



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

November 13, 2018

Stock Exchange: Tokyo Stock Exchange, 1st Section

Company Name: Sodick Co., Ltd.

Code Number: 6143 URL <https://www.sodick.co.jp/>

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Scheduled date of filing of financial statements: November 13, 2018

Scheduled date of dividend payout: —

Explanatory documents supplemental to the financial statements: Yes

Result briefing: None

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

1. Consolidated Results for 3Q of the Fiscal Year Ending December 31, 2018 (from January 1, 2018 to September 30, 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	%
3Q of the fiscal year ending December 31, 2018	62,577	—	8,253	—	8,088	—	5,632	—
3Q of the fiscal year ended December 31, 2017	—	—	—	—	—	—	—	—

Note: Comprehensive income:

3Q of the fiscal year ending December 31, 2018

¥4,702 million (-%)

3Q of the fiscal year ended December 31, 2017

¥— million (-%)

	Earnings per Share		Diluted Earnings per Share	
	¥		¥	
3Q of the fiscal year ending December 31, 2018	119.92		102.97	
3Q of the fiscal year ended December 31, 2017	—		—	

The Company has implemented a change in the 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 provided by the 41st ordinary general shareholders' meeting held on June 29, 2017. Accordingly, since consolidated financial statements for the third quarter of fiscal year ended December 31, 2017 were not created, year-on-year changes for the third quarter of the fiscal year ending December 31, 2018 as well as consolidated cumulative results for the third quarter of the fiscal year ended December 31, 2017 are not provided.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ Million	¥ Million	%	¥
3Q of the fiscal year ending December 31, 2018	125,254	58,691	46.8	1,247.45
Fiscal year ended December 31, 2017	121,815	55,166	45.2	1,172.12

Reference: Shareholders' Equity:

3Q of the fiscal year ending December 31, 2018

¥58,596 million

Fiscal year ended December 31, 2017

¥55,047 million

2. Cash Dividends

	Annual Dividend				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2017	—	10.00	—	12.00	22.00
Fiscal year ending December 31, 2018	—	12.00	—		
Fiscal year ending December 31, 2018 (Forecasts)				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	%	¥
Full-year	80,000	—	10,000	—	10,000	—	6,800	—	144.79

Note: Amendments from results forecasts announced recently: Yes

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 third 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)	3Q 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	3Q of the fiscal year ending December 31, 2018	6,477,748 shares	Fiscal year ended December 31, 2017	6,477,450 shares
(iii) Average number of shares outstanding during period (quarterly cumulative total)	3Q of the fiscal year ending December 31, 2018	46,972,706 shares	3Q of the fiscal year ended December 31, 2017	— 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 the 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 6 of the attachment to this summary of quarterly financial statements.

1. Qualitative Information regarding the Quarterly Financial Statements under Review

The matters related to the future in the text were determined by our Group (the Company, consolidated subsidiaries, and entities accounted for using the equity method) as of the end of the third quarter of the current consolidated fiscal year.

The Company has implemented a change in the 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 provided by the 41st ordinary general shareholders' meeting held on June 29, 2017. Accordingly, since consolidated financial statements for the third quarter of fiscal year ended December 31, 2017 were not created, year-on-year changes for the third quarter of the fiscal year ending December 31, 2018 as well as consolidated cumulative results for the third quarter of the fiscal year ended December 31, 2017 are not provided.

(1) Explanation regarding Results of Operations

During the consolidated cumulative third quarter under review, the Japanese economy continued to gradually recover owing mainly to the recovery of consumer spending and an increase in capital expenditure, despite weak exports and production activities owing to the effects of natural disasters and other factors. Meanwhile, in the global economic arena, the U.S. economy remained robust against a backdrop of improvements in corporate business results supported by corporate tax reduction as well as improvement in the employment situation, and European economies continued to pick up thanks to solid consumer spending, whereas the Chinese economy showed a decelerating trend due mainly to export declines resulting from trade conflicts with the U.S. Other Asian countries saw their economies continue to recover, although the pace of recovery varied across countries and regions. However, the future is uncertain, especially due to a number of worrying causes including 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 from automotive, semiconductor and electronic component-related industries continued to be favorable and drive overall demand, with the support of the government's manufacturing subsidy policies adopted at the end of June. Outside Japan, demand in the U.S. and Europe remained strong mainly in the automotive and aerospace-related industries, while China was cautious about capital expenditure owing to concerns about the prospect of trade conflicts with the U.S., despite a steady demand from the automotive-related industry. Demand in other Asian countries continued to be strong.

In this business environment, Sodick Group made efforts to strengthen the Sodick brand by displaying our products at exhibitions both inside and outside Japan. Overseas, at DMC2018 (2018 International Exhibition on Die & Mould Technology and Equipment) held in Shanghai, China in June and IMTS 2018 (International Manufacturing Technology Show 2018) held in Chicago, the U.S. in September, we were proactively engaged in sales activities for the growth of shares.

In addition, we are pressing ahead with strengthening our manufacturing systems to meet the ever-increasing demand. In the international arena, we are endeavoring to strengthen our production capabilities with the expansion of our second factory in Thailand. In Japan, the Kaga Plant (Ishikawa Prefecture, Japan) is going ahead 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. We also strengthened sales structures through streamlining our sales bases in the U.S. and Shanghai, and we are constructing a new office for our U.K. sales base. At the Head Office in Yokohama, construction work of a new R&D building was completed in the middle of May, and we are currently strengthening metal 3D printer-related R&D and the development of element technologies such as new electrical discharge power units and next generation CNCs.

Sodick Group enjoyed robust domestic demand from the automotive, semiconductor-related industries and electronic component-related industries. In the U.S., demand remained robust mainly from the automotive and medical equipment industries, despite a sign of stagnation in the aerospace-related industry. In Europe, despite the still slackening business in Turkey, overall demand, mainly in the automotive industries, remained favorable driven by demand in countries such as Germany, Italy, and the U.K. In China, although automotive-related demand continued to be robust bolstered by the effect of the increasing sophistication and automation of manufacturing, business is currently taking a wait-and-see attitude toward capital expenditure owing to the influence of trade conflicts with the U.S. In Asia, demand in the smartphone-related industries appeared to be losing its momentum.

As a result of the above, the consolidated net sales for the third quarter under review totaled ¥62,577 million, with operating income at ¥8,253 million, ordinary income at ¥8,088 million, and profit attributable to owners of the parent at ¥5,632 million.



Results by segment are described below.

(Breakdown of Net Sales)

(In Million yen)

	3Q of the fiscal year ending December 31, 2018 (from January 1, 2018 to September 30, 2018)	*Reference Same period in the previous year (from January 1, 2017 to September 30, 2017)
Machine Tool Segment	45,117	39,751
Industrial Machinery Segment	7,736	9,269
Food Processing Machinery Segment	4,934	2,461
Others	4,789	4,061
Net Sales Total	62,577	55,543

(Breakdown of Segment Income)

(In Million yen)

	3Q of the fiscal year ending December 31, 2018 (from January 1, 2018 to September 30, 2018)	*Reference Same period in the previous year (from January 1, 2017 to September 30, 2017)
Machine Tool Segment	8,033	5,912
Industrial Machinery Segment	604	1,199
Food Processing Machinery Segment	618	(115)
Others	931	685
Adjustment	(1,935)	(1,943)
Operating Income Total	8,253	5,738

* The same period in the previous year (from January 1, 2017 to September 30, 2017) is the period which corresponds to the consolidated cumulative third quarter under review (from January 1, 2018 to September 30, 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 increasing sophistication and automation of manufacturing boosted sales mainly in the auto-related industries where electronics were increasingly incorporated into cars and semiconductor-related industries, there is some sluggishness seen in the decrease of sales in the smartphone-related industries and postponing capital expenditure decisions owing to trade conflicts with the U.S. In the U.S., demand in the auto-related industries remained strong. In Japan, the domestic automotive and semiconductor-related industries remained strong. In Europe, demand remained solid from the automotive and aerospace-related industries, mainly in Germany, Italy, and the U.K. In Asia, demand also remained solid, mainly from the auto-related industries, in countries such as Thailand, India, and Malaysia.

As a result of the above, the segment chalked up net sales of ¥45,117 million with segment income of ¥8,033 million. Moreover, the improvements in productivity ensured high profitability.

<Industrial Machinery Segment>

Demand remained solid for components such as connectors and sensors for auto-related industries in Japan. In North America, demand also remained solid mainly in the medical equipment-related industries. However, in China and Asia, demand appeared to be losing its momentum and sales were stagnant.

As a result of the above, the segment racked up net sales of ¥7,736 million, and segment income of ¥604 million.

<Food Processing Machinery Segment>

The food processing machinery segment is engaged in the development, production, and sales 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. As large orders were seen in China, demand for high-quality noodle making equipment remained solid. In addition, demand for sterile-packed cooked rice production systems has been increasing in both Japan and Asia under the continued favorable market conditions.

As a result of the above, net sales totaled ¥4,934 million, approximately as planned, and segment income amounted to ¥618 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 sales of products utilizing Sodick's unique technologies such as linear motors and ceramics components as well as LED lighting equipment. In precision mold and precision molding operations, we are making efforts to develop high precision molding utilizing molds created by metal 3D printers and specialized injection molding machines. In addition, sales of ceramics mainly to the semiconductor production equipment industries remained strong.

As a result, net sales were ¥4,789 million, and segment income was ¥931 million, in these segments.

(2) Explanation regarding Financial Position

Total assets stood at ¥125,254 million, an increase of ¥3,439 million compared to the level at the end of the previous consolidated fiscal year, primarily due to a ¥2,913 million increase in buildings and structures.

Moreover, liabilities at the end of the period totaled ¥66,563 million, a decrease of ¥84 million from the end of the previous consolidated fiscal year, mainly reflecting a ¥732 million decrease in long-term loans payable as well as a ¥694 million decrease in the current portion of long-term loans payable, which were partially offset by a ¥1,120 million increase in electronically recorded monetary obligations-non-operating.

Net assets totaled ¥58,691 million at the end of the period, an increase of ¥3,524 million from the end of the preceding consolidated fiscal year, largely due to a ¥4,486 million increase of retained earnings.

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

There have been revisions 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 September 30, 2018)
Assets		
Current assets		
Cash and deposits	37,014	37,497
Notes and accounts receivable-trade	18,048	15,693
Electronically recorded monetary claims-operating	1,136	1,012
Merchandise and finished goods	8,986	10,615
Work in process	9,270	9,534
Raw materials and supplies	9,021	9,719
Other	4,198	4,171
Allowance for doubtful accounts	(149)	(159)
Total current assets	87,527	88,083
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,604	23,518
Machinery, equipment and vehicles	19,268	19,778
Other	13,228	14,640
Accumulated depreciation	(26,805)	(28,392)
Total property, plant and equipment	26,296	29,545
Intangible assets		
Goodwill	1,780	1,689
Other	1,115	880
Total intangible assets	2,895	2,569
Investments and other assets		
Other	5,210	5,169
Allowance for doubtful accounts	(114)	(114)
Total investments and other assets	5,096	5,055
Total non-current assets	34,287	37,170
Total Assets	121,815	125,254

(In million yen)

	Fiscal Year ended December 31, 2017 (As of December 31, 2017)	Fiscal year ending December 31, 2018 (As of September 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,092	6,323
Electronically recorded obligations-operating	6,807	6,626
Short-term loans payable	4,739	4,489
Current portion of long-term loans payable	8,460	7,765
Income taxes payable	1,183	986
Provision	1,007	1,396
Electronically recorded obligations-non-operating	242	1,362
Other	7,815	7,736
Total current liabilities	36,349	36,686
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	7,991	7,981
Long-term loans payable	20,512	19,780
Provision	301	285
Net defined benefit liability	534	696
Asset retirement obligations	67	68
Other	890	1,064
Total non-current liabilities	30,298	29,876
Total liabilities	66,648	66,563
Net Assets		
Shareholders' equity		
Capital stock	20,780	20,785
Capital surplus	5,883	5,884
Retained earnings	27,514	32,001
Treasury shares	(4,697)	(4,698)
Total shareholders' equity	49,481	53,972
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,294	1,190
Foreign currency translation adjustment	4,196	3,469
Remeasurements of defined benefit plans	75	(35)
Total accumulated other comprehensive income	5,566	4,624
Non-controlling interests	119	94
Total Net Assets	55,166	58,691
Total Liabilities and Net Assets	121,815	125,254

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

(Consolidated Statements of Quarterly Income)

(3Q Consolidated Results Accumulation Period)

(In million yen)

	3Q Fiscal year ending December 31, 2018 (From January 1, 2018 to September 30, 2018)
Net sales	62,577
Cost of sales	39,209
Gross profit	23,368
Selling, general and administrative expenses	
Personnel expenses	5,707
Provision of allowance for doubtful accounts	24
Other	9,382
Total selling, general and administrative expenses	15,114
Operating income	8,253
Non-operating income	
Interest income	170
Dividends income	44
Equity in earnings of affiliates	17
Subsidy income	146
Other	211
Total non-operating income	588
Non-operating expenses	
Interest expenses	235
Foreign exchange losses	239
Condolence money for director	193
Other	85
Total non-operating expenses	753
Ordinary income	8,088
Extraordinary income	
Gain on sales of non-current assets	20
Total extraordinary income	20
Extraordinary losses	
Loss on sales of non-current assets	7
Loss on retirement of non-current assets	12
Loss on valuation of shares of subsidiaries and associates	51
Other	1
Total extraordinary losses	71
Profit before income taxes	8,038
Income taxes - current	2,238
Income taxes - deferred	148
Total income taxes	2,386
Profit	5,651
Profit attributable to non-controlling interests	18
Profit attributable to owners of the parent	5,632

(Consolidated Statements of Quarterly Comprehensive Income)
(3Q Consolidated Results Accumulation Period)

(In million yen)

	3Q Fiscal year ending December 31, 2018 (From January 1, 2018 to September 30, 2018)
Profit	5,651
Other comprehensive income	
Valuation difference on available-for-sale securities	(104)
Foreign currency translation adjustments	(736)
Remeasurements of defined benefit plans, net of tax	(110)
Share of other comprehensive income of entities accounted for using equity method	2
Total other comprehensive income	(948)
Comprehensive income	4,702
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	4,690
Comprehensive income attributable to non-controlling interests	11

**(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.)

Current consolidated cumulative third quarter (from January 1, 2018 to September 30, 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 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	45,117	7,736	4,934	57,788	4,789	62,577	–	62,577
Intersegment sales or transfers	92	93	–	186	2,491	2,677	(2,677)	–
Total	45,210	7,829	4,934	57,974	7,280	65,255	(2,677)	62,577
Segment income or loss	8,033	604	618	9,257	931	10,189	(1,935)	8,253

Notes: 1. The category headed "Others" covers those business segments outside the reportable ones, such as precision molds and molding operations, elemental technology operations, and lease operations.

2. The adjustment amount of -¥1,935 million to segment income includes ¥18 million in eliminations of intersegment transactions and -¥1,917 million in group overheads not allocable to individual reportable segments. Group overheads consist 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