

Summary of Financial Statements (J-GAAP) (Consolidated)

August 10, 2016

Company Name: Sodick Co., Ltd.

Stock Exchange: Tokyo Stock Exchange, 1st Section

Code Number: 6143

URL: <http://www.sodick.co.jp>

Representative: Yuji Kaneko, Representative Director; President

Contact: Hirofumi Maejima, Executive Managing Director

Tel: +81-45-942-3111

Scheduled date of filing Quarterly Securities Report : August 10, 2016

Scheduled commencement date of dividend payout : —

Quarterly earnings supplementary explanatory documents : Yes

Quarterly earnings presentation : None

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

1. Consolidated Results for the 1st Quarter 2017 (from April 1, 2016 to June 30, 2016)

(1) Consolidated financial results (for 3 months)

(Percentages indicate year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
1Q FY 2017	12,271	(14.2)	576	(52.1)	(85)	—	71	(95.2)
1Q FY 2016	14,310	18.3	1,203	127.0	1,347	502.1	1,497	790.0

Note: Comprehensive Income: 1Q FY 2017: (¥2,527) million (—%) 1Q FY 2016: ¥1,738 million (—%)

	Earnings per share	Diluted earnings per share
	¥	¥
1Q FY 2017	1.47	1.27
1Q FY 2016	29.76	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	¥ Million	¥ Million	%	¥
1Q FY 2017	104,070	43,881	42.1	932.67
FY 2016	99,722	49,758	49.8	987.01

Note: Shareholders' Equity: 1Q FY 2017: ¥43,794 million FY 2016: ¥49,663 million

2. Cash Dividends

	Annual Dividends				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
	¥	¥	¥	¥	¥
FY 2016	—	9.00	—	9.00	18.00
FY 2017	—	—	—	—	—
FY 2017 (forecast)	—	9.00	—	10.00	19.00

Note: Revision of the latest released dividend forecast: None

3. Forecast for the Year Ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Percentages indicate year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Earnings per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	¥
Six months to September 30, 2016	28,800	(11.9)	2,150	(32.2)	1,500	(52.1)	1,300	(50.1)	27.18
Year to March 31, 2017	61,100	(6.2)	5,350	(15.8)	4,550	(20.4)	3,500	(16.0)	73.85

Note: Revision of the latest released financial results forecast: Yes

* Notes

- (1) Changes in important subsidiaries during the consolidated quarter (three months) under review (changes occurred in specified subsidiaries in conjunction with a change in the scope of consolidation): None
- (2) Application of accounting procedures specific to creation 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: Yes
 - (ii) Change of accounting policies other than stated in (i): None
 - (iii) Change of accounting estimates: None
 - (iv) Retroactive restatement: None
- Note: For details, see the attachment and look under “(3) Change of accounting policies; change and/or restatement of accounting estimates” of “2. Summary (Notes) Information.”

(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 FY 2017	53,432,510 shares	FY 2016	53,432,510 shares
(ii) Number of treasury shares as of the balance sheet date	1Q FY 2017	6,476,683 shares	FY 2016	3,114,773 shares
(iii) Average number of shares (cumulative quarterly statistics)	1Q FY 2017	48,703,623 shares	1Q FY 2016	50,317,967 shares

* Implementation of quarterly review procedures

This summary of quarterly financial statements is not subject to quarterly review procedures pursuant to the Financial Instruments and Exchange Act. Notably, as of the time of the release of this summary of quarterly financial statements, review procedures of quarterly consolidated financial statements pursuant to the Financial Instruments and Exchange Act have not been concluded.

* Disclaimer

The above forecasts are based on judgments made in accordance with information available at the time these materials were prepared, and contain numerous uncertainties. Changing conditions and other factors may cause actual results to differ from the results in these forecasts. Information concerning the results forecasts is stated in the Summary of Financial Statements (Attachment), page 2, “(3) Explanation of consolidated earnings estimates and forward-looking information” of “1. Qualitative Information on Quarterly Financial Results.”

Table of Contents of the Attachment

1. Qualitative Information on Quarterly Financial Results.....	2
(1) Explanation of business results	2
(2) Explanation of financial position	3
(3) Explanation of consolidated earnings estimates and forward-looking information	3
2. Summary (Notes) Information.....	4
(1) Changes in important subsidiaries during the consolidated quarter (three months) under review	4
(2) Application of accounting procedures specific to creation of quarterly consolidated financial statements.....	4
(3) Change of accounting policies; change and/or restatement of accounting estimates.....	4
(4) Supplementary information.....	4
3. Consolidated Financial Statements.....	5
(1) Consolidated balance sheets.....	5
(2) Consolidated statements of income / Consolidated statements of comprehensive income.....	7
Consolidated statements of income	
1st quarter	7
Consolidated statements of comprehensive income	
1st quarter	8
(3) Notes concerning quarterly consolidated financial statements	9
(Notes on premise of going concern)	9
(Notes in case of significant variation in shareholders' equity).....	9
(Segment information, etc.)	10

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of business results

During the period under review, the Japanese economy marked improvements in the employment environment but the economic outlook remains overshadowed by concerns over stagnant consumer spending and deteriorating corporate earnings due to the rapidly progressing yen appreciation. As to the international economy, the US economy thrived thanks to robust consumer spending while a moderate economic rebound emerged also in the EU. However, the global economic effects of the UK referendum for Brexit and mounting geopolitical risks in Middle East and Europe leave prospects uncertain. Elsewhere, emerging economies including China and Southeast Asia experienced further decelerating economic growth rates.

In the machine tools industry where the Sodick Group conducts its business, amid an initial cautionary mood while awaiting the government's adoption of financial assistance programs, domestic facility investment demand remained intact centered on thriving automotive applications. Overseas, while weak energy-related demand continues unchanged in North America, facility investment demand with the focus on the automotive and aerospace fields has been robust in North America and Europe. By contrast, demand remained depressed in China and Southeast Asia, which have been seeing protracted economic deceleration.

Within this operating environment, the Sodick Group launched proactive sales activities. Specifically, in addition to joining domestic and international exhibitions with exhibits of our mainstay business of EDM, Sodick hosted demonstrations of its "Plastic Forming Revolution" which combines the capabilities of metal 3D printers and V-LINE[®] injection molding machines. At industrial machinery operations, sales started of newly developed injection molding machine for aluminum alloys, a global debut, as a new manufacturing method for smartphone cases and for the ever-lighter automotive parts sought by car manufacturers. Furthermore, in April a new factory for food processing machinery started operating at the Kaga Plant aiming at productivity gains by concentrating operating sites, along with newly established research facilities for strengthening R&D capabilities.

As to the business results of the Sodick Group, domestically new order receipts and sales were sluggish in the first quarter as industry awaited the government's adoption of manufacturing financial assistance programs. Overseas, demand in North America was strong overall, but in Europe growth slowed, mainly in Russia, while in China and Southeast Asia demand was weak owing to the effects of the Chinese New Year and an economic slowdown. The continued appreciation of the yen also made an impact, and as a result sales declined compared to the same period the year earlier.

As a result, consolidated net sales for the period totaled ¥12,271 million, down ¥2,038 million (-14.2%) from the same period the year earlier, with operating income of ¥576 million, down ¥626 million (-52.1%), ordinary loss of ¥85 million (ordinary income of ¥1,347 million on the same period the year earlier), and profit attributable to owners of parent of ¥71 million, down ¥1,425 million (-95.2%).

Segment financial results developed as follows.

Machine tool operations: Facility investment demand for machine tools in the domestic market was affected by industry awaiting the government's adoption of manufacturing financial assistance programs, resulting in sluggishness in both new order receipts and sales. Overseas, in the North American region energy-related demand remained depressed while automotive, aerospace, and medical equipment applications saw stable demand. In Europe, demand from the automotive and aerospace sectors was strong centered on Germany and the U.K. Elsewhere in the region conditions varied, with Russia for example presenting a visible economic slowdown. China saw solid demand from local industry tied to the automotive and smartphone sectors, but sales growth was held back in the first quarter by the effects of the Chinese New Year and an economic slowdown. In the rest of Asia, weak conditions continued, with poor automotive demand in Thailand and depressed smartphone related demand in Korea. Based on these results, as well as the impact of progressing yen appreciation on sales, segment sales for the period under review totaled ¥8,692 million, down ¥1,683 million (-16.2%) from the same period the year earlier.

Industrial machinery operations: In the domestic market, strong demand continue overall, related to high value-added items such as automotive mounted components and headlight components, etc., as well as demand for a number of smartphone related applications. Overseas, demand in North America was robust centered on automotive and medical

device related applications, and also in China demand for high-end machinery came from automotive and smartphone related manufacturers. However, in addition to intense price competition, lower sales resulted from the effects of the Chinese New Year and the progressing yen appreciation. Based on the above developments, sales for the period under review totaled ¥1,805 million, down ¥234 million (-11.5%) from the same period the year earlier.

Food processing machinery operations: These operations comprise mainly the development, manufacture, marketing, and maintenance of noodle making machine and noodle making plant. In the domestic market, facility investment demand continues coming from convenience stores, supermarkets, and restaurant chains aimed at upgrading the quality of noodles used in restaurant operations. Overseas, demand has been growing on the back of the spreading popularity of Japanese food in Asia and North America. However, as several projects were postponed to the second quarter or later, sales for the period under review totaled ¥495 million, down ¥121 million (-19.7%) from the same period the year earlier.

Other operations: Other operations comprise, firstly, high-precision mold and die machinery operations, which provide manufacturing services for articles such as precision connectors; secondly, the element technology operations, engaged in the development, manufacture, and marketing of proprietary technology-based products such as linear motors and ceramics materials as well as LED lighting equipment; and thirdly, lease operations for electrical discharge machine tools, machining centers, and injection molding machines. While at the high-precision mold and die machinery operations demand has been strong, centered on automotive applications, at the element technology operations external sales of linear motors and ceramics declined. Divisional sales for the period under review totaled ¥1,277 million, up ¥1 million (+0.1%) from the same period the year earlier.

(2) Explanation of financial position

Consolidated assets increased ¥4,347 million from the end of the previous fiscal year to ¥104,070 million. Main factors were a ¥7,346 million increase in cash and deposits and a ¥2,263 million decrease in notes and accounts receivable - trade.

Consolidated liabilities, compared with the end of the previous fiscal year, increased ¥10,225 million to ¥60,189 million. This was mainly due to a ¥8,000 million increase in convertible bond-type bonds with subscription rights to share.

Net assets decreased ¥5,877 million from the end of the previous fiscal year to ¥43,881 million. Main factors were a ¥3,000 million increase in treasury shares and a ¥2,398 million decrease in translation adjustments.

(3) Explanation of consolidated earnings estimates and forward-looking information

We have revised the results projections released on May 12, 2016.

2. Summary (Notes) Information

(1) Changes in important subsidiaries during the consolidated quarter (three months) under review

No relevant category.

(2) Application of accounting procedures specific to creation of quarterly consolidated financial statements

No relevant category.

(3) Change of accounting policies; change and/or restatement of accounting estimates

(Application of practice-guidance based treatment of the change of depreciation methods in connection with the fiscal year 2016 tax system revision)

Due to the revision of the corporation income tax system, we have started in the period under review to apply the "Practical Guidance for the Change of Depreciation Methods in Connection with the Fiscal Year 2016 Tax System Revision (Practical Solutions Statement No. 32; June 17, 2016) and have changed the method of accounting for depreciation charges for buildings, accompanying facilities, and structures acquired on or after April 1, 2016, from the declining balance method to the straight line method.

Notably, effects from this accounting change on earnings for the period under review are insignificant.

(4) Supplementary information

(Application of the Application Guideline concerning the Recoverability of Deferred Tax Assets")

Starting with the period under review, we apply the "Application Guideline concerning the Recoverability of Deferred Tax Assets" (Business Accounting Standard Application Guideline No. 26; March 28, 2016).

3. Consolidated Financial Statements**(1) Consolidated balance sheets**

(In million yen)

	FY 2016 (consolidated) (As of March 31, 2016)	1Q FY 2017 (consolidated) (As of June 30, 2016)
Assets		
Current Assets		
Cash and deposits	27,663	35,009
Notes and accounts receivable – trade	14,556	12,293
Electronically recorded monetary claims – operating	209	338
Commodity and merchandise	7,587	8,194
Work-in-process	7,338	7,124
Raw materials and inventory	7,284	7,423
Other current assets	3,377	3,482
Allowance for doubtful accounts	(169)	(166)
Total current assets	67,846	73,698
Fixed Assets		
Tangible Fixed Assets		
Buildings and structures	20,178	19,875
Machinery, equipment and vehicles	16,987	16,504
Other fixed assets	10,899	10,428
Accumulated depreciation	(23,728)	(23,558)
Total tangible fixed assets	24,336	23,250
Intangible Fixed Assets		
Goodwill	2,037	1,952
Other intangible fixed assets	1,425	1,367
Total intangible fixed assets	3,463	3,319
Investments and other assets		
Other assets	4,200	3,922
Allowance for doubtful accounts	(125)	(120)
Total investments and other assets	4,075	3,802
Total Fixed Assets	31,875	30,371
Total Assets	99,722	104,070

(In million yen)

	FY 2016 (consolidated) (As of March 31, 2016)	1Q FY 2017 (consolidated) (As of June 30, 2016)
Liabilities		
Current Liabilities		
Notes and accounts payable – trade	4,026	4,275
Electronically recorded monetary claims – operating	4,820	4,867
Short-term loans payable	4,693	4,518
Long-term borrowings redeemable within one year	10,393	10,646
Income taxes payable	235	119
Allowance	909	734
Other current liabilities	4,578	5,684
Total current liabilities	29,656	30,846
Fixed Liabilities		
Convertible bond-type bonds with subscription rights to share	—	8,000
Long-term loans payable	18,740	19,917
Net defined benefit liability	738	684
Allowance	260	238
Asset removal obligations	99	97
Other fixed liabilities	467	402
Total fixed liabilities	20,306	29,342
Total Liabilities	49,963	60,189
Net Assets		
Shareholders' Equity		
Capital stock	20,775	20,775
Capital surplus	5,879	5,879
Retained earnings	19,870	19,591
Treasury stock	(1,696)	(4,696)
Total shareholders' equity	44,828	41,549
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	748	542
Foreign currency translation adjustment	4,251	1,853
Remeasurements of defined benefit plans	(165)	(151)
Total accumulated other comprehensive income	4,835	2,244
Non-controlling interests	94	86
Total Net Assets	49,758	43,881
Total Liabilities and Net Assets	99,722	104,070

(2) Consolidated statements of income / Consolidated statements of comprehensive income
(Consolidated statements of income)
(1st quarter)

(In million yen)

	1Q FY 2016 (April 1, 2015 – June 30, 2015)	1Q FY 2017 (April 1, 2016 – June 30, 2016)
Net Sales	14,310	12,271
Cost of Sales	8,863	7,634
Gross Profit	5,446	4,636
Selling, General and Administrative Expenses		
Personal expenses	1,657	1,628
Reversal of allowance for loan losses	(5)	1
Other	2,591	2,429
Total selling, general and administrative expenses	4,243	4,060
Operating Income	1,203	576
Non-operating Income		
Interest income	47	38
Dividends income	31	30
Foreign exchange gain	135	—
Equity in earnings of affiliates	—	28
Other non-operating income	72	74
Total non-operating income	286	171
Non-operating Expenses		
Interest expenses	120	105
Foreign exchange loss	—	657
Other non-operating expenses	22	70
Total non-operating expense	142	833
Ordinary income or ordinary loss	1,347	(85)
Extraordinary Income		
Gain on sales of fixed assets	31	51
Total extraordinary income	31	51
Extraordinary Loss		
Loss on sales of fixed assets	0	—
Loss on retirement of fixed assets	11	1
Total extraordinary loss	12	1
Net Income or Net Loss before Income Taxes	1,367	(35)
Current Income Taxes	273	209
Deferred Income Taxes	(408)	(314)
Income Taxes	(135)	(104)
Profit	1,502	69
Income or Loss Attributable to Non-controlling Interests	5	(2)
Profit Attributable to Owners of the Parent	1,497	71

(Consolidated statements of comprehensive income)
(1st quarter)

(In million yen)

	1Q FY 2016 (April 1, 2015 – June 30, 2015)	1Q FY 2017 (April 1, 2016 – June 30, 2016)
Profit	1,502	55
Other Comprehensive Income		
Unrealized gain (loss) on available-for-sale securities	206	(206)
Foreign currency translation adjustment	33	(2,382)
Remeasurements of defined benefit plans	(4)	14
Share of other comprehensive income of affiliates accounted for using equity method	—	(22)
Total other comprehensive income	236	(2,596)
Quarterly Comprehensive Income	1,738	(2,527)
(Breakdown)		
Comprehensive income attributable to shareholders of the parent	1,733	(2,519)
Comprehensive income attributable to non-controlling interests	5	(7)

(3) Notes concerning quarterly consolidated financial statements

(Notes on premise of going concern)

No relevant category.

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

Based on the resolution adopted by the board of directors' meeting convened on April 1, 2016, we have acquired shares of own stock in the amount of ¥3,361,600. As a result, in the period under review cumulative treasury stock increased ¥2,999 million to ¥4,696 million in total treasury stock held at the end of the period under review.

(Segment information, etc.)

Segment Information

I. 1Q FY 2016 (from April 1, 2015 to June 30, 2015)

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

(In million yen)

	Reportable Segment				Others (Note 1)	Total	Adjustment amount (Note 2)	Amount stated on the consolidated statement of income for the quarter (Note 3)
	Machine Tool Operations	Industrial Machinery Operations	Food Processing Machinery Operations	Reportable Segment Total				
Net Sales								
Sales to outside customers	10,376	2,040	617	13,034	1,275	14,310	—	14,310
Inter-segment sales or transfers	26	1	—	27	560	588	(588)	—
Total	10,402	2,041	617	13,061	1,836	14,898	(588)	14,310
Segment income	1,526	61	61	1,648	245	1,893	(690)	1,203

- Notes:
- The "Others" category refers to business segments such as high-precision mold and die machinery operations, elemental technology operations, and lease operations not included in reportable segments.
 - The segment income adjustment amount of ¥690 million includes ¥67 million in eliminations of inter-segment transactions and ¥622 million in group overhead not attributable to individual reportable segments. Group overhead consists mainly of the cost of head office functions not attributable to reportable segments.
 - The segment income has been reconciled with the operating income stated on the consolidated statement of income for the period.

2. Information concerning impairment losses on fixed assets, goodwill, etc., by reportable segment

No applicable information.

II. 1Q FY 2017 (from April 1, 2016 to June 30, 2016)

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

(In million yen)

	Reportable Segment				Others (Note 1)	Total	Adjustment amount (Note 2)	Amount stated on the consolidated statement of income for the quarter (Note 3)
	Machine Tool Operations	Industrial Machinery Operations	Food Processing Machinery Operations	Reportable Segment Total				
Net Sales								
Sales to outside customers	8,692	1,805	495	10,993	1,277	12,271	—	12,271
Inter-segment 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 (loss)	998	(37)	(40)	919	251	1,171	(595)	576

- Notes:
- The "Others" category refers to business segments such as high-precision mold and die machinery operations, elemental technology operations, and lease operations not included in reportable segments.
 - The segment income (loss) adjustment amount of ¥595 million includes ¥18 million in eliminations of inter-segment transactions and ¥576 million in group overhead not attributable to individual reportable segments. Group overhead consists mainly of the cost of head office functions not attributable to reportable segments.
 - The segment income (loss) has been reconciled with the operating income stated on the consolidated statement of income for the period.

2. Information concerning impairment losses on fixed assets, goodwill, etc., by reportable segment

No applicable information.