



Summary of Financial Statements for the Third Quarter of the Year Ending December 31, 2019 (J-GAAP) (Consolidated)

November 13, 2019

Stock Exchange: Tokyo Stock Exchange, 1st Section

Company Name: Sodick Co., Ltd.

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

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Scheduled Date of Filing of Quarterly Report: November 13, 2019 Scheduled Date of Dividend Payout: –

Explanatory Documents Supplemental to the Quarterly Financial Statements: Yes

Result Briefing: None

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

1. Consolidated Results for the 3Q of the Fiscal Year Ending December 31, 2019 (from January 1, 2019 to September 30, 2019)

(1) Consolidated Financial Results (Accumulated Total)

(Percentages indicate year on year changes)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
3Q of the fiscal year ending December 31, 2019	49,707	(20.6)	2,746	(66.7)	2,577	(68.1)	1,177	(79.1)
3Q of the fiscal year ended December 31, 2018	62,577	—	8,253	—	8,088	—	5,632	—

Note: Comprehensive income: 3Q of the fiscal year ending December 31, 2019: ¥340 million (–%) / 3Q of the fiscal year ended December 31, 2018: ¥4,702 million (–%)

	Earnings per Share	Diluted Earnings per Share
	¥	¥
3Q of the fiscal year ending December 31, 2019	25.05	21.51
3Q of the fiscal year ended December 31, 2018	119.92	102.97

The Company implemented a change in fiscal term-end from March 31 to December 31, effective from the fiscal year ended December 31, 2017, with approval for partial amendments to the Articles of Incorporation by the 41st ordinary general shareholders' meeting held on June 29, 2017. Owing to this change, the period of 3Q of the fiscal year ended December 31, 2018 does not correspond to the comparable period of 3Q of the fiscal year ended December 31, 2017. As a result, year on year changes are not provided for 3Q of the fiscal year ended December 31, 2018.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ Million	¥ Million	%	¥
3Q of the fiscal year ending December 31, 2019	114,445	56,701	49.5	1,203.42
Fiscal year ended December 31, 2018	119,082	58,129	48.7	1,235.46

Reference: Shareholders' Equity: 3Q of the fiscal year ending December 31, 2019: ¥56,621 million / Fiscal year ended December 31, 2018: ¥58,033 million

Note: The Company has adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28; February 16, 2018), effective from the beginning of 1Q the fiscal year. This change has been applied retrospectively to figures for the fiscal year ended December 31, 2018.

2. Cash Dividends

	Annual Dividend				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2018	—	12.00	—	12.00	24.00
Fiscal year ending December 31, 2019	—	12.00	—		
Fiscal year ending December 31, 2019 (Forecast)				13.00	25.00

Note: Revisions to most recently announced dividend forecast: None

3. Forecast for the Fiscal Year Ending December 31, 2019 (From January 1, 2019 to December 31, 2019)

(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	%	Yen
Full-year	67,000	(19.0)	3,400	(65.6)	3,100	(67.8)	1,500	(76.8)	31.93

Note: Revisions to most recently announced consolidated results forecast: Yes

* Notes

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

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

(i) Shares issued and outstanding as of the balance sheet date (including treasury shares)	3Q of the fiscal year ending December 31, 2019	53,450,916 shares	Fiscal year ended December 31, 2018	53,450,916 shares
(ii) Number of treasury shares as of the balance sheet date	3Q of the fiscal year ending December 31, 2019	6,407,739 shares	Fiscal year ended December 31, 2018	6,477,947 shares
(iii) Average number of shares outstanding during period (quarterly cumulative total)	3Q of the fiscal year ending December 31, 2019	47,010,525 shares	3Q of the fiscal year ended December 31, 2018	46,972,706 shares

* This summary of quarterly financial statements is not subject to any quarterly review by certified public accountants or by auditing companies.

* Cautionary statement regarding forward-looking information

The Company bases the above forecasts on judgments that rely on currently available information and contain numerous

uncertainties. Changing conditions and other factors may cause actual results to differ from the above forecasts. In addition, for

matters regarding forecasts, please refer to: “1. Qualitative Information regarding the Quarterly Financial Statements under Review

(3) Explanation regarding Future Forecast Information including Projections of Consolidated Results” on Page 5 of the attachment to this summary of quarterly financial statements.

1. Qualitative Information Regarding the Quarterly Financial Statements Under Review

The matters mentioned in the text regarding the future are what Sodick Group judged to be as of the end of the quarterly consolidated accounting period under review.

(1) Explanation regarding Results of Operations

During the consolidated cumulative third quarter under review, the Japanese economy continued to follow a moderate recovery path owing primarily to improvement in corporate earnings as well as the employment environment. However, a sense of uncertainty about the future further heightened mainly owing to the protracted trade conflict between the U.S. and China. Meanwhile, a review of overseas economies finds that in the U.S., although the overall economy fared well underpinned largely by improvement in the employment environment and steady consumer spending, business sentiment among manufacturers worsened. In Europe, amid the growing turmoil surrounding Brexit, the economy continued to decline, hit mainly by the slump in manufacturing. China also suffered an economic downturn owing to the sluggish growth in exports and cautious stance toward investment resulting from the US-China trade friction. The economy in other Asian countries was slightly weak, although economic conditions differed from region to region.

Results of Sodick Group's operations amid this business environment are as follows:

< Machine Tool Segment >

In North America, demand from the aerospace and medical equipment-related industries remained robust. However, as the U.S.-China trade conflict had a negative impact on not only China, the Company's largest customer market, but also the entire world for a prolonged period, demand from the smartphone-related industries continued to drop and that from the auto-related industries, which had been comparatively strong, did not pick up. As a result, net sales of the segment decreased sharply from the same period of the previous year.

Segment income fell, year on year, chiefly on account of a lower plant utilization rate associated with a decrease in sales volume as well as an increase in fixed costs.

< Industrial Machinery Segment >

Capital investments continued to decline at home and abroad owing to postponement of investment decisions stemming from the U.S.-China trade conflict. Demand from the smartphone and electronic component-related industries in Japan, China and other regions and countries in Asia remained sluggish. On the other hand, demand from the auto-related industries in Japan as well as that for optical lens forming and water-proof silicon molding machines and infrastructure development to respond to 5G started to pick up.

< Food Processing Machinery Segment >

This segment is engaged in the development, production and sale of a wide range of noodle-making machines, noodle-making plants, sterile-packed cooked rice production systems, etc. as well as the provision of related maintenance services. In addition to the continuing strong demand for high-quality noodle-making equipment, there was a rising demand for sterile-packed cooked rice production systems both in Japan and abroad. Demand for automation equipment for the purpose of hygiene control and labor saving expanded. However, segment sales were stagnant because acceptance inspections of major projects are concentrated in the fourth quarter.

< Others >

Other segments consist of precision mold and precision molding operations involving the made-to-order production of precision connectors and other products, and element technology operations involving the development, production and sale of products utilizing Sodick's unique technologies such as linear motors and ceramic components as well as LED lighting equipment. While demand for precision mold and precision molding operations started recovering, and demand for ceramics, etc. continued to drop.

Profitability of these segments have yet to recover on account of the reinforcement of the capability of production facilities for medium- to long-term business expansion and R&D investments in automatization.

Sodick Group made a major effort to strengthen the Sodick brand by displaying our products at exhibitions at home and abroad. We implemented aggressive business activities to increase the global market share by participating in EMO 2019, an international machine tool trade show, held in Hannover, Germany, where we showcased a linear motor-driven high-speed ultraprecision wire-cut EDM ALC400P; an electric horizontal injection molding machine MS100, which, powered by a servomotor, achieves high-precision, stabilized and high-cycle molding, for the first time in Europe; and other products. In addition, at FOOMA JAPAN 2019, an international exhibition of equipment and technology for the food industry, held at Tokyo Big Sight, we unveiled a newly developed cooling system for granular bodies. Designed to address the problem faced by the confectionery industry, i.e. temperature control of granular materials, this machine rapidly and uniformly cools granular materials and can operate automatically with existing manufacturing equipment. We are determined to aggressively expand our business by not only focusing on our existing major customers in the noodle making and cooked rice industries, but also adding new customers in the bread and confectionery industries to our customer base.

Summary of Financial Statements for the Third Quarter of the Year Ending December 31, 2019

Furthermore, as part of R&D activities in the field of machine tools, our core business, we have developed a large Die-sinker EDM AG200L, which is ideal for large-mold processing. With processing dimensions roughly twice that of a traditional large EDM, this machine is capable of processing large and more complex molds for which there has recently been growing demand mainly in the auto-related industries.

As a result of the above, the consolidated net sales for the cumulative third quarter under review totaled ¥49,707 million (down 20.6% year on year) with operating income at ¥2,746 million (down 66.7%), ordinary income at ¥2,577 million (down 68.1%), and profit attributable to owners of parent at ¥1,177 million (down 79.1%).

Results by segment are described below.

	3Q of the fiscal year ended December 31, 2018 (from January 1 to September 30, 2018)	3Q of the fiscal year ending December 31, 2019 (from January 1 to September 30, 2019)	Increase/decrease	
			(Amount)	(Ratio)
Machine Tool Segment	45,117	34,498	(10,618)	(23.5%)
Industrial Machinery Segment	7,736	7,242	(493)	(6.4%)
Food Processing Machinery Segment	4,934	3,470	(1,464)	(29.7%)
Others	4,789	4,496	(292)	(6.1%)
Net Sales Total	62,577	49,707	(12,869)	(20.6%)

	3Q of the fiscal year ended December 31, 2018 (from January 1 to September 30, 2018)	3Q of the fiscal year ending December 31, 2019 (from January 1 to September 30, 2019)	Increase/decrease	
			(Amount)	(Ratio)
Machine Tool Segment	8,033	3,564	(4,469)	(55.6%)
Industrial Machinery Segment	604	218	(386)	(63.9%)
Food Processing Machinery Segment	618	369	(248)	(40.2%)
Others	931	236	(695)	(74.6%)
Adjustment	(1,935)	(1,643)	292	—
Operating Income Total	8,253	2,746	(5,507)	(66.7%)

(2) Explanation regarding Financial Position

Total assets at the end of the quarterly consolidated accounting period under review stood at ¥114,445 million, a decrease of ¥4,637 million compared to the level at the end of the previous consolidated fiscal year, primarily due to a ¥2,257 million decrease in notes and accounts receivable-trade and a ¥1,695 million increase in accumulated depreciation.

Liabilities at the end of the period totaled ¥57,743 million, a decrease of ¥3,209 million from the end of the previous consolidated fiscal year, mainly reflecting a ¥1,813 million decrease in other current liabilities and a ¥1,216 million decrease in long-term loans payable.

Net assets totaled ¥56,701 million at the end of the period, a decrease of ¥1,428 million from the end of the preceding consolidated fiscal year, largely owing to a ¥1,336 million decrease in foreign currency translation adjustment.

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

There have been revisions in the projections of results that were announced on August 2, 2019.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(In million yen)

	Fiscal Year ended December 31, 2018 (As of December 31, 2018)	3Q Fiscal Year ending December 31, 2019 (As of September 30, 2019)
Assets		
Current assets		
Cash and deposits	33,546	34,010
Notes and accounts receivable-trade	14,972	12,715
Electronically recorded monetary claims-operating	1,545	1,298
Merchandise and finished goods	9,774	8,998
Work in process	8,661	8,768
Raw materials and supplies	8,809	7,847
Other	2,807	2,309
Allowance for doubtful accounts	(171)	(223)
Total current assets	79,946	75,725
Non-current assets		
Property, plant and equipment		
Buildings and structures	26,262	27,836
Machinery, equipment and vehicles	20,059	20,584
Other	13,216	13,048
Accumulated depreciation	(28,626)	(30,322)
Total property, plant and equipment	30,912	31,147
Intangible assets		
Goodwill	1,642	1,521
Other	902	798
Total intangible assets	2,544	2,319
Investments and other assets		
Other	5,797	5,581
Allowance for doubtful accounts	(117)	(328)
Total investments and other assets	5,679	5,252
Total non-current assets	39,136	38,719
Total Assets	119,082	114,445

Summary of Financial Statements for the Third Quarter of the Year Ending December 31, 2019

(In million yen)

	Fiscal Year ended December 31, 2018 (As of December 31, 2018)	3Q Fiscal Year ending December 31, 2019 (As of September 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,855	4,498
Electronically recorded obligations-operating	5,969	4,907
Short-term loans payable	4,106	3,687
Current portion of long-term loans payable	7,777	9,251
Income taxes payable	535	135
Provision	1,064	1,307
Other	7,496	5,682
Total current liabilities	31,804	29,469
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	7,981	7,981
Long-term loans payable	19,659	18,443
Provision	301	276
Net defined benefit liability	609	752
Assets retirement obligations	68	63
Other	528	756
Total non-current liabilities	29,148	28,273
Total liabilities	60,953	57,743
Net Assets		
Shareholders' equity		
Capital stock	20,785	20,785
Capital surplus	5,877	5,896
Retained earnings	32,823	32,850
Treasury shares	(4,698)	(4,647)
Total shareholders' equity	54,788	54,884
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	967	827
Foreign currency translation adjustment	2,513	1,177
Remeasurements of defined benefit plans	(236)	(276)
Total accumulated other comprehensive income	3,244	1,728
Non-controlling interests	96	88
Total Net Assets	58,129	56,701
Total Liabilities and Net Assets	119,082	114,445

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

(In million yen)

	3Q Fiscal Year ended December 31, 2018 (From January 1, 2018 to September 30, 2018)	3Q Fiscal Year ending December 31, 2019 (From January 1, 2019 to September 30, 2019)
Net sales	62,577	49,707
Cost of sales	39,209	33,227
Gross profit	23,368	16,480
Selling, general and administrative expenses		
Personnel expenses	5,707	5,632
Provision of allowance for doubtful accounts	24	54
Other	9,382	8,047
Total selling, general and administrative expenses	15,114	13,734
Operating income	8,253	2,746
Non-operating income		
Interest income	170	180
Dividends income	44	219
Share of profit of entities accounted for using equity method	17	17
Subsidy income	146	94
Other	211	145
Total non-operating income	588	656
Non-operating expenses		
Interest expenses	235	214
Foreign exchange losses	239	262
Condolence payments for directors	193	—
Provision of allowance for doubtful accounts	—	260
Other	85	88
Total non-operating expenses	753	825
Ordinary income	8,088	2,577
Extraordinary income		
Gain on sales of non-current assets	20	8
Other	—	3
Total extraordinary income	20	12
Extraordinary losses		
Loss on sales of non-current assets	7	114
Loss on retirement of non-current assets	12	30
Loss on valuation of shares of subsidiaries and associates	51	44
Loss on valuation of investments in capital of subsidiaries and associates	—	89
Other	1	2
Total extraordinary losses	71	282
Profit before income taxes	8,038	2,307
Income taxes - current	2,238	720
Income taxes - deferred	148	404
Total income taxes	2,386	1,124
Profit	5,651	1,182
Profit attributable to non-controlling interests	18	5
Profit attributable to owners of parent	5,632	1,177

Summary of Financial Statements for the Third Quarter of the Year Ending December 31, 2019

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

(In million yen)

	3Q Fiscal Year ended December 31, 2018 (From January 1, 2018 to September 30, 2018)	3Q Fiscal Year ending December 31, 2019 (From January 1, 2019 to September 30, 2019)
Profit	5,651	1,182
Other comprehensive income		
Valuation difference on available-for-sale securities	(104)	(139)
Foreign currency translation adjustment	(736)	(1,333)
Remeasurements of defined benefit plans, net of tax	(110)	(40)
Share of other comprehensive income of entities accounted for using equity method	2	(9)
Total other comprehensive income	(948)	(1,523)
Comprehensive income	4,702	(340)
Comprehensive income		
Comprehensive income attributable to owners of parent	4,690	(338)
Comprehensive income attributable to non-controlling interests	11	(1)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes regarding going concern assumptions)

None

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

None

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

During the consolidated first quarter of the fiscal year, the Company passed a resolution to implement an absorption-type merger, with Sodick F.T, the Company's subsidiary, as the surviving company and Sodick LED as the absorbed company. The merger took place on January 1, 2019.

As a result of this, Sodick LED has been excluded from the scope of consolidation, effective from 1Q of the fiscal year.

(Additional information)

(Application of Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)

The Company has adopted Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28; February 16, 2018), effective from the beginning of 1Q the fiscal year. Deferred tax assets are classified as investments and other assets, while deferred tax liabilities are classified as non-current liabilities.

(Introduction of restricted stock compensation plan)

The Company resolved, at its Board of Directors meeting held on February 14, 2019, to introduce a restricted stock compensation plan for its Directors (excluding External Directors; hereinafter, "Eligible Directors") with the aim of having Eligible Directors share advantages and disadvantages of stock price fluctuations with shareholders and getting Eligible Directors more motivated than ever before to contribute to raising share price and improving corporate value.

The Company also resolved, at its Board of Directors meeting held on April 19, 2019, to dispose of its treasury shares. Payment procedures were completed on May 8, 2019.

(Segment information, etc.)

I Previous consolidated cumulative third quarter (from January 1, 2018 to September 30, 2018)

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

(In million yen)

	Reportable Segment				Others (Note 1)	Total	Adjustment amount (Note 2)	Amount stated on the quarterly consolidated statement of income (Note 3)
	Machine Tool Segment	Industrial Machinery Segment	Food Processing Machinery Segment	Reportable Segment Total				
Net Sales								
Sales to outside parties	45,117	7,736	4,934	57,788	4,789	62,577	—	62,577
Intersegment sales or transfers	92	93	—	186	2,491	2,677	(2,677)	—
Total	45,210	7,829	4,934	57,974	7,280	65,255	(2,677)	62,577
Segment income	8,033	604	618	9,257	931	10,189	(1,935)	8,253

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 -¥1,935 million to segment income includes -¥18 million in eliminations of intersegment transactions and -¥1,917 million in group overhead not allocable to individual reportable segments. Group overhead consists mainly of the cost of head office functions not attributable to any particular reportable segment.

3. Segment income is stated on reconciliation with the operating income stated in the Consolidated Statements of Quarterly Income.

2. Information on impairment loss or goodwill, etc. of non-current assets by reportable segment

None

II Current consolidated cumulative third quarter (from January 1, 2019 to September 30, 2019)

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

(In million yen)

	Reportable Segment				Others (Note 1)	Total	Adjustment amount (Note 2)	Amount stated on the quarterly consolidated statement of income (Note 3)
	Machine Tool Segment	Industrial Machinery Segment	Food Processing Machinery Segment	Reportable Segment Total				
Net Sales								
Sales to outside parties	34,498	7,242	3,470	45,211	4,496	49,707	—	49,707
Intersegment sales or transfers	30	110	—	140	1,673	1,813	(1,813)	—
Total	34,528	7,353	3,470	45,351	6,169	51,521	(1,813)	49,707
Segment income or loss	3,564	218	369	4,153	236	4,389	(1,643)	2,746

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

2. The adjustment amount of -¥1,643 million to segment income or loss includes ¥80 million in eliminations of intersegment transactions and -¥1,723 million in group overhead not allocable to individual reportable segments. Group overhead consists mainly of the cost of head office functions not attributable to any particular reportable segment.

3. Segment income or loss is stated on reconciliation with the operating income stated in the Consolidated Statements of Quarterly Income.

2. Information on impairment loss or goodwill, etc. of non-current assets by reportable segment

None