



Summary of Financial Statements for the Third Quarter of the Year Ending December 31, 2020 (J-GAAP) (Consolidated)

November 13, 2020

Stock Exchange: Tokyo Stock Exchange, 1st Section

Company Name: Sodick Co., Ltd.
 Code Number: 6143 URL <https://www.sodick.co.jp/>
 Representative: Kenichi Furukawa, President, Representative Director
 Contact: Hirofumi Maejima, Executive Managing Director
 Scheduled date of filing of quarterly report: November 13, 2020
 Scheduled date of dividend payout: -
 Explanatory documents supplemental to the quarterly financial statements: Yes
 Results briefing: None

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

1. Consolidated Results for the 3Q of the Fiscal Year Ending December 31, 2020 (from January 1, 2020 to September 30, 2020)

(1) Consolidated Financial Results (Accumulated Total) (Percentages indicate year-on-year 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, 2020	40,744	(18.0)	827	(69.9)	893	(65.3)	619	(47.4)
3Q of the fiscal year ended December 31, 2019	49,707	(20.6)	2,746	(66.7)	2,577	(68.1)	1,177	(79.1)

Note: Comprehensive income: 3Q of the fiscal year ending December 31, 2020: -¥809 million (-%) 3Q of the fiscal year ended December 31, 2019: -¥340 million (-%)

	Earnings per Share		Diluted Earnings per Share	
	¥		¥	
3Q of the fiscal year ending December 31, 2020	13.16		11.30	
3Q of the fiscal year ended December 31, 2019	25.05		21.51	

(2) Consolidated Financial Position

	Total Assets		Net Assets		Equity Ratio		Net Assets per Share	
	¥ Million		¥ Million		%		¥	
3Q of the fiscal year ending December 31, 2020	116,978		56,768		48.5		1,204.96	
Fiscal year ended December 31, 2019	114,647		58,745		51.2		1,247.06	

Reference: Shareholders' Equity: 3Q of the fiscal year ending December 31, 2020: ¥56,696 million Fiscal year ended December 31, 2019: ¥58,665 million

2. Cash Dividends

	Annual Dividend				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
Fiscal year ended December 31, 2019	¥ -	¥ 12.00	¥ -	¥ 13.00	¥ 25.00
Fiscal year ending December 31, 2020	¥ -	¥ 12.00			
Fiscal year ending December 31, 2020 (Forecast)			¥ -	¥ 13.00	¥ 25.00

Note: Revisions to the most recently announced dividend forecast: None

3. Forecast for the Fiscal Year Ending December 31, 2020 (From January 1, 2020 to December 31, 2020)

(Percentages indicate year-on-year change rates)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of the Parent		Earnings per Share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	¥
Full-year	55,400	(18.0)	1,300	(62.0)	1,300	(63.5)	750	(62.5)	15.94

Notes: Revisions to the most recently announced consolidated results forecast: Yes

*Notes

- (1) Changes in important subsidiaries during the consolidated cumulative third quarter under review (changes in specified subsidiaries resulting in 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, 2020	53,363,016 shares	Fiscal year ended December 31, 2019	53,450,916 shares
(ii) Number of treasury shares as of the balance sheet date	3Q of the fiscal year ending December 31, 2020	6,310,499 shares	Fiscal year ended December 31, 2019	6,407,799 shares
(iii) Average number of shares outstanding during period (quarterly cumulative total)	3Q of the fiscal year ending December 31, 2020	47,035,303 shares	3Q of the fiscal year ended December 31, 2019	47,010,525 shares

* Quarterly financial statements are not subject to a quarterly review by certified public accountants or an audit firm.

* 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 further information 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 4 of the attachment to this summary of quarterly financial statements.

1. Qualitative Information regarding the Quarterly Financial Statements under Review

Matters concerning the future in the text are based on the judgments of the Company as of the end of the third quarter of the fiscal year under review.

(1) Explanation regarding Results of Operations

During the consolidated cumulative third quarter under review, we saw a tense economic situation where economic activities have been restrained owing to the global spread of COVID-19. In Japan, an unpredictable situation remained continuous after the termination of the declaration of a state of emergency. In addition, a tense situation continued in the West, including lockdown and restrictions on going outside. In China, which is the Company's largest market, moves to lift travel restrictions have spread since April, when the infection began to be contained. Although domestic consumption in China is on a recovery trend, exports to the West have not recovered, and the situation remains uncertain.

In this business environment, formulating a long-term business plan "Next Stage 2026 – Toward Further Growth –," Sodick Group has been making efforts to, based on its founding spirit of "create, implement, and overcome difficulties," to enhance its skills to contribute to a prosperous future and realize a sustainable society through monozukuri (manufacturing).

In terms of prevention of the spread of COVID-19 infection, Sodick has maintained a system of continuing business while reducing the risk of infection by encouraging working at home and staggered working hours, not to mention being thorough in safety and health. On the sales front, as exhibitions cancelled one after another, we are conducting activities using IT in such a way as holding Web exhibitions. In the production activities, we adjusted the Thailand Factory's running days to adjust production in line with demand reduction to reduce costs.

In addition, in order to contribute to society by preventing the spread of COVID-19 infection, we developed "Face Tech," a face shield frame, and supplied it to medical facilities, schools, and sports organizations.

Under these circumstances, the consolidated net sales for the third quarter under review totaled ¥40,744 million (down 18.0% year on year), with operating income at ¥827 million (down 69.9% year on year), ordinary income at ¥893 million (down 65.3% year on year) and profit attributable to owners of the parent at ¥619 million (down 47.4% year on year).

The results of operations by segment are as follows:

Machine Tool Segment	Net Sales	¥26,317 million	Y/y change (rate)	Down 23.7%
	Operating income	¥1,675 million	Y/y change (amount)	Down ¥1,889 million
Owing to the spread of COVID-19 infection, the economy slowed down all over the world. A wide range of industries, including the automotive industry, the electronic component industry, and the aerospace industry, tended to postpone product shipment and facility investment owing mainly to the suspension of business activities. On the other hand, although demand in the 5G-related and semiconductor-related segments in China continued to recover after March, it could not compensate for the global decline in demand, and net sales fell substantially year on year. Segment income also plummeted year on year, chiefly on account of a lower plant-utilization rate associated with a decrease in sales volume.				
Industrial Machinery Segment	Net Sales	¥8,045 million	Y/y change (rate)	Up 11.1%
	Operating income	¥370 million	Y/y change (amount)	Up ¥152 million
Economic activities have continued to be restrained owing to the impact of the global spread of COVID-19 infection. As there was a demand for next generation auto-related industries products, such as CASE, in addition to some projects for 5G smartphone antenna components and lenses, net sales rose year on year. However, there is a lull in current demand, and the situation is unpredictable.				
Food Processing Machinery Segment	Net Sales	¥2,223 million	Y/y change (rate)	Down 35.9%
	Operating income	¥27 million	Y/y change (amount)	Down ¥342 million
This 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. There was a rising demand related to nest-dweller consumption incidental to refraining from going outside, in addition to that for sanitary equipment and equipment to respond to manpower reduction. However, in addition to the fact that sales of major projects are expected to be concentrated in the fourth quarter, there was also delayed sales activities and a move to postpone facility investments owing to the spread of COVID-19 infection. Furthermore, owing to the absence of major noodle-making projects in the same period a year ago, sales plunged from a year earlier.				
Others	Net Sales	¥4,158 million	Y/y change (rate)	Up 7.5%
	Operating income	¥312 million	Y/y change (amount)	Up ¥75 million
Other segments consist of precision mold and precision molding operations involving the made-to-order production of precision connectors and other products, and elemental technology operations involving the sale, etc. of linear motors and ceramics components. Demand for ceramics is also increasing, reflecting the increased demand for information and communications equipment due to telework and other factors caused by the spread of COVID-19 infection. In the die and mold manufacturing business, there are signs of a recovery in demand in the automotive industry, but the future remains uncertain.				

(2) Explanation regarding Financial Position

Total assets stood at ¥116,978 million as of the end of the quarterly consolidated accounting period under review, an increase of ¥2,331 million from the end of the previous fiscal year, due primarily to a ¥6,035 million increase in cash and deposits, partially offset by a ¥2,648 million decrease in notes and accounts receivable-trade and a ¥1,487 million increase in accumulated depreciation.

Meanwhile, liabilities at the end of the period under review totaled ¥60,210 million, an increase of ¥4,308 million from the end of the previous fiscal year. This was due mainly to a ¥5,808 million increase in long-term borrowings payable, partially offset by a ¥1,627 million decrease in current portion of long-term borrowings payable.

Net assets totaled ¥56,768 million at the end of the period under review, a decrease of ¥1,976 million from the end of the previous fiscal year, due mainly to a ¥1,100 million decrease in foreign currency translation adjustments and a ¥610 million decrease in retained earnings.

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

We have revised the projections of results that were announced on August 7, 2020.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheets**

(In million yen)

	Fiscal year ended December 31, 2019 (as of December 31, 2019)	3Q fiscal year ending December 31, 2020 (as of September 30, 2020)
Assets		
Current assets:		
Cash and deposits	33,873	39,908
Notes and accounts receivable-trade	13,773	11,125
Electronically recorded monetary claims-operating	1,589	1,761
Merchandise and finished goods	8,733	8,925
Work in process	7,585	7,859
Raw materials and supplies	7,339	7,073
Others	2,774	2,501
Allowance for doubtful accounts	(379)	(218)
Total current assets	75,290	78,937
Non-current assets		
Property, plant and equipment		
Buildings and structures	28,257	27,910
Machinery, equipment and vehicles	20,887	20,619
Others	13,512	14,005
Accumulated depreciation	(30,800)	(32,288)
Total property, plant and equipment	31,856	30,247
Intangible assets		
Goodwill	1,494	1,376
Others	916	893
Total intangible assets	2,411	2,270
Investments and other assets		
Others	5,184	5,583
Allowance for doubtful accounts	(95)	(60)
Total investments and other assets	5,088	5,523
Total non-current assets	39,357	38,041
Total Assets	114,647	116,978

(In million yen)

	Fiscal year ended December 31, 2019 (as of December 31, 2019)	3Q fiscal year ending December 31, 2020 (as of September 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable- trade	4,231	3,543
Electronically recorded obligations-operating	5,063	4,620
Short-term borrowings payable	2,508	2,716
Current portion of bonds payable	140	8,121
Current portion of long-term borrowings payable	8,944	7,316
Income taxes payable	293	347
Provision	695	896
Others	5,215	5,917
Total current liabilities	27,092	33,480
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	8,841	790
Long-term borrowings payable	18,203	24,011
Provision	271	211
Net defined benefit liability	545	557
Asset retirement obligations	63	64
Others	885	1,095
Total non-current liabilities	28,810	26,729
Total liabilities	55,902	60,210
Net Assets		
Shareholders' equity		
Capital stock	20,785	20,785
Capital surplus	5,896	5,877
Retained earnings	33,670	33,060
Treasury shares	(4,647)	(4,566)
Total shareholders' equity	55,705	55,157
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	901	593
Foreign currency translation adjustment	2,286	1,185
Remeasurements of defined benefit plans	(227)	(240)
Total accumulated other comprehensive income	2,960	1,539
Non-controlling interests	79	72
Total Net Assets	58,745	56,768
Total Liabilities and Net Assets	114,647	116,978

Summary of Financial Statements for the Third Quarter of the Year Ending December 31, 2020

(2) Consolidated Statements of Quarterly Income and Comprehensive Income

(Consolidated Statements of Quarterly Income)

3Q FY ending December 31, 2020

(In million yen)

	3Q FY ended December 31, 2019 (from January 1, 2019 to September 30, 2019)	3Q FY ending December 31, 2020 (from January 1, 2020 to September 30, 2020)
Net Sales	49,707	40,744
Cost of sales	33,227	27,885
Gross profit	16,480	12,859
Selling, general and administrative expenses		
Personnel expenses	5,632	5,407
Provision of allowance for doubtful accounts	54	64
Others	8,047	6,560
Total selling, general and administrative expenses	13,734	12,032
Operating Income	2,746	827
Non-operating income		
Interest income	180	199
Dividends income	219	108
Share of profit of entities accounted for using equity method	17	36
Subsidy income	94	235
Others	145	162
Total non-operating income	656	742
Non-operating expenses		
Interest expenses	214	209
Foreign exchange losses	262	280
Provision of allowance for doubtful accounts	260	41
Others	88	144
Total non-operating expenses	825	676
Ordinary Income	2,577	893
Extraordinary income		
Gain on sales of non-current assets	8	26
Others	3	1
Total extraordinary income	12	27
Extraordinary losses		
Loss on sales of non-current assets	114	1
Loss on retirement of non-current assets	30	18
Loss on valuation of shares of subsidiaries and associates	44	–
Loss on valuation of investments in capital of subsidiaries and associates	89	–
Others	2	1
Total extraordinary losses	282	22
Profit before income taxes	2,307	898
Income taxes - current	720	673
Income taxes - deferred	404	(386)
Total income taxes	1,124	286
Profit	1,182	612
Profit (loss) attributable to non-controlling interests	5	(6)
Profit Attributable to Owners of the Parent	1,177	619

(Consolidated Statements of Quarterly Comprehensive Income)
3Q FY ending December 31, 2020

(In million yen)

	3Q FY ended December 31, 2019 (from January 1, 2019 to September 30, 2019)	3Q FY ending December 31, 2020 (from January 1, 2020 to September 30, 2020)
Profit	1,182	612
Other comprehensive income		
Valuation difference on available-for-sale securities	(139)	(308)
Foreign currency translation adjustment	(1,333)	(1,087)
Remeasurements of defined benefit plans, net of tax	(40)	(13)
Share of other comprehensive income of entities accounted for using equity method	(9)	(13)
Total other comprehensive income	(1,523)	(1,422)
Comprehensive income	(340)	(809)
Comprehensive income attributable to		
Comprehensive income attributable to Comprehensive income attributable to owners of parent	(338)	(802)
Comprehensive income attributable to non-controlling interests	(1)	(7)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes regarding going concern assumptions)

None

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

None

(Changes in the scope of consolidation or the scope of application of the equity method)

None

(Segment information, etc.)

I Previous consolidated cumulative third quarter (from January 1, 2019 to September 30, 2019)

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	34,498	7,242	3,470	45,211	4,496	49,707	–	49,707
Intersegment sales or transfers	30	110	–	140	1,673	1,813	(1,813)	–
Total	34,528	7,353	3,470	45,351	6,169	51,521	(1,813)	49,707
Segment income	3,564	218	369	4,153	236	4,389	(1,643)	2,746

- Notes: 1. The category headed “Others” covers business segments outside reportable ones, such as precision molds and molding operations, elemental technology operations, lease operations, etc.
2. The adjustment amount of -¥1,643 million to segment income includes ¥80 million in eliminations of intersegment transactions and -¥1,723 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 statement of quarterly income.

2. Information on impairment loss or goodwill, etc. of non-current assets by reportable segment
None

II Current consolidated cumulative third quarter (from January 1, 2020 to September 30, 2020)

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	26,317	8,045	2,223	36,586	4,158	40,744	–	40,744
Intersegment sales or transfers	62	28	–	90	1,243	1,334	(1,334)	–
Total	26,380	8,073	2,223	36,677	5,401	42,079	(1,334)	40,744
Segment income	1,675	370	27	2,073	312	2,385	(1,558)	827

- Notes: 1. The category headed “Others” covers business segments outside reportable ones, such as precision molds and molding operations, elemental technology operations, lease operations, etc.
2. The adjustment amount of -¥1,558 million to segment income includes -¥39 million in eliminations of intersegment transactions and -¥1,518 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 statement of quarterly income.

2. Information on impairment loss or goodwill, etc. of non-current assets by reportable segment
None