

Summary of Financial Statements

|   |  |
|---|--|
| Company name: Sodick Co., Ltd.                                    | Stock exchange: Tokyo Stock Exchange, 2 <sup>nd</sup> Section      |
| Code number: 6143   | URL: <a href="http://www.sodick.co.jp">http://www.sodick.co.jp</a> |
| Representative: Shigeo Shioda, Representative director; president |  |
| Contact: Kazuo Sato, Senior managing director                     | Tel (045) 942 - 3111   |
| Date of annual general meeting of shareholders                    | June 27, 2008  |
| Date of dividend payout   | June 30, 2008  |
| Date of filing of consolidated financial statements               | June 27, 2008  |

1. Consolidated results for the year ended March 31, 2008 (from April 1, 2007, to March 31, 2008)

(Note: Amounts of less than one million yen have been omitted)

(1) Consolidated financial results

(Percentages indicate year-on-year changes)

|                           | Net sales |     | Operating income |       | Ordinary income |       | Net income |       |
|---------------------------|-----------|-----|------------------|-------|-----------------|-------|------------|-------|
|                           | ¥ Million | %   | ¥ Million        | %     | ¥ Million       | %     | ¥ Million  | %     |
| Year ended March 31, 2008 | 75,647    | 5.7 | 5,133            | -2.1  | 4,498           | -31.2 | 244        | -93.5 |
| Year ended March 31, 2007 | 71,553    | 6.9 | 5,241            | -25.3 | 6,541           | -22.4 | 3,757      | -38.6 |

|                           | Net income per share | Net income per share after dilution | Ratio of net income to shareholders' equity | Ratio of ordinary income to total assets | Ratio of operating income to net sales |
|---------------------------|----------------------|-------------------------------------|---|--|--|
|                           | ¥                    | ¥                                   | %   | %  | %                                      |
| Year ended March 31, 2008 | 4.62                 | -                                   | 0.6   | 4.4                                      | 6.8                                    |
| Year ended March 31, 2007 | 72.22                | -                                   | 10.7  | 7.2                                      | 7.3                                    |

Note: Equity in earnings (losses) of non-consolidated subsidiaries and affiliates

Year ended March 31, 2008: (-2 million yen)

Year ended March 31, 2007: 3 million yen

(2) Consolidated financial position

|                           | Total assets | Net assets | Equity ratio | Net assets per share |
|---------------------------|--------------|------------|--------------|----------------------|
|                           | ¥ Million    | ¥ Million  | %            | ¥                    |
| Year ended March 31, 2008 | 103,967      | 42,748     | 36.6         | 733.52               |
| Year ended March 31, 2007 | 100,477      | 44,373     | 40.8         | 771.90               |

Note: Shareholders' equity:

Year ended March 31, 2008: 38,001 million yen

Year ended March 31, 2007: 41,042 million yen

(3) Consolidated cash flows

|                           | Operating activities | Investing activities | Financing activities | Cash and cash equivalents at the end of the period |
|---------------------------|----------------------|----------------------|----------------------|--|
|                           | ¥ Million            | ¥ Million            | ¥ Million            | ¥ Million  |
| Year ended March 31, 2008 | 2,042                | -7,133               | 4,049                | 19,781   |
| Year ended March 31, 2007 | 5,813                | -9,059               | 11,508               | 21,164   |

## 2. Cash dividends

| Base date                             | Cash dividends per share |                    |                    |                    |        | Total cash dividend paid (annual) | Payout ratio (consolidated) | Ratio of dividend paid to net assets (consolidated) |
|---------------------------------------|--------------------------|--------------------|--------------------|--------------------|--------|-----------------------------------|-----------------------------|---|
|                                       | End of 1st quarter       | End of 2nd quarter | End of 3rd quarter | End of 4th quarter | Annual |                                   |                             |   |
|                                       | ¥                        | ¥                  | ¥                  | ¥                  | ¥      | ¥ Million                         | %                           | %   |
| Year ended March 31, 2007             | 0.00                     | 7.50               | 0.00               | 7.50               | 15.00  | 798                               | 20.8                        | 2.1   |
| Year ended March 31, 2008             | 0.00                     | 10.00              | 0.00               | 10.00              | 20.00  | 1,049                             | 432.9                       | 2.7   |
| Year ending March 31, 2009 (forecast) | 0.00                     | 10.00              | 0.00               | 10.00              | 20.00  | —                                 | 38.4                        | —   |

## 3. Forecast for the year ending March 31, 2009 (from April 1, 2008, to March 31, 2009)

(Note: Percentages indicate changes compared with the previous 12-month or 6-month period, as applicable)

|                                  | Net sales |      | Operating income |       | Ordinary income |       | Net income |       | Net income per share |
|----------------------------------|-----------|------|------------------|-------|-----------------|-------|------------|-------|----------------------|
|                                  | ¥ Million | %    | ¥ Million        | %     | ¥ Million       | %     | ¥ Million  | %     | ¥                    |
| Six months to September 30, 2008 | 35,000    | -3.8 | 1,700            | -28.6 | 1,700           | -46.1 | 1,000      | -35.0 | 19.30                |
| Year to March 31, 2009           | 74,500    | -1.5 | 4,000            | -22.1 | 4,000           | -11.1 | 2,400      | 881.9 | 46.33                |

## 7. Other information

(1) Changes in important subsidiaries during the term under review (changes in the scope of consolidation due to the acquisition of subsidiaries' entire share capital by the parent company):  
Newly added to the consolidation: 1 company (Sodick Chubu Sales, Co., Ltd.)  
Note: For details see p. 11, "Corporate Group"

(2) Accounting and disclosure changes (changes referenced in "Important Matters Concerning the Basis of Preparation of Consolidated Financial Statements"):  
(i) Changes due to the revision of Financial Accounting Standards  
(ii) Other changes

(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)  
Year ended March 31, 2008: 53,432,510 shares  
Year ended March 31, 2007: 53,432,510 shares  
(ii) Number of treasury shares as of the balance sheet date  
Year ended March 31, 2008: 1,626,188 shares  
Year ended March 31, 2007: 261,957 shares

Note: Summary of non-consolidated results

## 1. Non-consolidated results for the year ended March 31, 2008 (from April 1, 2007, to March 31, 2008)

|                           | Net sales |      | Operating income |       | Ordinary income |       | Net income |       |
|---------------------------|-----------|------|------------------|-------|-----------------|-------|------------|-------|
|                           | ¥ Million | %    | ¥ Million        | %     | ¥ Million       | %     | ¥ Million  | %     |
| Year ended March 31, 2008 | 23,762    | -6.1 | 1,645            | -2.5  | 1,723           | -47.1 | 672        | -69.4 |
| Year ended March 31, 2007 | 25,318    | -6.6 | 1,688            | -44.5 | 3,255           | -15.9 | 2,199      | -26.0 |

|                           | Net income per share | Net income per share after dilution |
|---------------------------|----------------------|-------------------------------------|
|                           | ¥                    | ¥                                   |
| Year ended March 31, 2008 | 12.72                | —                                   |
| Year ended March 31, 2007 | 42.28                | —                                   |

(2) Non-consolidated financial position

|                           | Total assets | Net assets | Equity ratio | Net assets per share |
|---------------------------|--------------|------------|--------------|----------------------|
|                           | ¥ Million    | ¥ Million  | %            | ¥                    |
| Year ended March 31, 2008 | 58,455       | 35,983     | 61.5         | 694.32               |
| Year ended March 31, 2007 | 59,443       | 37,198     | 62.6         | 699.61               |

Note: Shareholders' equity

Year ended March 31, 2008: 35,970 million yen

Year ended March 31, 2007: 37,198 million yen

Disclaimer

The above forecasts are based on currently available information and to a significant extent involve uncertainties. Actual results may differ from the forecasts discussed above owing to changes in business conditions and other factors.

## 1. Financial results

### (1) Management discussion and analysis

The Japanese economy in the term under review was marked by growing uncertainty over the future outlook, given soaring prices for crude oil and other raw materials and the deepening impact of the U.S. sub-prime problem on the real economy. As to the business environment of Sodick Group, in the domestic realm demand was weak from Japan's dies and molds industry, Sodick Group's main customer segment, but foreign demand continued favorably in China and posted strong growth in European markets. In this environment, Sodick Group took proactive steps to meet customer needs through research and development of new products and worked to reinforce its production bases. Thus, machine tool operations came to market with a revolutionary electric discharge machining tool (AG Series), featuring a novel electric power source (LP Electric Power Source), that enables processing an entire graphite electrode from rough processing to finish, and also launched a new high-speed milling center (HS Series). As to production capabilities, a new factory for electric discharge machining tools was set up in Xiamen city, China, and capacity was increased at the Group's Fukui plant in Japan as a domestic production base for high speed milling centers. Injection molding operations expanded in multi-functional versatile injection molding machines (LA Series), established an R&D center in Kaga city, Japan, and took steps to enhance production capacity and strengthen research and development capabilities. Moreover, efforts continued to develop hitherto untapped markets, including the Group's entry into food processing machinery as new operations. As a result of the foregoing, compared with the previous fiscal year, consolidated sales increased ¥4,093 million, an increase of 5.7%, to ¥75,647 million. However, operating income declined ¥108 million, decrease of 2.1%, to ¥5,133 million, while ordinary income fell ¥2,043 million, a decrease of 31.2%, to ¥4,498 million. Net profit for the period decreased ¥3,512 million, a decrease of 93.5%, to ¥244 million.

Performance by individual operations is discussed in the following.

**Machine tool operations:** The domestic market environment remained weak as a recovery in capital investment demand in the dies and molds industry was late in coming. On the other hand, firm demand came for users overseas, with sustained favorable sales in Taiwan and mainland China and growing shipments to Europe's newly industrializing countries. Compared with the previous fiscal year, sales increased ¥1,858 million, an increase of 3.6%, to ¥54,124 million.

**Industrial machinery operations:** Small-sized precision injection molding machines saw foreign demand pick up in Taiwan, a key market, but experienced a decline in Korea, which also counts among main foreign markets. Domestic sales develop largely to plan, helped by solid shipments to the electronic precision parts industry. Precision XY stages for LCD panel inspection equipment declined on the year, despite signs in the second half suggesting a recovery in the year-on-year downtrend. Compared with the previous fiscal year, sales decreased ¥173 million, a decrease of 1.3%, to ¥13,563 million.

**Other operations:** Favorable conditions surrounded production and sales of precision mold and dies, precision mold articles, and large-size fine ceramics, as well as sales of integrated production systems for molds and dies. Additionally, the Group initiated development, production, and sales of food processing machinery. Compared with the previous fiscal year, sales increased ¥2,459 million, an increase of 41.9%, to ¥8326 million.

Segments by region developed as follows.

**Japan:** Domestic demand remained weak as capital investment appeared to be slowing in the dies and molds industry, a main customer of the company. Meanwhile, food processing machinery operations started as a new business line. Compared with the previous fiscal year, sales increased ¥3,671 million, an increase of 6.0%, to ¥65,277 million.

North and South America: Demand came mainly from medical equipment related manufacturers, the aerospace industry, and energy development-related industries. Compared with the previous fiscal year, regional sales decreased ¥592 million, a decrease of 11.8%, to ¥4,446 million.

Europe: Demand was favorable from automobile and precision instrument industries in Germany and Switzerland. Additionally, demand from newly industrializing countries such as Russia and the Eastern European region came to the fore. Compared with the previous fiscal year, regional sales increased ¥2,500 million, an increase of 44.9%, to ¥8,065 million.

Asia: Although demand appeared to be slowing in the second half of the fiscal year, conditions were overall favorable driven mainly by China and Taiwan. Compared with the previous fiscal year, regional sales increased ¥6,465 million, an increase of 16.1%, to ¥46,524 million.

## (2) Analysis of financial position

### (i) Assets, liabilities, and net assets

Compared with the previous fiscal year, consolidated assets as of the end of the term under review increased ¥3,489 million to ¥103,967 million. This was mainly due to an increase of ¥4,038 million in property, plant, and equipment, an increase of ¥3,033 million in inventories, and a decline of ¥2,146 million in investments and other assets.

Consolidated liabilities, compared with the end of the previous fiscal year, increased ¥5,114 million to ¥61,219 million. Main factors were a ¥5,514 million increase in interest-bearing debt, combined for short and long-term borrowings and bond issuance, a ¥1,068 million increase in trade payables, and a ¥886 million decline in accrued income taxes.

Net assets declined ¥1,625 million to ¥42,748 million, reflecting mainly ¥244 million in net profit for the period and ¥930 million in dividend payments. As a result of the foregoing, the equity ratio was 36.6%.

### (ii) Cash flows

Consolidated cash and cash equivalents ("cash") at the end of the period under review totaled ¥19,781 million, which was ¥1,382 million (or 6.5%) lower than at the end of the previous fiscal year. Main factors were ¥2,825 million in pretax profit (which was 57.0% less than in the previous fiscal year) as well as higher inventories and expenses for purchases of property, plant, and equipment.

Consolidated cash flows for the period under review and their respective factors were as follows.

Operating cash flows: Net cash provided by operating activities was ¥2,042 million (compared with ¥5,813 million a year earlier). This was mainly due to ¥2,825 million in income before income taxes and minority interest, a ¥1,616 million increase in trade payables, and a ¥3,667 increase in inventories.

Investing cash flows: Net cash used in investing activities was ¥7,133 million (compared with ¥9,059 million used in investing activities a year earlier). This was mainly due to ¥6,714 million in expenses for purchases of property, plant and equipment.

Financing cash flows: Net cash provided by financing activities was ¥4,049 million (compared with ¥11,508 million a year earlier). This was mainly due to ¥6,615 million in proceeds from long-term borrowings.

Trends in cash flow indicators of Sodick Group are shown below.

|                                  | Year to March<br>31, 2005 | Year to March<br>31, 2006 | Year to March<br>31, 2007 | Year to March<br>31, 2008 |
|----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Equity ratio (%)                 | 33.1                      | 35.8                      | 40.8                      | 36.6                      |
| Equity ratio (%) based on market | 66.1                      | 111.8                     | 46.3                      | 21.7                      |

Sodick Co., Ltd. (6143) Summary of Financial Statements for the Year to March 31, 2008

|   |     |      |      |      |
|---|-----|------|------|------|
| capitalization                                      |     |      |      |      |
| Ratio of cash flow to interest-bearing debt (years) | 8.1 | 5.3  | 5.6  | 18.3 |
| Interest coverage ratio (times)                     | 5.3 | 11.1 | 16.9 | 3.9  |

Note: Equity ratio = Shareholders' equity / total assets

Equity ratio (%) based on market capitalization = Market capitalization / total assets

Ratio of cash flow to interest-bearing debt (years) = Interest-bearing debt / operating cash flow

Interest coverage ratio = Operating cash flow / interest paid

(\*) All values are calculated based on consolidated financial data.

(\*) Market capitalization is calculated by multiplying the fiscal year-end closing price of the Company's shares with the number of shares outstanding (less treasury stock) at fiscal year-end.

(\*) Interest-bearing liabilities means all liabilities on the consolidated balance sheet on which interest is being paid.

(\*) Operating cash flow and interest paid respectively refer to operating cash flow and interest paid as recorded on the consolidated statement of cash flows.

(3) Basic dividend policy and dividends for the current and following fiscal years

It has been the basic policy of the Company to pay stable and sustained dividends on shareholders valuable share capital while ensuring earnings retention for future business development and strengthening of the Company's capital structure. Based on this policy, the Company aims to pay income returns to shareholders reflecting a dividend-on-equity ratio (DOE) of 2% or higher, based on a comprehensive judgment of financial results and cash flows in the subject fiscal year. Earnings retentions will be applied effectively from a long-term perspective to R&D activities and capital investments with a view to continuously improving financial results. For the period under review, a term-end dividend of ¥10.0 per share is proposed, taking into account the Company's basic dividend policy and income. Including an interim dividend of ¥10.0 per share that has already been paid, annual dividends will total ¥20.0 per share.

(4) Business risks

Business initiatives of Sodick Group and their conceivable main risk factors are described below. Sodick Group is aware of the following potential risks which, as a policy, the Group takes steps to avoid or address should one or more of them materialize. Nonetheless, investment decisions concerning the shares of the Company require careful consideration of the matters set forth here and elsewhere in this document. Note that the following descriptions are not exhaustive and do not cover all risks that attach to investing in the shares of the Company.

Forward-looking statements contained herein reflect the judgment of Sodick Group as of the end of the term under review.

(i) Effects of the business cycle on Sodick Group

Sodick Group's business results tend to be strongly affected by business performances and capital investment trends in industries such as home electric appliances, precision machinery, semiconductors, and automobiles, etc. In case of long-term recession, deflation, or a global economic downturn, this could greatly impact the business performance of Sodick Group.

(ii) Risks related to new operations

Sodick Group is structurally highly susceptible to effects from the business performance of specific industries listed in Item (i) above, making it necessary for the Group to constantly acquire new customer strata and come to market with new products. However, depending on the case, it can take time until a new product comes to be appreciated by customers and contributes to sales and higher earnings. If this happens, it may affect the business performance of Sodick Group due to the expenses for research and development and sales promotion that are incurred before cost can be recovered through sales. Current products fitting this description include hybrid wire-cut discharge machining tools. Hybrid wire-cut discharge machining refers to wire-cut discharge machining tools that offer ultra high speed and precision by combining, as a global premiere, abrasive water jet processing (high-pressure water currents containing solids) and wire-cut discharge processing, which respectively offer superlative processing speed and precision. Moreover, this type of machining tool contributes much to obviating human action in the work process by doing away with the need for pre-hole processing in separate operations and core treatment in press processing, which used to be difficult to accomplish with conventional wire-cut discharge machining.

(iii) Risks from wide swings in foreign exchange rates

Overseas sales account for 56.2% of consolidated sales of Sodick Group, making the Group highly dependent on economic conditions prevailing in the respective buyer countries. Furthermore, since transactions with locally incorporated foreign subsidiaries are settled in US dollars, euros, and other foreign currencies, the financial results of Sodick Group are in instances affected by shifts in foreign exchange rates. Especially in machine tool operations, given that 90% or more of main products are manufactured at locally incorporated subsidiaries in Thailand and China, production cost would increase if the yen were to appreciate strongly against the baht or the yuan, with possible effects on the results of Sodick Group.

(iv) Risks affecting overseas production

As mentioned above in Item (iii) with reference to wide swings in foreign exchange rates, 90% or more of machine tool operations' main products are manufactured in Thailand and China by locally incorporated subsidiaries. Consequently, lagging economic conditions and infrastructure development in these countries or a drastic change in the political situation would make it impossible to maintain stable product supply and affect scheduled delivery dates and product quality, with effects on the results of Sodick Group.

(v) Risk from legal regulations

Shipment destinations for technology and product exports of Sodick Group include countries for which an export license of the Minister of Economy, Trade, and Industry is required as stipulated in Articles 25 and 48 of the Foreign Exchange and Foreign Trade Act. Although the export administration office of the Company implements rigorous checks to prevent product exports by Sodick Group to countries that are subject to export controls, a product sale to such a country, if it were to happen, could materially affect results due to legal sanctions and a loss of public confidence in the Company.

(vi) Competitive risk

Since Sodick Group has competitors in Japan and abroad, the Company is vulnerable to material loss of market share if competitors by means of their technologies were to develop products that significantly exceed the scope that Sodick Group is able to cover. Moreover, although Sodick Group has been implementing strategies to differentiate its technology capabilities from competitors, if a price cutting offensive by competitors were to compel Sodick Group to lower the prices for its products, this could apply downward pressure to earnings.

(vii) Procurement risk

The cost of products of the Company could be materially affected if price increases, driven by soaring crude oil quotations and demand growth, were to continue in future for ferrous casts used for machines' main structure and stainless steel materials used for processing tanks, as well as for brass and copper used for consumables.

(viii) Risks from interest-bearing debt

Interest-bearing debt poses no risk of impacting the Group's management thanks to currently strong cash flows. However, with interest-bearing debt of ¥37,300 million as of March 31, 2008, the Group's results could be affected if interest rates were to rise going forward.

(5) Outlook for the next fiscal year

In the domestic realm, the pace of economic growth is seen to decline as the sub-prime problem deepens and the US economy keeps decelerating, with weakness expected also for capital expenditure. As to the global economy, the outlook is for a slowdown in the US but high growth is seen to continue in emerging countries, spearheaded by Eastern Europe and Russia.

Regarding the management environment of Sodick Group in the current fiscal year, forecasts are for a continued phase of economic stagnation, with a recovery in domestic capital expenditures still some way off. Based on these conditions, consolidated results forecasts of Sodick Group for the year to March 31, 2009, call for sales of ¥74,500 million, a decline of -1.5% on the year, operating income of ¥4,000 million, a decline of -22.1% on the year, ordinary income of ¥4,000 million, a decline of 11.1% on the year, and net income of ¥2,400, an increase of +881.9% on the year.

The above results forecasts are based on assumed average foreign exchange rates during the fiscal year of ¥105; ¥155, and ¥3.25, respectively, against the dollar, the euro, and the baht.

Disclaimer

The above forecasts are based on currently available information and involve known and unknown uncertainties and risks. Actual results may differ from the forecasts discussed above.



### 3. Management policies

#### (1) Basic management policies

Helping customers with their production technologies has been a basic policy of Sodick Group, whose corporate name combines the Japanese words for creation, implementation, and overcoming resistance. Under these principles, acquiring customers' confidence by finding together with customers solutions for challenging manufacturing problems is what Sodick Group considers most important for the continuous development of its operations. By concentrating the valuable experience accumulated until today and developing new technologies and products, Sodick Group has been able to identify a wealth of business opportunities. While preserving this corporate philosophy, Sodick Group will continue at the group-level to develop products that stand out for their technological predominance and contribute to customers' objectives, in the expectation that these efforts will connect to strengthening the earning power of the Group.

#### (2) Target management indicators

The Company prioritizes medium and long-term income profit returns to shareholders as well as strengthening its capital structure, and has selected the margin of consolidated ordinary income and the debt-to-equity ratio as management indicators on which these priorities are predicated.

| Category                               | Numerical target |
|--|------------------|
| Margin of consolidated ordinary income | 10% or higher    |
| Debt to equity ratio                   | 0.7 or less      |

#### (3) Medium-term management strategies

Sodick Group's range of operations comprises NC electric discharge machining tools, operations dating back to the founding of the Company, CAD/CAM systems for designing metal dies and molds, machining centers, nano processing machines, injection molding machines, press machines, and electron beam PIKA surface processing machines. Also included are production operations for precision dies and molds and molded articles used with the machinery and equipment made by the Company, as well as large-size fine ceramics parts and linear motors, i.e., external sales of equipment applications using technologies developed for manufacturing the products of the Group, and such other wide-ranging business activities related to manufacturing.

Based on the concept of *Total Manufacturing Solution* and *Nano & Solution* at Japan's technology vanguard, it has been Sodick Group's management strategy for the medium and long term, by applying the core technologies accumulated in helping customers with their manufacturing, to establish a capability to consistently provide the production capital goods that customers require, and in this way further strengthen the Group's earning power.

In fields such as electronics, materials, medicare, and environmental technologies, the outlook is for even higher demands concerning ultra minuteness and accuracy. This includes nano processing, where growth has been dramatic. In this field, centered on the *Ultra Nano 100* nano processing machine developed by the Company featuring world-class, top-level alignment accuracy, and the *AE 05* precision nano electric discharge machining tool, the Company will strengthen its software capabilities and accumulated applied processing technologies with a view to address the requirements of a yet wider range of customers, and in this way contribute to the development of next-generation manufacturing industries.

Moreover, as demonstrated by the listing of Sodick Plastic Co., Ltd. on the JASDAQ market in August 2001 and the listing of Sodick Hightech Co., Ltd. on the Hercules market of the Osaka Securities Exchange in December 2005, it is a basic policy of the Company to continue maximizing its value as a corporation and thereby enhance shareholder value.

#### (4) Issues to be addressed

Issues to be addressed by Sodick Group are discussed below.

##### Dealing with economic fluctuations

Financial results in the machine tool industry are said to be easily swayed by the direction of capital investment in the manufacturing sector. To ensure continued future growth, it is necessary for Sodick Group to create a product structure resilient to trends in regional economies by accurately identifying current conditions in individual markets around the globe and by launching product groups consistent with these markets. Moreover,

with regard to product structure, by acquiring yet wider customer strata through market launches of new products that are global premieres derived from ongoing research and development, the Company aims to create a stable earnings structure that is not easily affected by the ups and downs of individual industry sectors and regional economic trends.

#### Addressing new markets

Ahead of competitors, Sodick Group has upgraded and expanded its production and development bases and sales offices in the growing markets of Southeast Asia and China. As a result, it is estimated that the market shares of the Company's products in these regions are as high as in Japan. However, in recent years, newly industrializing countries (collectively referred to as BRIC and VISTA) have been asserting themselves also in the world of manufacturing. Moreover, in Eastern Europe, Japan's car manufacturers and automotive parts companies have been pushing ahead with the construction of factories, and in India, Russia, and Eastern Europe machine tool producers have been proactively setting up sales subsidiaries and strengthening support for sales agents. The Company believes it will be necessary to continue watching market trends going forward and taking appropriate measures on an ongoing basis.

#### Lowering input costs

At the production level, the Company has simultaneously worked to raise its production capabilities in order to accommodate higher demand and introduced new products addressing automation and higher operating speeds. Production aggregates increased in number as production bases started operating in Xiamen city, China. In order to lower input cost, beginning with the next fiscal year a greater share of important parts will be produced in-house. At the same time, inventory levels will be checked for appropriateness, and production processes will be reviewed, reflecting the need to implement tighter input cost management.

#### Upgrading and expanding internal controls

Sodick Group has traditionally been committed to ethical corporate management in order to earn the confidence of shareholders and other stakeholders and thereby ensure the continuous growth of the corporation. For the sake of effective management amid ongoing business expansion, the Company has been working to establish internal control systems including risk management and compliance functions. Moreover, due to the enactment of the Financial Instruments and Exchange Law (the Japanese version of the Sarbanes-Oxley Act), on June 19, 2007, a project team was set up to create internal controls for financial reporting. Going forward, internal controls for financial reporting will be created at the Sodick Group-level for the entire group, with frameworks to ensure the reliability and appropriateness of financial reporting through strengthened controls at the company-level.

#### Financial position

As of March 31, 2008, interest-bearing debt of Sodick Group totaled approximately ¥37,336 million. With the debt-to-equity ratio in the year period failing to fall below the target of 0.7 times, management will remain focused on the financial position. Various measures will be implemented going forward, including reducing interest-bearing debt, in order to expedite a robust capital structure enabling continuing income returns to shareholders.

## 4. Consolidated financial statements

## (1) Consolidated balance sheets

| Category   | Notes | As of March 31, 2007  |                     | As of March 31, 2008  |                     | YoY change<br>(Increase / decrease)<br>(¥ Million) |
|--|-------|-----------------------|---------------------|-----------------------|---------------------|--|
|  |       | Amount<br>(¥ Million) | Percent of<br>total | Amount<br>(¥ Million) | Percent of<br>total |  |
| <b>Assets</b>                                      |       |                       |                     |                       |                     |  |
| <b>I. Current assets</b>                           |       |                       |                     |                       |                     |  |
| 1. Cash and deposits                               | *3    | 21,348                |                     | 19,974                |                     |  |
| 2. Notes and accounts<br>receivable-trade          | *3,6  | 26,727                |                     | 26,117                |                     |  |
| 3. Claims to receivables from<br>installment sales | *3    | 276                   |                     | 277                   |                     |  |
| 4. Inventories                                     |       | 17,456                |                     | 20,489                |                     |  |
| 5. Short-term loans receivable                     |       | 400                   |                     | 99                    |                     |  |
| 6. Deferred tax assets                             |       | 2,034                 |                     | 1,785                 |                     |  |
| 7. Other current assets                            | *3    | 2,631                 |                     | 2,554                 |                     |  |
| Allowance for doubtful<br>accounts                 |       | -986                  |                     | -734                  |                     |  |
| Current assets - Total                             |       | 69,889                | 69.6                | 70,464                | 67.8                | 574  |
| <b>II. Fixed assets</b>                            |       |                       |                     |                       |                     |  |
| <b>1. Tangible fixed assets</b>                    |       |                       |                     |                       |                     |  |
| (1) Buildings and structures                       | *3    | 14,654                |                     | 19,084                |                     |  |
| (2) Machinery, equipment and<br>vehicles           |       | 10,920                |                     | 13,748                |                     |  |
| (3) Tools and equipment                            |       | 2,786                 |                     | 3,138                 |                     |  |
| (4) Lease assets                                   |       | 1,350                 |                     | 1,173                 |                     |  |
| (5) Land   | *3    | 6,895                 |                     | 7,077                 |                     |  |
| (6) Construction in progress                       |       | 2,547                 |                     | 271                   |                     |  |
| Total  |       | 39,154                |                     | 44,493                |                     | 5,338  |
| Accumulated depreciation                           |       | -16,038               |                     | -17,338               |                     | -1,300   |
| Tangible fixed assets - Total                      |       | 23,116                | 23.0                | 27,155                | 26.1                | 4,038  |
| <b>2. Intangible assets</b>                        |       |                       |                     |                       |                     |  |
| (1) Goodwill                                       |       | 438                   |                     | 1,356                 |                     |  |
| (2) Other intangible assets                        |       | 793                   |                     | 898                   |                     |  |
| Total Intangible assets                            |       | 1,232                 | 1.2                 | 2,255                 | 2.2                 | 1,023  |

| Category   | Notes | As of March 31, 2007  |                     | As of March 31, 2008  |                     | YoY change<br>(Increase /<br>decrease)<br>(¥ Million) |
|--|-------|-----------------------|---------------------|-----------------------|---------------------|---|
|  |       | Amount<br>(¥ Million) | Percent of<br>total | Amount<br>(¥ Million) | Percent<br>of total |   |
| 3. Investments and other assets                    |       |                       |                     |                       |                     |   |
| (1) Investment securities                          | *3,4  | 3,885                 |                     | 2,864                 |                     |   |
| (2) Long-term loans receivable                     |       | 79                    |                     | 312                   |                     |   |
| (3) Other assets                                   | *4    | 2,548                 |                     | 1,400                 |                     |   |
| Allowance for doubtful accounts                    |       | -274                  |                     | -484                  |                     |   |
| Total Investments and other assets                 |       | 6,239                 | 6.2                 | 4,092                 | 3.9                 | -2,146  |
| Total Fixed assets                                 |       | 30,588                | 30.4                | 33,502                | 32.2                | 2,914   |
| Total Assets                                       |       | 100,477               | 100.0               | 103,967               | 100.0               | 3,489   |
| Liabilities  |       |                       |                     |                       |                     |   |
| I. Current liabilities                             |       |                       |                     |                       |                     |   |
| 1. Notes and accounts payable-trade                | *6    | 13,999                |                     | 15,068                |                     |   |
| 2. Short-term loans payable                        | *3    | 16,824                |                     | 19,234                |                     |   |
| 3. Long-term borrowings redeemable within one year | *3    | 1,727                 |                     | 3,516                 |                     |   |
| 4. Bonds redeemable within one year                |       | 300                   |                     | 3,420                 |                     |   |
| 5. Accounts payable-other                          |       | 1,700                 |                     | 2,021                 |                     |   |
| 6. Income taxes payable                            |       | 1,609                 |                     | 723                   |                     |   |
| 7. Provision for bonuses                           |       | -                     |                     | 652                   |                     |   |
| 8. Provision for directors' bonuses                |       | -                     |                     | 167                   |                     |   |
| 9. Provision for product warranties                |       | 212                   |                     | 242                   |                     |   |
| 10. Provisions for quality warranties              |       | -                     |                     | 6                     |                     |   |
| 11. Other current liabilities                      |       | 4,073                 |                     | 2,733                 |                     |   |
| Total Current liabilities                          |       | 40,449                | 40.2                | 47,785                | 46.0                | 7,335   |
| II. Fixed liabilities                              |       |                       |                     |                       |                     |   |
| 1. Corporate bonds                                 | *3    | 8,100                 |                     | 3,560                 |                     |   |
| 2. Long-term loans payable                         | *3    | 4,870                 |                     | 7,605                 |                     |   |
| 3. Provision for retirement benefits               |       | 762                   |                     | 837                   |                     |   |
| 4. Provision for directors' retirement benefits    |       | 158                   |                     | 169                   |                     |   |
| 5. Provision for product warranties                |       | 186                   |                     | 180                   |                     |   |
| 6. Other fixed liabilities                         |       | 1,577                 |                     | 1,080                 |                     |   |
| Total Fixed liabilities                            |       | 15,655                | 15.6                | 13,433                | 12.9                | -2,221  |
| Total Liabilities                                  |       | 56,104                | 55.8                | 61,219                | 58.9                | 5,114   |

## Sodick Co., Ltd. (6143) Summary of Financial Statements for the Year to March 31, 2008

| Category  | Notes | As of March 31, 2007  |                     | As of March 31, 2008  |                     | YoY change                            |
|---|-------|-----------------------|---------------------|-----------------------|---------------------|---------------------------------------|
|   |       | Amount<br>(¥ Million) | Percent of<br>total | Amount<br>(¥ Million) | Percent<br>of total | Increase /<br>decrease<br>(¥ Million) |
| Net assets  |       |                       |                     |                       |                     |                                       |
| I. Shareholders' equity                                       |       |                       |                     |                       |                     |                                       |
| 1. Capital stock  |       | 20,775                | 20.7                | 20,775                | 20.0                | -                                     |
| 2. Capital surplus  |       | 6,949                 | 6.9                 | 6,949                 | 6.7                 | 0                                     |
| 3. Retained earnings  |       | 12,115                | 12.0                | 11,230                | 10.8                | -885                                  |
| 4. Treasury stock   |       | -221                  | -0.2                | -971                  | -0.9                | -750                                  |
| Total Shareholders' equity                                    |       | 39,620                | 39.4                | 37,984                | 36.6                | -1,635                                |
| II. Evaluation and conversion<br>difference                   |       |                       |                     |                       |                     |                                       |
| 1. Unrealized gain (loss) on<br>available-for-sale securities |       | 485                   | 0.5                 | 249                   | 0.2                 | -236                                  |
| 2. Deferred gains or losses<br>on hedges                      |       | -5                    | -0.0                | -5                    | -0.0                | -0                                    |
| 3. Foreign currency<br>translation adjustment                 |       | 941                   | 0.9                 | -226                  | -0.2                | -1,168                                |
| Total evaluation and<br>conversion difference                 |       | 1,422                 | 1.4                 | 16                    | 0.0                 | -1,405                                |
| III. Subscription rights to<br>shares                         |       | -                     | -                   | 42                    | 0.0                 | 42                                    |
| IV. Minority interests  |       | 3,331                 | 3.4                 | 4,704                 | 4.5                 | 1,373                                 |
| Total Net assets  |       | 44,373                | 44.2                | 42,748                | 41.1                | -1,625                                |
| Total Liabilities and net<br>assets                           |       | 100,477               | 100.0               | 103,967               | 100.0               | 3,489                                 |

## (2) Statements of income

| Category   | Notes | Year ended March 31,<br>2007 |        | Year ended March 31, 2008 |        | YoY change                              |       |        |
|--|-------|------------------------------|--------|---------------------------|--------|---|-------|--------|
|  |       | Amount<br>(¥ Million)        | %      | Amount<br>(¥ Million)     | %      | (Increase /<br>decrease)<br>(¥ Million) |       |        |
| I. Net Sales   |       |                              | 71,553 | 100.0                     |        | 75,647                                  | 100.0 | 4,093  |
| II. Cost of sales  | *1    |                              | 49,651 | 69.4                      |        | 51,941                                  | 68.7  | 2,289  |
| Gross profit   |       |                              | 21,902 | 30.6                      |        | 23,706                                  | 31.3  |        |
| Reversal of deferral of income<br>from installment sales |       |                              | 27     | 0.0                       |        | 50                                      | 0.1   |        |
| Deferral of income from<br>installment sales             |       |                              | 11     | 0.0                       |        | 29                                      | 0.0   |        |
| Gross profit after income<br>deferrals                   |       |                              | 21,918 | 30.6                      |        | 23,737                                  | 31.4  | 1,808  |
| III. Selling, general and<br>administrative expenses"    |       |                              |        |                           |        |   |       |        |
| 1. Personal expenses                                     |       | 7,245                        |        |                           | 7,350  |   |       |        |
| 2. Provisioning for doubtful<br>accounts                 |       | 209                          |        |                           | 82     |   |       |        |
| 3. Amortization of goodwill                              |       | 121                          |        |                           | 237    |   |       |        |
| 4. Other SG&A expenses                                   | *1    | 9,100                        | 16,676 | 23.3                      | 10,923 | 18,594                                  | 24.6  | 1,917  |
| Operating income   |       |                              | 5,241  | 7.3                       |        | 5,133                                   | 6.8   | -108   |
| IV. Non-operating income                                 |       |                              |        |                           |        |   |       |        |
| 1. Interest income                                       |       | 168                          |        |                           | 182    |   |       |        |
| 2. Commission income                                     |       | 94                           |        |                           | 89     |   |       |        |
| 3. Foreign exchange gains                                |       | 1,604                        |        |                           | -      |   |       |        |
| 4. Lease income  |       | 94                           |        |                           | 85     |   |       |        |
| 5. Equity in earnings of<br>affiliates                   |       | 3                            |        |                           | -      |   |       |        |
| 6. Unrealized gains from<br>swap transactions            |       | -                            |        |                           | 99     |   |       |        |
| 7. Others  |       | 301                          | 2,267  | 3.2                       | 326    | 783                                     | 1.0   | -1,483 |
| V. Non-operating expenses                                |       |                              |        |                           |        |   |       |        |
| 1. Interest expenses                                     |       | 377                          |        |                           | 517    |   |       |        |
| 2. Foreign exchange losses                               |       | -                            |        |                           | 665    |   |       |        |
| 3. Stock issuance cost                                   |       | 55                           |        |                           | -      |   |       |        |
| 4. Equity in losses of affiliates                        |       | -                            |        |                           | 2      |   |       |        |
| 5. Unrealized losses from<br>swap transactions           |       | 233                          |        |                           | -      |   |       |        |
| 6. Other non-operating<br>expenses                       |       | 300                          | 967    | 1.4                       | 232    | 1,418                                   | 1.9   | 451    |
| Ordinary income  |       |                              | 6,541  | 9.1                       |        | 4,498                                   | 5.9   | -2,043 |

| Category  | Notes | Year ended March 31, 2007 |       | Year ended March 31, 2008 |       | YoY change                              |
|---|-------|---------------------------|-------|---------------------------|-------|---|
|   |       | Amount<br>(¥ Million)     | %     | Amount<br>(¥ Million)     | %     | (Increase /<br>decrease)<br>(¥ Million) |
| VI. Extraordinary income                                      |       |                           |       |                           |       |   |
| 1. Gain on sales of fixed assets                              | *2    | 21                        |       | 4                         |       |   |
| 2. Gain on sales of investment securities                     |       | 54                        |       | 3                         |       |   |
| 3. Gain on sales of shares in subsidiaries and affiliates     |       | 123                       |       | 0                         |       |   |
| 4. Reversal of allowance for loan losses                      |       | 66                        |       | 47                        |       |   |
| 5. Gain on prior period adjustment                            | *6    | —                         |       | 71                        |       |   |
| 6. Other extraordinary income                                 |       | 0                         | 267   | 37                        | 163   | 0.2                                     |
| VII. Extraordinary loss                                       |       |                           |       |                           |       |   |
| 1. Loss on sales of fixed assets                              | *3    | —                         |       | 11                        |       |   |
| 2. Loss on retirement of fixed assets                         | *4    | 164                       |       | 40                        |       |   |
| 3. Loss on sales of investment securities                     |       | —                         |       | 111                       |       |   |
| 4. Loss on valuation of stocks of subsidiaries and affiliates |       | 43                        |       | —                         |       |   |
| 5. Loss on abandonment of inventories                         |       | 15                        |       | 318                       |       |   |
| 6. Loss on valuation of inventories                           |       | —                         |       | 177                       |       |   |
| 7. Impairment loss  | *5    | 2                         |       | 171                       |       |   |
| 8. Loss on change in equity                                   |       | —                         |       | 851                       |       |   |
| 9. Prior-year provision for product warranties                |       | —                         |       | 26                        |       |   |
| 10. Loss from prior period adjustment                         | *7    | —                         |       | 15                        |       |   |
| 11. Loss from merger  |       | —                         |       | 65                        |       |   |
| 12. Other extraordinary losses                                |       | 13                        | 238   | 46                        | 1,835 | 2.4                                     |
| Income before income taxes                                    |       |                           | 6,570 |                           | 2,825 | 3.7                                     |
| Income taxes-current  |       | 2,695                     |       | 1,985                     |       |   |
| Income taxes for prior periods                                |       | —                         |       | 137                       |       |   |
| Income taxes-deferred   |       | -554                      | 2,140 | 69                        | 2,193 | 2.9                                     |
| Minority interests in income (loss)                           |       |                           | -672  |                           | -388  | -0.5                                    |
| Net Income  |       |                           | 3,757 |                           | 244   | 0.3                                     |
|   |       |                           |       |                           |       | -103                                    |
|   |       |                           |       |                           |       | 1,597                                   |
|   |       |                           |       |                           |       | -3,744                                  |
|   |       |                           |       |                           |       | 52                                      |
|   |       |                           |       |                           |       | 284                                     |
|   |       |                           |       |                           |       | -3,512                                  |

## Consolidated results of year ended March 31, 2008

|   | I. Shareholders' equity |                    |                   |                |                            |
|---|-------------------------|--------------------|-------------------|----------------|----------------------------|
|   | 1. Capital stock        | 2. Capital surplus | Retained earnings | Treasury stock | Total Shareholders' equity |
| Balances as of March 31, 2007   | 20,775                  | 6,949              | 12,115            | -221           | 39,620                     |
| Changes during the period   |                         |                    |                   |                |                            |
| Dividends (Note)  |                         |                    | -398              |                | -398                       |
| Dividends   |                         |                    | -531              |                | -531                       |
| Reserve for the awards and welfare fund for employees of foreign subsidiaries |                         |                    | -196              |                | -196                       |
| Decline in retained earnings due to exemption from equity method application  |                         |                    | -2                |                | -2                         |
| Net Income  |                         |                    | 244               |                | 244                        |
| Purchase of treasury stock  |                         |                    |                   | -750           | -750                       |
| Disposal of treasury stock  |                         | 0                  |                   | 0              | 0                          |
| Net change during the period in items other than shareholders' equity         |                         |                    |                   |                |                            |
| Total Change during the period (¥ Million)                                    |                         | 0                  | -885              | -750           | -1,635                     |
| Balances as of March 31, 2008 (¥ Million)                                     | 20,775                  | 6,949              | 11,230            | -971           | 37,984                     |

|   | Valuation and translation adjustments                   |                                    |   |   | Subscription rights to shares | Minority interests | Total Net assets |
|---|---|------------------------------------|---|---|-------------------------------|--------------------|------------------|
|   | Unrealized gain (loss) on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Total Valuation and translation adjustments |                               |                    |                  |
| Balances as of March 31, 2007   | 485   | -5                                 | 941                                     | 1,422                                       | -                             | 3,331              | 44,373           |
| Changes during the period   |   |                                    |   |   |                               |                    |                  |
| Dividends (Note)  |   |                                    |   |   |                               |                    | -398             |
| Dividends   |   |                                    |   |   |                               |                    | -531             |
| Reserve for the awards and welfare fund for employees of foreign subsidiaries |   |                                    |   |   |                               |                    | -196             |
| Decline in retained earnings due to exemption from equity method application  |   |                                    |   |   |                               |                    | -2               |
| Net Income  |   |                                    |   |   |                               |                    | 244              |
| Purchase of treasury stock  |   |                                    |   |   |                               |                    | -750             |
| Disposal of treasury stock  |   |                                    |   |   |                               |                    | 0                |
| Net change during the period in items other than shareholders' equity         | -236  | -0                                 | -1,168                                  | -1,405                                      | 42                            | 1,373              | 10               |
| Total Change during the period (¥ Million)                                    | -236  | -0                                 | -1,168                                  | -1,405                                      | 42                            | 1,373              | -1,625           |
| Balances as of March 31, 2008 (¥ Million)                                     | 249   | -5                                 | -226                                    | 16  | 42                            | 4,704              | 42,748           |

Note: Profit appropriation pursuant to the June 2007 annual general meeting of shareholders.

## (4) Consolidated statement of cash flows

| Category  | Notes | Year ended March 31, 2007 | Year ended March 31, 2008 |
|---|-------|---------------------------|---------------------------|
|   |       | Amount (¥ Million)        | Amount (¥ Million)        |
| I. Cash flows from operating activities               |       |                           |                           |
| Income before income taxes                            |       | 6,570                     | 2,825                     |
| Depreciation  |       | 2,071                     | 3,131                     |
| Amortization of goodwill                              |       | 121                       | 237                       |
| Change in provisions for doubtful accounts            |       | -52                       | -29                       |
| Interest and dividend income                          |       | -219                      | -221                      |
| Interest expenses                                     |       | 377                       | 517                       |
| Foreign exchange gains or losses                      |       | -552                      | 767                       |
| Gain on sales of investment securities                |       | -54                       | -3                        |
| Loss on sales of investment securities                |       | -                         | 111                       |
| Gain on sale of shares in subsidiaries and affiliates |       | -123                      | -                         |
| Loss on change in equity in affiliates                |       | -                         | 829                       |
| Loss on sale and retirement of fixed assets           |       | 142                       | 46                        |
| Impairment loss                                       |       | 2                         | 171                       |
| Change in trade receivables                           |       | 180                       | -364                      |
| Change in inventories                                 |       | 741                       | -3,667                    |
| Change in trade payables                              |       | -1,024                    | 1,615                     |
| Change in bills discounted                            |       | -122                      | -                         |
| Change in other accounts payable                      |       | 158                       | -243                      |
| Directors' bonuses paid                               |       | -67                       | -                         |
| Other operating cash flows                            |       | -181                      | -446                      |
| Subtotal  |       | 7,969                     | 5,279                     |

## Sodick Co., Ltd. (6143) Summary of Financial Statements for the Year to March 31, 2008

| Category   | Notes | Year ended March 31, 2007 | Year ended March 31, 2008 |
|--|-------|---------------------------|---------------------------|
|  |       | Amount (¥ Million)        | Amount (¥ Million)        |
| Interest and dividend income received                          |       | 225                       | 221                       |
| Interest expenses paid   |       | -343                      | -525                      |
| Income taxes paid  |       | -2,037                    | -2,933                    |
| Net cash provided by operating activities                      |       | 5,813                     | 2,042                     |
| II. Cash flows from investing activities                       |       |                           |                           |
| Payments into time deposits                                    |       | -184                      | -8                        |
| Expenses for purchases of property, plant, and equipment       |       | -5,962                    | -6,714                    |
| Proceeds from sale of property, plant, and equipment           |       | 381                       | 303                       |
| Expenses for purchase of intangible assets                     |       | -392                      | -995                      |
| Expenses for purchase of investment securities, etc.           |       | -837                      | -716                      |
| Proceeds from sale of investment securities, etc.              |       | 290                       | 707                       |
| Expenses for purchase of shares in subsidiaries and affiliates |       | -1,501                    | -220                      |
| Proceeds from the liquidation of affiliates                    |       | -                         | 484                       |
| Expenses for equity investments in affiliates                  |       | -682                      | -51                       |
| Expenses for loans provided                                    |       | -271                      | -262                      |
| Proceeds from loans collected                                  |       | 79                        | 325                       |
| Other investing cash flows                                     |       | 21                        | 14                        |
| Net cash used in investing activities                          |       | -9,059                    | -7,133                    |

| Category  | Notes | Year ended March 31, 2007 | Year ended March 31, 2008 |
|---|-------|---------------------------|---------------------------|
|   |       | Amount (¥ Million)        | Amount (¥ Million)        |
| III. Cash flows from financing activities   |       |                           |                           |
| Change in short-term borrowings   |       | -65                       | 2,772                     |
| Proceeds from long-term borrowings  |       | 3,000                     | 6,615                     |
| Expenses for redemption of long-term borrowings   |       | -2,282                    | -2,098                    |
| Proceeds from bond issuance   |       | 5,000                     | -                         |
| Expenses for redemption of bonds  |       | -540                      | -1,420                    |
| Proceeds from stock issuance  |       | 7,844                     | -                         |
| Proceeds from stock issuance to minority shareholders   |       | 60                        | 242                       |
| Expenses for purchase of treasury shares  |       | -165                      | -750                      |
| Cash dividends paid   |       | -870                      | -930                      |
| Expenses for payment of finance lease obligations   |       | -200                      | -229                      |
| Cash dividends paid to minority shareholders  |       | -137                      | -152                      |
| Other financing cash flows  |       | -133                      | -                         |
| Net cash flows from financing activities  |       | 11,508                    | 4,049                     |
| IV. Effect of exchange rate changes on cash and cash equivalents  |       | 357                       | -665                      |
| V. Net change in cash and cash equivalents  |       | 8,620                     | -1,706                    |
| VI. Cash and cash equivalents, beginning of year  |       | 12,228                    | 21,164                    |
| VII. Increase in cash and cash equivalents from newly consolidated or merger of subsidiaries              |       | 370                       | 324                       |
| VIII. Decrease in cash and cash equivalents resulting from the removal of subsidiaries from consolidation |       | -54                       | -                         |
| IX. Net cash and cash equivalents, end of year  | *1    | 21,164                    | 19,781                    |
|   |       |                           |                           |

Sodick Co., Ltd. (6143) Summary of Financial Statements for the Year to March 31, 2008  
Year ended March 31, 2008 (from April 1, 2007, to March 31, 2008)

|   | Machine tool operations<br>(¥ Million) | Industrial machinery operations<br>(¥ Million) | Other operations<br>(¥ Million) | Total<br>(¥ Million) | Elimination or corporate overhead<br>(¥ Million) | Consolidated<br>(¥ Million) |
|---|--|--|---------------------------------|----------------------|--|-----------------------------|
| I. Net sales and operating income                                 |  |  |                                 |                      |  |                             |
| Net Sales   |  |  |                                 |                      |  |                             |
| (1) Sales to outside customers                                    | 54,066                                 | 13,552   | 8,028                           | 75,647               | –  | 75,647                      |
| (2) Inter-segment sales or transfers                              | 58                                     | 11   | 297                             | 366                  | -366   | –                           |
| Total   | 54,124                                 | 13,563   | 8,326                           | 76,013               | -366   | 75,647                      |
| Operating expenses  | 47,893                                 | 13,138   | 8,413                           | 69,445               | 1,069  | 70,514                      |
| Operating income (loss)   | 6,231                                  | 424  | -87                             | 6,568                | -1,435   | 5,133                       |
| II. Assets, depreciation, impairment loss and capital expenditure |  |  |                                 |                      |  |                             |
| Assets  | 67,782                                 | 13,980   | 11,439                          | 93,202               | 10,765   | 103,967                     |
| Depreciation  | 2,135                                  | 428  | 471                             | 3,035                | 95   | 3,131                       |
| Impairment loss   | 10                                     | –  | 161                             | 171                  | –  | 171                         |
| Capital expenditure   | 5,583                                  | 792  | 2,159                           | 8,534                | 34   | 8,568                       |

Notes:

1. Criteria for determining business segments  
Business segments have been determined based on Japanese Industrial Standards.
2. Main products by business segment  
Machine tool operations: NC electric discharge machining tools, machining centers, small-hole drilling machines and peripherals.  
Industrial machinery operations: Plastic injection molding machines, linear press machines, and peripherals  
Other operations: Integrated mold production systems, processed synthetic resin products, food processing machinery, and related equipment and peripherals.
3. Non-allocable operating expenses  
In the term under review, non-allocable operating expenses included in eliminations or corporate overhead among operating expenses totaled ¥1,456 million, which was mostly expenses related to head office functions of the reporting entity.
4. Non-allocable assets  
In the term under review, non-allocable assets included in eliminations or corporate overhead among assets totaled ¥10,891 million, which consisted mainly of the reporting entity's surplus working capital (cash and deposits), long-term invested capital (investment securities, investment capital), and assets related to the administration division.
5. As noted under "Change in accounting methods," beginning with the term under review, for domestic sales of machinery main units the revenue recognition standard was changed from previously shipment-base to acceptance inspection-base.  
Compared with the previous method, this change reduced with regard to machine tool operations and industrial machinery operations, respectively, net sales by ¥136 million and ¥166 million, operating expenses by ¥90 million and ¥133 million, and operating income by ¥46 million and ¥32 million.

## b. Geographic segments

| Year ended March 31, 2007         |                      |  |                       |                     |                      |   |                             |
|-----------------------------------|----------------------|--|-----------------------|---------------------|----------------------|---|-----------------------------|
|                                   | Japan<br>(¥ Million) | North and<br>South<br>America<br>(¥ Million) | Europe<br>(¥ Million) | Asia<br>(¥ Million) | Total<br>(¥ Million) | Elimination<br>or<br>corporate<br>overhead<br>(¥ Million) | Consolidated<br>(¥ Million) |
| I. Net sales and operating income |                      |  |                       |                     |                      |   |                             |
| Net Sales                         |                      |  |                       |                     |                      |   |                             |
| (1) Sales to outside customers    | 42,264               | 4,733  | 5,557                 | 18,998              | 71,553               | –   | 71,553                      |
| (2) Inter-segment sales           | 19,341               | 305  | 7                     | 21,060              | 40,715               | -40,715   | –                           |
| Total                             | 61,606               | 5,039  | 5,564                 | 40,059              | 112,269              | -40,715   | 71,553                      |
| Operating expenses                | 56,474               | 4,765  | 5,702                 | 37,702              | 104,644              | -38,332   | 66,312                      |
| Operating income (loss)           | 5,131                | 274  | -137                  | 2,356               | 7,624                | -2,382  | 5,241                       |
| II. Assets                        | 77,512               | 3,393  | 5,041                 | 32,250              | 118,198              | -17,720   | 100,477                     |

## Notes:

- Criteria for determining geographic segments by country and region, and constituent principal countries and regions by geographic segment
  - Criteria for determining geographic segments by country and region: Geographic proximity.
  - Constituent principal countries and regions by geographic segment
    - North and South America: The Americas
    - Europe: Germany, England
    - Asia: China, Taiwan, Hong Kong, Thailand, Singapore
- Non-allocable operating expenses
 

In the previous fiscal year, non-allocable operating expenses included in eliminations or corporate overhead among operating expenses totaled ¥1,575 million, which was mostly expenses related to the administration division of the reporting entity and research and development expenses related to primary and applied research.
- Non-allocable assets
 

In the previous fiscal year, non-allocable assets included in eliminations or corporate overhead among assets totaled ¥13,944 million, which consisted mainly of the reporting entity's surplus working capital (cash and deposits), long-term invested capital (investment securities, investment capital), and assets related to the administration division.
- As noted under "Change in accounting methods," beginning with the term under review, for the currency conversion of income and expenditure of foreign subsidiaries, etc., the conversion standard was changed from previously foreign exchange spot rates as of the local balance sheet dates to average foreign exchange rates during the term under review.
 

Compared with the previous method, this change reduced with regard to the North and South America, Europe, and Asia segments, respectively, net sales by ¥46 million, ¥271 million, and ¥3,267 million, and operating expenses by ¥44 million, ¥273 million, and 3,173 million. Operating income increased by ¥2 million in the Europe segment and decreased ¥2 million and ¥94 million, respectively, in the North and South America and Asia segments.

Moreover, net sales, operating expenses, and operating income allocable to eliminations or corporate overhead increased, respectively, by ¥2,460 million, ¥884 million, and ¥1,575 million compared with the previous method.

| Year ended March 31, 2008         |                      |  |                       |                     |                      |   |                             |
|-----------------------------------|----------------------|--|-----------------------|---------------------|----------------------|---|-----------------------------|
|                                   | Japan<br>(¥ Million) | North and<br>South<br>America<br>(¥ Million) | Europe<br>(¥ Million) | Asia<br>(¥ Million) | Total<br>(¥ Million) | Elimination<br>or<br>corporate<br>overhead<br>(¥ Million) | Consolidated<br>(¥ Million) |
| I. Net sales and operating income |                      |  |                       |                     |                      |   |                             |
| Net sales                         |                      |  |                       |                     |                      |   |                             |
| (1) Sales to outside customers    | 41,702               | 4,126  | 8,062                 | 21,755              | 75,647               | –   | 75,647                      |
| (2) Inter-segment sales           | 23,574               | 320  | 2                     | 24,768              | 48,666               | -48,666   | –                           |
| Total                             | 65,277               | 4,446  | 8,065                 | 46,524              | 124,313              | -48,666   | 75,647                      |
| Operating expenses                | 60,798               | 4,229  | 7,695                 | 44,011              | 116,735              | -46,220   | 70,514                      |
| Operating Income                  | 4,478                | 216  | 369                   | 2,512               | 7,578                | -2,445  | 5,133                       |
| II. Assets                        | 88,906               | 2,522  | 6,230                 | 34,502              | 132,161              | -28,194   | 103,967                     |

## Notes:

- Criteria for determining geographic segments by country and region, and constituent principal countries and regions by geographic segment
  - Criteria for determining geographic segments by country and region: Geographic proximity.
  - Constituent principal countries and regions by geographic segment
    - North and South America: The Americas
    - Europe: Germany, England
    - Asia: China, Taiwan, Hong Kong, Thailand, Singapore, Korea
- Non-allocable operating expenses
 

In the term under review, non-allocable operating expenses included in eliminations or corporate overhead among operating expenses totaled ¥1,456 million, which was mostly expenses related to head office functions of the reporting entity.
- Non-allocable assets
 

In the term under review, non-allocable assets included in eliminations or corporate overhead among assets totaled ¥10,891 million, which consisted mainly of the reporting entity's surplus working capital (cash and deposits), long-term invested capital (investment securities, investment capital), and assets related to the administration division.
- As noted under "Change in accounting methods," beginning with the term under review, for domestic sales of machinery main units the revenue recognition standard was changed from previously shipment-base to acceptance inspection-base.
 

Compared with the previous method, this change reduced in the Japan segment net sales by ¥303 million, operating expenses by ¥223 million, and operating income by 79 million.

## c. Overseas sales

|                           |   | North and<br>South<br>America | Europe | Asia   | Total  |
|---------------------------|---|-------------------------------|--------|--------|--------|
| Year ended March 31, 2007 | I. Overseas sales<br>(¥ Million)                              | 5,090                         | 6,144  | 27,845 | 39,080 |
|                           | II. Consolidated sales<br>(¥ Million)                         | –                             | –      | –      | 71,553 |
|                           | II. Overseas sales as<br>percentage of<br>consolidated sales  | 7.1                           | 8.5    | 38.9   | 54.6   |
| Year ended March 31, 2008 | I. Overseas sales<br>(¥ Million)                              | 4,600                         | 8,984  | 28,904 | 42,489 |
|                           | II. Consolidated sales<br>(¥ Million)                         | –                             | –      | –      | 75,647 |
|                           | III. Overseas sales as<br>percentage of<br>consolidated sales | 6.1                           | 11.9   | 38.2   | 56.2   |

## Notes:

- Overseas sales refers to sales of the Company and its consolidated subsidiaries made in countries and regions other than Japan.
- Criteria for determining geographic segments by country and region, and constituent principal countries and regions by geographic segment
  - Criteria for determining geographic segments by country and region: Geographic proximity.
  - Constituent principal countries and regions by geographic segment
    - North and South America: United States, Canada, Mexico
    - Europe: Germany, Russia, Italy, Turkey, France, England
    - Asia: China, Taiwan, Hong Kong, Thailand, Singapore, Korea
- As noted for the previous fiscal year under "Change in accounting methods," beginning with the year to March 31, 2007, for the currency conversion of income and expenditure of foreign subsidiaries, etc., the conversion standard was changed from previously foreign exchange spot rates as of the local balance sheet date to average foreign exchange rates during the term.  
Compared with the previous method, in the previous fiscal year this change reduced with regard to the North and South America, Europe, and Asia segments, respectively, net sales by ¥43 million, ¥270 million, and ¥791 million.

## Per-share information

|                                     | Year ended March 31, 2007   | Year ended March 31, 2008  |
|-------------------------------------|---|--|
| Net assets per share (yen)          | 771.90  | 733.52   |
| Net income per share (yen)          | 72.22   | 4.62   |
| Net income per share after dilution | Net income per share after dilution has been omitted since no dilutive shares have been issued. | Net income per share after dilution has been omitted since the no dilutive instruments have been issued. |

Note: The calculation bases for net income per share and net income per share after dilution are described below.

|  | Year ended March 31, 2007 | Year ended March 31, 2008 |
|--|---------------------------|---------------------------|
| Net income per share   |                           |                           |
| Net income (¥ Million)   | 3,757                     | 244                       |
| Portion not attributable to shares of common stock (¥ Million)           | –                         | –                         |
| (thereof income allocated to directors' bonuses)                         | (–)                       | (–)                       |
| Net income attributable to shares of common stock (¥ Million)            | 3,757                     | 244                       |
| Average number of shares outstanding during the period (thousand shares) | 52,026                    | 52,862                    |