated cumulative first quarter comprises 3 months (from April 1, 2017 to June 30, 2017) of results for the Company as well as consolidated subsidiaries and entities accounted for using the equity method whose fiscal year ends March 31, and 6 months (from January 1, 2017 to June 30, 2017) of results for seven consolidated subsidiaries in China whose fiscal year ends December 31, resulting in irregular settlement of accounts. As a result, changes compared to the same quarter preceding fiscal year are not provided.

### (1) Explanation regarding Results of Operations

During the consolidated cumulative first quarter under review, the Japanese economy continued to follow a moderate upward path due primarily to favorable corporate performance on the back of moderately increased exports and recovery in consumer spending helped by the strong employment environment. Meanwhile, in the global economic arena, 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 solid consumer spending. China's economy remained on a strong footing, supported by an expansion of exports associated with the recovery of the global economy, and by an increase in consumer spending. Other Asian countries also saw their overall economies remain strong, although the pace of recovery varied across countries and regions. However, the future is in an uncertain situation, especially due to a number of worrying causes including fluctuations in the exchange rate since the beginning of the year, the effect of trade policies in the U.S. and China, and geopolitical risks.

In the machine tool industry to which Sodick Group belongs, domestic demand, mainly that from the automotive, semiconductor, and electronic component-related industries, continued to be favorable and helped drive overall demand. Outside Japan, demand in the U.S. and Europe was strong in a wide range of industries, mainly in the automotive and aerospace-related industries, while demand in Asian countries also continued to be strong, among which China saw robust demand for capital spending in a wide range of industries such as the automotive, electronic component and industrial machinery industries.

In this business environment, Sodick Group made efforts to strengthen the Sodick brand by displaying our products at exhibitions in various parts of the world. In the 20th International Exhibition for Metalworking Technologies (METAV 2018) held in Germany, we were proactively engaged in sales activities for the growth of shares in Europe, including the exhibition of the state-of-the-art wire-cut EDM "ALC800G" suitable for manufacturing large metal molds and large parts.

In addition, we are pressing ahead with the strengthening of manufacturing systems to meet ever-increasing demand. In Japan, the Kaga Plant (Ishikawa Prefecture, Japan) is going on with the 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 be able to flexibly respond to market changes. In the international arena, we are endeavoring to strengthen our production capability with the expansion of our 2nd factory in Thailand, which was completed at the beginning of the year. Moreover, a new R&D building is being built at the Head Office in Yokohama, Japan to facilitate metal 3D printer-related R&D, the development of new element technologies such as new electrical discharge power units and new-generation CNCs, and that of next-generation technologies. We are also trying to strengthen our sales force in various regions through streamlining our sales bases, including the transfer of the sales companies in the U.S. and Shanghai to new premises.

Sodick Group enjoyed robust domestic demand from the automotive and semiconductor-related industries. In North America, demand in the automotive and aerospace-related industries was somewhat cautious. In Europe, despite still slackening business in some countries such as Russia and Turkey, demand from the automotive and aerospace-related industries in countries such as Germany and Italy continued. In China, although the Chinese New Year holiday affected part of manufacturing and sales, both orders received and sales continued to be robust after the Chinese New Year holiday, bolstered by the effect of the increasing sophistication and automation of manufacturing as well as the government's subsidy policies. In Asia, demand mainly in the automotive and semiconductor-related industries picked up gradually.

As a result of the above, the consolidated net sales for the first quarter under review totaled ¥18,385 million, with operating income at ¥2,227 million, ordinary income at ¥1,947 million, and profit attributable to owners of the parent at ¥1,324 million.

Results by segment are described below.  
(Breakdown of Net Sales)

	1Q of the fiscal year ended December 31, 2017 (from April 1, 2017 to June 30, 2017)	1Q of the fiscal year ending December 31, 2018 (from January 1, 2018 to March 31, 2018)	(In Million yen) *Reference: Same period in the previous year (from January 1, 2017 to March 31, 2017)
Machine Tool Segment	15,841	13,366	11,316
Industrial Machinery Segment	3,266	2,424	3,072
Food Processing Machinery Segment	463	1,005	970
Others	1,606	1,588	1,246
Net Sales Total	21,179	18,385	16,606

(Breakdown of Segment Income)

	1Q of the fiscal year ended December 31, 2017 (from April 1, 2017 to June 30, 2017)	1Q of the fiscal year ending December 31, 2018 (from January 1, 2018 to March 31, 2018)	(In Million yen) *Reference: Same period in the previous year (from January 1, 2017 to March 31, 2017)
Machine Tool Segment	1,510	2,361	1,522
Industrial Machinery Segment	313	148	450
Food Processing Machinery Segment	(101)	68	(51)
Others	390	308	146
Adjustment	(669)	(660)	(676)
Operating Income Total	1,442	2,227	1,391

\* The same period in the previous year is the period (from January 1, 2017 to March 31, 2017) which corresponds to the consolidated cumulative first quarter under review (from January 1, 2018 to March 31, 2018). The values of the same period in the previous year are calculated by unifying the periods for consolidation of all the companies and by making adjustments.

#### <Machine Tool Segment>

In China, the largest market for the Company, although the Chinese New Year holiday affected part of manufacturing and sales, the increasing sophistication and automation of manufacturing and the government's subsidy policies boosted performance of the segment. Both orders received and sales continued to be robust after the Chinese New Year holiday, mainly in the auto-related industries where electronics were increasingly incorporated into cars, the smartphone-related industries where more and more sophisticated models were produced, and booming semiconductor-related industries. In North America, despite cautious capital spending in the auto-related industries, the domestic automotive and semiconductor-related industries were strong. In addition, in Europe, demand from the automotive and aerospace-related industries, mainly in Germany and Italy, remained solid. In Asia, demand, mainly that from the auto-related industries, picked up gradually in countries such as Thailand, India, Vietnam, and Malaysia. Moreover, the improvement of productivity ensured high profitability. As a result of the above, the segment chalked up net sales of ¥13,366 million with segment income of ¥2,361 million.

#### <Industrial Machinery Segment>

Demand remained solid for components such as connectors and sensors for auto-related industries in Japan, China, and Asia. Demand appeared to be losing its momentum for connectors in smartphone-related industries, but counterparties on the demand side for the molding of optical lenses expanded. In North America, demand also remained solid mainly in the medical equipment-related industries. Although inquiries tended to increase, the first quarter was somewhat lacking in strength partly because net sales were stagnant in the beginning of the quarter due partly to the Chinese New Year holiday. The segment racked up net sales of ¥2,424 million, and segment income of ¥148 million.

#### <Food Processing Machinery Segment>

The food processing machinery segment is engaged in the development, production, and sale of a wide range of noodle making machines, noodle making plants, sterile-packed cooked rice production systems, etc. as well as the provision of related maintenance services. Demand for high-quality noodle making equipment remained solid. In addition, demand has been increasing both in Japan and abroad for the sterile-packed cooked rice production system which had been newly established in the previous period. Both orders received and shipments progressed approximately as planned, but because of delays in the acceptance inspection of some projects until the second quarter or later, and despite a quarter-on-quarter increase in both net sales and in segment income, changes from the plan were stagnant. As a result of the above, net sales totaled ¥1,005 million, and segment income amounted to ¥68 million, in the segment.

#### <Others>

Other segments consist of: precision mold and precision molding operations involving the made-to-order production of precision connectors and other products; element technology operations involving development, and the 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 demand for precision mold and precision molding operations from the auto-related industries remained solid, sale of ceramics mainly to the semiconductor production equipment industries remained strong. As a result, net sales were ¥1,588 million, and segment income was ¥308 million, in the segments.

**(2) Explanation regarding Financial Position**

Total assets stood at ¥122,657 million, an increase of ¥842 million compared to the level at the end of the previous consolidated fiscal year, primarily due to a ¥1,962 million increase in buildings and structures, partially offset by a ¥1,377 million decrease of cash and deposits.

Moreover, liabilities at the end of the period totaled ¥68,040 million, an increase of ¥1,391 million from the end of the previous consolidated fiscal year, mainly reflecting a ¥1,955 million increase in other current liabilities.

Net assets totaled ¥54,617 million at the end of the period, a decrease of ¥549 million from the end of the preceding consolidated fiscal year, largely due to a ¥1,061 million decrease of foreign currency translation adjustment, partially offset by a ¥757 million increase of retained earnings.

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

There has been no change in the projections of results that were announced on February 14, 2018.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheets

(In million yen)

	Fiscal Year ended December 31, 2017 (As of December 31, 2017)	Fiscal Year ending December 31, 2018 (As of March 31, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	37,014	35,637
Notes and accounts receivable-trade	18,048	18,496
Electronically recorded monetary claims-operating	1,136	850
Merchandise and finished goods	8,986	10,589
Work in process	9,270	9,242
Raw materials and supplies	9,021	9,259
Other	4,198	3,704
Allowance for doubtful accounts	(149)	(144)
<b>Total current assets</b>	<b>87,527</b>	<b>87,635</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,604	22,566
Machinery, equipment and vehicles	19,268	19,159
Other	13,228	12,802
Accumulated depreciation	(26,805)	(27,173)
<b>Total property, plant and equipment</b>	<b>26,296</b>	<b>27,356</b>
Intangible assets		
Goodwill	1,780	1,732
Other	1,115	1,024
<b>Total intangible assets</b>	<b>2,895</b>	<b>2,756</b>
Investments and other assets		
Other	5,210	5,023
Allowance for doubtful accounts	(114)	(115)
<b>Total investments and other assets</b>	<b>5,096</b>	<b>4,908</b>
<b>Total non-current assets</b>	<b>34,287</b>	<b>35,021</b>
<b>Total Assets</b>	<b>121,815</b>	<b>122,657</b>

Summary of Financial Statements for the First Quarter of the Year Ending December 31, 2018

(In million yen)

	Fiscal Year ended December 31, 2017 (As of December 31, 2017)	Fiscal Year ending December 31, 2018 (As of March 31, 2018)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	6,092	6,801
Electronically recorded obligations-operating	6,807	7,005
Short-term loans payable	4,739	4,667
Current portion of long-term loans payable	8,460	7,779
Income taxes payable	1,183	708
Provision	1,007	1,145
Other	8,057	10,013
Total current liabilities	36,349	38,121
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	7,991	7,981
Long-term loans payable	20,512	19,982
Provision	301	286
Net defined benefit liability	534	653
Asset retirement obligations	67	67
Other	890	947
Total non-current liabilities	30,298	29,918
Total liabilities	66,648	68,040
Net Assets		
Shareholders' equity		
Capital stock	20,780	20,785
Capital surplus	5,883	5,888
Retained earnings	27,514	28,272
Treasury shares	(4,697)	(4,698)
Total shareholders' equity	49,481	50,248
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,294	1,153
Foreign currency translation adjustment	4,196	3,135
Remeasurements of defined benefit plans	75	(37)
Total accumulated other comprehensive income	5,566	4,251
Non-controlling interests	119	117
Total Net Assets	55,166	54,617
Total Liabilities and Net Assets	121,815	122,657

**(2) Consolidated Statements of Quarterly Income and Comprehensive Income**  
(Consolidated Statements of Quarterly Income)  
(1Q Consolidated Results Accumulation Period)

(In million yen)

	1Q Fiscal Year ended December 31, 2017 (From April 1, 2017 to June 30, 2017)	1Q Fiscal Year ending December 31, 2018 (From January 1, 2018 to March 31, 2018)
Net sales	21,179	18,385
Cost of sales	13,929	11,612
Gross profit	7,249	6,772
Selling, general and administrative expenses		
Personnel expenses	2,070	1,833
Provision of allowance for doubtful accounts	0	6
Other	3,736	2,704
Total selling, general and administrative expenses	5,807	4,544
Operating income	1,442	2,227
Non-operating income		
Interest income	87	56
Dividends income	33	3
Foreign exchange gain	77	–
Equity in earnings of affiliates	7	8
Subsidy income	64	69
Other	45	119
Total non-operating income	316	256
Non-operating expenses		
Interest expenses	91	82
Foreign exchange losses	–	427
Other	27	27
Total non-operating expenses	119	537
Ordinary income	1,639	1,947
Extraordinary income		
Gain on sales of non-current assets	56	2
Total extraordinary income	56	2
Extraordinary losses		
Loss on sales of non-current assets	10	0
Loss on retirement of non-current assets	8	6
Total extraordinary losses	19	6
Profit before income taxes	1,677	1,943
Income taxes - current	642	533
Income taxes - deferred	(109)	83
Total income taxes	532	617
Profit	1,145	1,325
Profit attributable to non-controlling interests	7	0
Profit attributable to owners of the parent	1,137	1,324



Summary of Financial Statements for the First Quarter of the Year Ending December 31, 2018

(Statements of Quarterly Consolidated Income)  
(1Q Consolidated Results Accumulation Period)

(In million yen)

	1Q Fiscal Year ended December 31, 2017 (From April 1, 2017 to June 30, 2017)	1Q Fiscal Year ending December 31, 2018 (From January 1, 2018 to March 31, 2018)
Profit	1,145	1,325
Other comprehensive income		
Valuation difference on available-for-sale securities	46	(141)
Foreign currency translation adjustments	(71)	(1,045)
Remeasurements of defined benefit plans, net of tax	0	(112)
Share of other comprehensive income of entities accounted for using equity method	(0)	(18)
Total other comprehensive income	(24)	(1,317)
Comprehensive income	1,120	7
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,115	9
Comprehensive income attributable to non-controlling interests	5	(1)

**(3) Notes to Quarterly Consolidated Financial Statements**

(Notes regarding going concern assumptions)

None

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

None

(Segment information, etc.)

## I Previous consolidated cumulative first quarter (from April 1, 2017 to June 30, 2017)

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

(In million yen)

	Reportable Segment				Others (Note 1)	Total	Adjustment amount (Note 2)	Amount stated on the quarterly consolidated statement of income (Note 3)
	Machine Tool Segment	Industrial Machinery Segment	Food Processing Machinery Segment	Reportable Segment Total				
Net Sales								
Sales to outside parties	15,841	3,266	463	19,572	1,606	21,179	–	21,179
Intersegment sales or transfers	15	140	–	155	964	1,120	(1,120)	–
Total	15,857	3,406	463	19,727	2,571	22,299	(1,120)	21,179
Segment income or loss	1,510	313	(101)	1,721	390	2,112	(669)	1,442

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 ¥669 million to segment income or loss includes ¥23 million in eliminations of intersegment transactions and ¥646 million in group overhead not allocable to individual reportable segments. Group overhead consists mainly of the cost of head office functions not attributable to any particular reportable segment.

3. Segment income or loss is stated on reconciliation with the operating income stated in the Consolidated Statements of Quarterly Income.

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

None

## II Current consolidated cumulative first quarter (from January 1, 2018 to March 31, 2018)

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

(In million yen)

	Reportable Segment				Others (Note 1)	Total	Adjustment amount (Note 2)	Amount stated on the quarterly consolidated statement of income (Note 3)
	Machine Tool Segment	Industrial Machinery Segment	Food Processing Machinery Segment	Reportable Segment Total				
Net Sales								
Sales to outside parties	13,366	2,424	1,005	16,796	1,588	18,385	–	18,385
Intersegment sales or transfers	25	17	–	42	857	899	(899)	–
Total	13,392	2,441	1,005	16,839	2,445	19,284	(899)	18,385
Segment income	2,361	148	68	2,579	308	2,888	(660)	2,227

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 ¥660 million to segment income includes ¥37 million in eliminations of intersegment transactions and ¥623 million in group overhead not allocable to individual reportable segments. Group overhead consists mainly of the cost of head office functions not attributable to any particular reportable segment.

3. Segment income is stated on reconciliation with the operating income stated in the Consolidated Statements of Quarterly Income.

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

None