

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

August 10, 2017

Company Name: Sodick Co., Ltd.  
 Code Number: 6143 URL <http://www.sodick.co.jp>  
 Representative: Yuji Kaneko, President, Representative Director  
 Contact: Hirofumi Maejima, Executive Managing Director  
 Scheduled date of filing of quarterly report: August 10, 2017  
 Scheduled date of dividend payout: -  
 Explanatory Documents Supplemental to the Quarterly Financial Statements: Yes  
 Result Briefing: No

Stock Exchange: Tokyo Stock Exchange, 1st Section

Tel. +81-45-942-3111

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

## 1. Consolidated Results for the 1Q of the Year Ending December 31, 2017 (from April 1, 2017 to June 30, 2017)

### (1) Consolidated Financial Results (Accumulated)

(Percentages indicate quarter on quarter changes)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
1Q of the year ending December 31, 2017	21,179	-	1,442	-	1,639	-	1,137	-
1Q of the year ended March 31, 2017	12,271	(14.2)	576	(52.1)	(85)	-	71	(95.2)

Note: Comprehensive income: 1Q of the year ending December 31, 2017: ¥1,120 million (-%), 1Q of the year ended March 31, 2017: (¥2,527) million (-%)

	Earnings per Share	Diluted Earnings per Share
	¥	¥
1Q of the year ending December 31, 2017	24.23	20.80
1Q of the year ended March 31, 2017	1.47	1.27

The Company has implemented a change in fiscal term-end from March 31 to December 31, effective from the current fiscal year, with approval for partial amendments to the Articles of Incorporation by the 41st ordinary general shareholders' meeting held on June 29, 2017. Consequently, the current consolidated fiscal year shall be a transitional period for the fiscal term change and the current quarterly consolidated results accumulating period shall be 3 months (from April 1 to June 30, 2017) for the Company, consolidated subsidiaries and entities accounted for using the equity method whose fiscal year ends on March 31, and 6 months (from January 1 to June 30, 2017) for consolidated subsidiaries whose fiscal year ends on December 31, resulting in irregular settlement of accounts. This applies to the seven consolidated subsidiaries in China whose fiscal year ends on December 31. Accordingly, changes compared to the same quarter in the preceding fiscal year are not included.

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ Million	¥ Million	%	¥
1Q of the year ending December 31, 2017	114,389	49,359	43.1	1,048.89
The year ended March 31, 2017	109,271	48,710	44.5	1,035.19

(Reference) Shareholder's equity: 1Q of the year ending December 31, 2017: ¥49,256 million, the year ended March 31, 2017: ¥48,612 million

## 2. Cash Dividends

	Annual Dividend				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
	Yen	Yen	Yen	Yen	Yen
The year ended March 31, 2017	-	9.00	-	10.00	19.00
The year ending December 31, 2017	-				
The year ending December 31, 2017 (Projection)		10.00	-	10.00	20.00

Note: Amendments from dividend projections announced recently: None

### 3. Forecast for the year ending December 31, 2017 (From April 1 to December 31, 2017)

(Percentages indicate quarter on quarter changes)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Earnings per Share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	Yen
Nine months to December 31, 2017	55,800	—	5,300	—	5,200	—	3,700	—	78.79

Note: Amendments from Financial results projections announced recently: None

The Company has implemented a change in fiscal term-end from March 31 to December 31, effective from the current fiscal year, with approval for partial amendments to the Articles of Incorporation by the 41st ordinary general shareholders' meeting held on June 29, 2017. Consequently, the consolidated financial projection in the transitional period for the fiscal year ending December 31, 2017 represents nine months from April 1, 2017 to December 31, 2017. Therefore, percentage changes compared to the preceding fiscal year are not applicable.

Consolidated results projections for the 12 months from January 1 to December 31, 2017 (comparable base) are as follows: Net sales: ¥67,900 million, Operating income: ¥6,900 million, Ordinary income: ¥6,600 million, profit attributable to owners of parent: ¥4,800 million, Earnings per Share: ¥102.21.

#### \*Notes

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

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

(i) Shares issued and outstanding as of the balance sheet date (including treasury shares)	1Q of the year ending December 31, 2017	53,437,354 shares	The year ended March 31, 2017	53,437,354 shares
(ii) Number of treasury shares as of the balance sheet date	1Q of the year ending December 31, 2017	6,476,992 shares	The year ended March 31, 2017	6,476,992 shares
(iii) Average number of shares outstanding during period (quarterly accumulation)	1Q of the year ending December 31, 2017	46,960,362 shares	1Q of the year ended March 31, 2017	48,703,623 shares

\*The quarterly summary of financial statements is not subject of quarterly review.

#### \*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 results in these forecasts. For items pertaining to projected figures, see "1. Qualitative Information pertaining to Settlement of Accounts in the Current Quarter (3) Description of Future Predictive Information including Consolidated Results Projections" on page 4 of the Summary of Financial Statements (attached document).

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

The Company has implemented a change in fiscal term-end from March 31 to December 31, effective from the current fiscal year, with approval for partial amendments to the Articles of Incorporation by the 41st ordinary general shareholders' meeting held on June 29, 2017. Consequently, the current consolidated fiscal year shall be a transitional period for the fiscal term change and the current quarterly consolidated results accumulating period shall be 3 months (from April 1 to June 30, 2017) for the Company, consolidated subsidiaries and entities accounted for using the equity method whose fiscal year ends on March 31, and 6 months (from January 1 to June 30, 2017) for consolidated subsidiaries whose fiscal year ends on December 31, resulting in irregular settlement of accounts. This applies to the seven consolidated subsidiaries in China whose fiscal year ends on December 31. Accordingly, changes compared to the same quarter in the preceding fiscal year are not included.

### (1) Description of Results of Operations

The Japanese economy during the consolidated quarter under review experienced a moderate recovery on the whole, partially helped by a rising trend in corporate earnings amid a recovery in exports as well as recovering consumer spending in an improving labor market. Meanwhile, in the global economic arena, while factors such as the policies of the new administration in the United States and the political situation in Europe have given rise to concerns, the U.S. economy continued to grow, helped by improvement in the job market and strong personal consumption as well as a recovery in corporate earnings, while a recovery was also seen in Europe on the back of steadily improving consumer spending during the fiscal period. In China, the pace of growth started to gather momentum again, helped by promising personal consumption and government-driven infrastructure investments, while economies in other Asian countries are also seeing continuing recovery.

The machine tools industry, in which Sodick Group operates, experienced promising demand following a production incentive program for the manufacturing industry adopted in Japan in March 2017. In the overseas arena too, Europe and the United States continued to enjoy firm demand from customers in the automotive, aerospace and other industries, while China began to see active capital spending mainly among automotive and smartphone manufacturers, with improvements also seen in other Asian countries too, spurred by a recovery in exports.

Given this business environment, Sodick Group expanded its aggressive sales activities, which included product presentations at trade fairs both at home and overseas such as INTERMOLD 2017 in Tokyo and CIMT2017 in Beijing. At INTERMOLD, following on from last year's JIMTOF, the Company demonstrated a revolutionary plastic molding process using OPM350L, a new model of precision metal 3D printer evolved from the conventional machine, combined with MR30, an injection molding machine designed especially for metal 3D printers. In addition, at FOOMA2017, the Company also exhibited its food processing machinery for which demand has been growing recently and presented its newly-developed Noodle Dough Mixer Air-locker Type Vacuum Chamber alongside other noodle making machines.

While Sodick Group experienced sluggish growth in sales during the first quarter due to the plunge in demand preceding the adoption of the incentive program in Japan in March, orders in the automotive and smartphone fields showed steady improvement after adoption of the incentive. Overseas, the Company saw a slight slowdown in demand from the automotive, aerospace and medical equipment industries in North America. Although there was a decline in demand in some areas of Europe including Russia and Turkey, overall, Sodick saw a steady improvement, with promising demand from the automotive and aerospace industries, mainly in Germany, the U.K. and Italy. In China, factors such as the increasing sophistication of production and automation are driving growing demand for high-precision machinery, with a resulting high level of orders from March 2017 onward. Asia too is seeing signs of recovery in the automotive industry.

As a result of the above, consolidated net sales for the first quarter under review totaled ¥21,179 million, with operating income of ¥1,442 million, ordinary income of ¥1,639 million and profit attributable to owners of parent of ¥1,137 million.

Analysis of Sales by Business Segments:

#### Machine Tool Segment

While the effects of adoption of the production incentive in March resulted in sluggish growth of sales during the first quarter, following adoption of the incentive, the Company saw steady growth in orders from the customers manufacturing high added-value components such as connector and electronic components and lenses for smart phones. Overseas, while North America is experiencing

a rebound in energy-related industries where growth had been sluggish, and demand in the automotive, aerospace and medical equipment industries has been slowed. In Europe, on the other hand, while some regions such as Russia and Turkey continue to be frail, both orders and sales in the automotive and aerospace industries mainly in Germany, the U.K. and Italy were steady. Meanwhile, in China, as well as the effects of increasing sophistication of production and automation, demand is being propelled by incentives by the Chinese government, resulting in a continuing high level of orders from the automotive and smartphone industries. In Asia too, recovery was evident in areas such as the semiconductor and smartphone industries in Korea and the automotive and 2-wheeled vehicle industries in Thailand and Vietnam. As a result of the above, net sales for the business under review are ¥15,841 million.

#### Industrial Machinery Segment

On the home front, demand continued for high added-value components in the automotive industry, where the process of electrification is advancing, such as connectors and sensors. Overseas, in North America a slight slowdown was seen in demand from the medical equipment and automotive industries. Meanwhile, in China and other Asian countries, overall results were favorable with continuing demand for molding of optical lenses for automobiles and smartphones as well as waterproof silicone molding. As a result of the above, net sales for the business under review are ¥3,266 million.

#### Food Processing Machinery Segment

In the food processing machinery segment, the Company is engaged in the development, manufacture and sale of products such as noodle making machines and plants as well as the provision of related maintenance services. On the domestic market, as well as continuing demand from convenience stores, supermarkets and restaurant chains for high-quality noodle making equipment, demand is also emerging for rice cookers incorporated as part of noodle making machines. Overseas too, thanks to the boom in Japanese cuisine, demand is being seen from North America and Asian countries for items such as long-life and frozen noodle making machines as well as rice cookers. While the level of order intake and deliveries was more or less in line with projections, customer's sign-off has been delayed into the second quarter regarding multiple deals in this segment where average unit prices are comparatively high, with the result that sales for the first quarter have been sluggish. As a result of the above, net sales for the business under review are ¥463 million.

#### Others

This business category refers to those sales related to high-precision metal molds and die machinery for order manufacturing of precision connectors and other products, element technology involving development, production, and marketing operations of products based on the Company's proprietary technology such as linear motors and ceramics, as well as LED lighting equipment and leasing operations for EDMs, machining centers and injection molding machines. The high-precision mold and die machinery operations continued to enjoy firm demand, primarily from the automotive industry, while results show a satisfactory level of sales of ceramics for semiconductor devices. As a result of the above, net sales for the business under review are ¥1,606 million.

#### (2) Description of Financial Position

Total assets stood at ¥114,389 million, an increase of ¥5,118 million compared to the level at the end of the previous consolidated fiscal year, primarily due to a ¥2,591 million increase in merchandize and finished goods, a ¥887 million increase in cash and deposits and an ¥840 million increase in raw materials and supplies.

Meanwhile, liabilities at the end of the period totaled ¥65,030 million, an increase of ¥4,469 million from the end of the previous financial year, mainly reflecting a ¥3,131 million increase in current liabilities and a ¥1,513 million increase in notes and accounts payable-trade.

Net assets stood at ¥49,359 million, an increase of ¥648 million compared to the level at the end of the previous consolidated fiscal year, primarily due to a ¥665 million increase in retained earnings.

#### (3) Description of Future Predictive Information including Consolidated Results Projections

There have been no changes to the results projections announced on May 12, 2017.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheets

(In million yen)

	FY 2016 (As of March 31, 2017)	1Q Consolidated Results Accumulation Period (As of June 30, 2017)
<b>Assets</b>		
Current assets:		
Cash and deposits	36,847	37,734
Notes and accounts receivable-trade	14,317	14,796
Electronically recorded monetary claims-operating	283	550
Merchandise and finished goods	7,406	9,997
Work in process	8,006	8,305
Raw materials and supplies	7,232	8,072
Other	4,197	3,826
Allowance for doubtful accounts	(154)	(154)
<b>Total current assets</b>	<b>78,136</b>	<b>83,129</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,310	20,325
Machinery, equipment and vehicles	17,592	18,183
Other	11,144	11,219
Accumulated depreciation	(25,278)	(25,927)
<b>Total property, plant and equipment</b>	<b>23,768</b>	<b>23,800</b>
Intangible assets		
Goodwill	1,888	1,846
Other	1,298	1,247
<b>Total intangible assets</b>	<b>3,187</b>	<b>3,093</b>
Investments and other assets		
Other	4,289	4,474
Allowance for doubtful accounts	(110)	(108)
<b>Total investments and other assets</b>	<b>4,179</b>	<b>4,365</b>
<b>Total non-current assets</b>	<b>31,135</b>	<b>31,260</b>
<b>Total Assets</b>	<b>109,271</b>	<b>114,389</b>

(In million yen)

	FY 2016 (As of March 31, 2017)	1Q Consolidated Results Accumulation Period (As of June 30, 2017)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable- trade	5,501	7,014
Electronically recorded obligations-operating	5,776	6,262
Short-term loans payable	4,497	4,402
Current portion of long-term loans payable	10,287	9,730
Income taxes payable	595	596
Provision	924	884
Other	5,426	8,557
Total current liabilities	33,009	37,448
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	7,995	7,995
Long-term loans payable	18,173	18,057
Provision	269	290
Net defined benefit liability	532	532
Asset retirement obligations	81	82
Other	499	624
Total non-current liabilities	27,551	27,582
<b>Total liabilities</b>	<b>60,560</b>	<b>65,030</b>
Net Assets		
Shareholders' equity		
Capital stock	20,778	20,778
Capital surplus	5,881	5,881
Retained earnings	22,735	23,401
Treasury shares	(4,697)	(4,697)
Total shareholders' equity	44,698	45,363
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,105	1,152
Foreign currency translation adjustment	2,821	2,752
Remeasurements of defined benefit plans	(12)	(12)
Total accumulated other comprehensive income	3,914	3,892
Non-controlling interests	97	103
<b>Total Net Assets</b>	<b>48,710</b>	<b>49,359</b>
<b>Total Liabilities and Net Assets</b>	<b>109,271</b>	<b>114,389</b>

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

(In million yen)

	1Q FY 2016 (From April 1, 2016 To June 30, 2016)	1Q Consolidated Results Accumulation Period (From April 1, 2017 To June 30, 2017)
Net sales	12,271	21,179
Cost of sales	7,634	13,929
Gross profit	4,636	7,249
Selling, general and administrative expenses		
Personnel expenses	1,628	2,070
Provision of allowance for doubtful accounts	1	0
Other	2,429	3,736
Total selling, general and administrative expenses	4,060	5,807
Operating income	576	1,442
Non-operating income		
Interest income	38	87
Dividends income	30	33
Foreign exchange gain	–	77
Equity in earnings of affiliates	28	7
Subsidy income	15	64
Other	59	45
Total non-operating income	171	316
Non-operating expenses		
Interest expenses	105	91
Foreign exchange losses	657	–
Other	70	27
Total non-operating expenses	833	119
Ordinary income or ordinary loss	(85)	1,639
Extraordinary income		
Gain on sales of non-current assets	51	56
Total extraordinary income	51	56
Extraordinary losses		
Loss on sales of non-current assets	–	10
Loss on retirement of non-current assets	1	8
Total extraordinary losses	1	19
Profit or loss before income taxes	(35)	1,677
Income taxes - current	209	642
Income taxes - deferred	(314)	(109)
Total income taxes	(104)	532
Profit	69	1,145
Profit or loss attributable to non-controlling interests	(2)	7
Profit attributable to owners of the parent	71	1,137

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

(In million yen)

	1Q FY 2016 (From April 1, 2016 To June 30, 2016)	1Q Consolidated Results Accumulation Period (From April 1, 2017 To June 30, 2017)
Profit	69	1,145
Other comprehensive income		
Valuation difference on available-for-sale securities	(206)	46
Foreign currency translation adjustments	(2,382)	-71
Remeasurements of defined benefit plans, net of tax	14	0
Share of other comprehensive income of entities accounted for using equity method	(22)	(0)
Total other comprehensive income	(2,596)	-24
Comprehensive income	(2,527)	1,120
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,519)	1,115
Comprehensive income attributable to non-controlling interests	(7)	5

(3) Notes concerning Quarterly Consolidated Financial Statements

(Notes on premise of ongoing concern)

No applicable items.

(Notes in case of significant variation in shareholder's equity)

No applicable items.

(Segment Information, etc.)

I. Previous consolidated cumulative first quarter (From April 1 to June 30, 2016)

1. Information pertaining to reportable segment-specific net sales and profits or losses

(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 Operations	Industrial Machinery Operations	Food Processing Machinery Operations	Reportable Segment Total				
Net Sales								
Sales to outside parties	8,692	1,805	495	10,993	1,277	12,271	–	12,271
Intersegment sales or transfers	23	0	–	24	690	715	(715)	–
Total	8,716	1,806	495	11,018	1,968	12,987	(715)	12,271
Segment income or loss	998	(37)	(40)	919	251	1,171	(595)	576

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

2. The adjustment amount of (¥595) million to segment income or losses includes (¥18) million in eliminations of intersegment transactions and (¥576) 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. Losses under segment income or losses is adjusted with operating income in Consolidated Statements of Quarterly Income and Comprehensive Income

2. Information on impairment loss or goodwill under reportable segment-specific non-current assets

No applicable items

II. Current consolidated cumulative first quarter (From April 1 to June 30, 2017)

1. Information pertaining to reportable segment-specific net sales and profits or losses

(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 Operations	Industrial Machinery Operations	Food Processing Machinery Operations	Reportable Segment Total				
Net Sales								
Sales to outside parties	15,841	3,266	463	19,572	1,606	21,179	–	21,179
Intersegment sales or transfers	15	140	–	155	964	1,120	(1,120)	–
Total	15,857	3,406	463	19,727	2,571	22,299	(1,120)	21,179
Segment income or loss	1,510	313	(101)	1,721	390	2,112	(669)	1,442

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

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

3. Losses under segment income or losses is adjusted with operating income in Consolidated Statements of Quarterly Income and Comprehensive Income

2. Information on impairment loss or goodwill under reportable segment-specific non-current assets

No applicable items