



## Summary of Financial Statements for the Year Ended December 31, 2020 (J-GAAP) (Consolidated)

February 12, 2021

Stock Exchange: Tokyo Stock Exchange, 1st Section

Company Name: Sodick Co., Ltd.  
 Code Number: 6143 URL <https://www.sodick.co.jp/>  
 Representative: Kenichi Furukawa, President, Representative Director  
 Contact: Hirofumi Maejima, Executive Managing Director  
 Scheduled date of ordinary general shareholders' meeting: March 30, 2021  
 Scheduled date of dividend payout: March 31, 2021  
 Scheduled date of filing of financial statements: March 30, 2021  
 Explanatory documents supplemental to the financial statements: Yes  
 Results briefing: Yes

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

### 1. Consolidated Results for the Fiscal Year Ended December 31, 2020 (from January 1, 2020 to December 31, 2020)

#### (1) Consolidated Financial Results

(Percentages indicate year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of the Parent	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
Fiscal year ended December 31, 2020	58,030	(14.1)	1,852	(45.9)	2,046	(42.5)	1,346	(32.7)
Fiscal year ended December 31, 2019	67,591	(18.3)	3,422	(65.4)	3,558	(63.0)	2,002	(69.0)

Note: Comprehensive income: Fiscal year ended December 31, 2020: 398 ¥ Million (-76.7%)  
 Fiscal year ended December 31, 2019: 1,713 ¥ Million (-58.8%)

	Earnings per Share	Diluted Earnings per Share	Return on Equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Net Sales
	¥	¥	%	%	%
Fiscal year ended December 31, 2020	28.63	24.59	2.3	1.8	3.2
Fiscal year ended December 31, 2019	42.58	36.57	3.4	3.0	5.1

Reference: Equity in earnings of non-consolidated subsidiaries and affiliates: Fiscal year ended December 31, 2020: 71 ¥ Million  
 Fiscal year ended December 31, 2019: 42 ¥ Million

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ Million	¥ Million	%	¥
Fiscal year ended December 31, 2020	116,117	57,976	49.9	1,230.53
Fiscal year ended December 31, 2019	114,647	58,745	51.2	1,247.06

Reference: Shareholders' Equity: Fiscal year ended December 31, 2020: 57,899 ¥ Million  
 Fiscal year ended December 31, 2019: 58,665 ¥ Million

#### (3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of the Period
	¥ Million	¥ Million	¥ Million	¥ Million
Fiscal year ended December 31, 2020	5,399	(1,539)	1,665	38,255
Fiscal year ended December 31, 2019	8,336	(5,609)	(2,228)	32,890

## 2. Cash Dividends

	Annual Dividend					Total Cash Dividend Paid (Annual)	Payout Ratio (Consolidated)	Ratio of Dividend Paid to Net Assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total			
	¥	¥	¥	¥	¥	¥ Million	%	%
Fiscal year ended December 31, 2019	—	12.00	—	13.00	25.00	1,176	58.7	2.0
Fiscal year ended December 31, 2020	—	12.00	—	13.00	25.00	1,176	87.3	2.0
Fiscal year ending December 31, 2021 (Forecast)	—	13.00	—	13.00	26.00		40.8	

## 3. Forecast for the Fiscal Year Ending December 31, 2021 (From January 1, 2021 to December 31, 2021)

(Percentages indicate year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of the Parent		Earnings per Share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	¥
Full-year	65,400	12.7	4,100	121.3	4,100	100.3	3,000	122.7	63.76

### Notes

(1) Changes in important subsidiaries during the fiscal year under review (changes that occurred in specified subsidiaries in conjunction with a change in the scope of consolidation): None

(2) 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

(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)	Fiscal year ended December 31, 2020	53,363,016 shares	Fiscal year ended December 31, 2019	53,450,916 shares
(ii) Number of treasury shares as of the balance sheet date	Fiscal year ended December 31, 2020	6,310,577 shares	Fiscal year ended December 31, 2019	6,407,799 shares
(iii) Average number of shares outstanding during period	Fiscal year ended December 31, 2020	47,039,613 shares	Fiscal year ended December 31, 2019	47,018,752 shares

## (Reference) Summary of Non-consolidated Results

### 1. Non-consolidated Results for the Fiscal Year Ended December 31, 2020 (from January 1, 2020 to December 31, 2020)

(1) Non-consolidated Financial Results

(Percentages indicate year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Profit	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
Fiscal year ended December 31, 2020	33,502	(21.3)	(934)	—	1,210	(40.0)	1,348	(8.1)
Fiscal year ended December 31, 2019	42,557	(12.2)	817	(77.8)	2,019	(63.4)	1,466	(67.6)

	Earnings per Share	Diluted Earnings per Share
	¥	¥
Fiscal year ended December 31, 2020	28.66	24.61
Fiscal year ended December 31, 2019	31.19	26.79

Summary of Financial Statements for the Year Ended December 31, 2020

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ Million	¥ Million	%	¥
Fiscal year ended December 31, 2020	84,948	38,296	45.1	813.92
Fiscal year ended December 31, 2019	83,731	38,405	45.9	816.40

Reference: Shareholders' Equity: Fiscal year ended December 31, 2020: 38,296 ¥ Million  
Fiscal year ended December 31, 2019: 38,405 ¥ Million

\* These financial statements are not subject to audit performed by certified public accountants or an audit firm.

\* Cautionary statement regarding forward-looking information

The Company bases the above forecasts on judgments that rely on currently available information and contain numerous uncertainties. Changing conditions and other factors may cause actual results to differ from the above forecasts. For the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof, please refer to "1. Overview of Results of Operations, etc. (4) Future Outlook."

## 1. Overview of Results of Operations, etc.

### (1) Analysis of Results of Operations

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

#### (i) General overview

During the fiscal year under review, we saw a tense economic situation where economic activities have been restrained owing to the global spread of COVID-19. Also in the manufacturing sector, capital investment was also restrained. While the future remained uncertain due to the prolonged pandemic of COVID-19, the economy in China, our largest market, began to recover ahead of other countries, and there were also signs of economic recovery in other regions in the latter half of the year.

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

In terms of prevention of the spread of COVID-19 infection, Sodick has maintained a system of continuing business while reducing the risk of infection by encouraging working at home and staggered working hours, not to mention being thorough in safety and health. In addition, in order to contribute to society, we developed “Face Tech,” a face shield frame, and supplied it to medical facilities, schools, and sports organizations.

On the R&D front, we have developed new products that meet market needs, such as the wire-cut EDM “AL i Groove Edition” series, with the world’s first “Wire rotation mechanism,” enhancing advantages in machining performance, resource conservation, stability, and automation, the V-LINE® inert gas dissolution injection molding system “INFILT-V” that facilitates the molding of biodegradable plastics, the large double shaft mixer “TM -350 W” that is suitable for mixing high-quality instant noodles and chilled noodles, and the ultra-high-speed small-hole drilling EDM “K4HL” that enables high-speed, high-precision, high-quality, long-time continuous machining of different hole diameters. This “K4HL” received the Monozukuri Prize at the Nikkan Kogyo Shimbun’s 2020 (63rd) Best 10 New Product Awards.

As part of sales and service activities, we are conducting activities using IT in such a way as holding Web exhibitions or servicing through remote tools, as exhibitions cancelled one after another due to the impact of the COVID-19 pandemic.

Under these circumstances, the consolidated net sales for the fiscal year under review totaled ¥58,030 million (down 14.1% year on year), with operating income at ¥1,852 million (down 45.9% year on year), ordinary income at ¥2,046 million (down 42.5% year on year) and profit attributable to owners of the parent at ¥1,346 million (down 32.7% year on year).

## (ii) Segment overview

Machine Tool Segment	Net sales	¥38,024 million	Y/y change (rate)	Down 17.0%
	Operating Income	¥2,896 million	Y/y change (amount)	Down 1,724 million yen
Owing to the spread of COVID-19 infection, the economy slowed down all over the world. A wide range of industries, including the automotive industry, the electronic component industry, and the aerospace industry, tended to postpone product shipment and capital investment owing mainly to the suspension of business activities. Demand in the 5G-related and semiconductor-related segments in China continued to recover after March and there were signs of recovery in other regions in the latter half of the fiscal year. However, net sales fell year on year. Segment income also decreased year on year, chiefly on account of a lower plant-utilization rate associated with a decrease in sales volume.				
Industrial Machinery Segment	Net sales	¥10,931 million	Y/y change (rate)	Up 11.8%
	Operating income	¥596 million	Y/y change (amount)	Up ¥431 million
Although economic activities have continued to be restrained owing to the impact of the global spread of COVID-19 infection, net sales rose year on year as there was a demand for next generation auto-related industries products, such as CASE, in addition to 5G smartphone related orders received from new customers in Greater China as a result of sales efforts.				
Food Processing Machinery Segment	Net sales	¥3,585 million	Y/y change (rate)	Down 42.9%
	Operating income	¥65 million	Y/y change (amount)	Down ¥559 million
This segment is engaged in the development, production, and sale of a wide range of noodle-making machines, noodle-making plants, sterile-packed cooked-rice production systems, etc. as well as the provision of related maintenance services. There was a rising demand related to nest-dweller consumption incidental to refraining from going outside, in addition to that for sanitary equipment and equipment to respond to manpower reduction. However, due to the spread of COVID-19, sales activities were forced to be stagnant and there were some cases where the originally expected order date was postponed. Furthermore, owing to the absence of major noodle-making projects in the same period in the same period a year ago, sales plunged from a year earlier.				
Others	Net sales	¥5,488 million	Y/y change (rate)	Down 4.3%
	Operating income	¥319 million	Y/y change (amount)	Up ¥8 million
Other segments consist of precision mold and precision molding operations involving the made-to-order production of precision connectors and other products, and elemental technology operations involving the sale, etc. of linear motors and ceramics components. Demand for ceramics is also increasing, reflecting the increased demand for information and communications equipment due to telework and other factors caused by the spread of COVID-19 infection. In the die and mold manufacturing business, there were signs of a recovery in demand in the automotive industry.				

## (2) Analysis of Financial Position

## (i) Assets, Liabilities, and Net Assets

Total assets stood at ¥116,117 million as of the end of the year under review, an increase of ¥1,469 million from the end of the previous fiscal year, primarily due to a ¥5,047 million increase in cash and deposits, a ¥2,487 million decrease in accumulated depreciation and a ¥1,064 million decrease in merchandise and finished goods.

Meanwhile, liabilities at the end of the fiscal year under review totaled ¥58,140 million, an increase of ¥2,238 million from the end of the previous year, mainly reflecting a ¥4,878 million increase in long-term borrowings payable and a ¥2,201 million decrease in current portion of long-term borrowings payable.

Net assets totaled ¥57,976 million at the end of the fiscal year under review, a decrease of ¥768 million from the end of the preceding year, largely due to a ¥539 million decrease in foreign currency translation adjustment.

As a result, the equity ratio stood at 49.9% at the end of the fiscal year.

## (ii) Cash Flows

Cash and cash equivalents (hereinafter, “cash”) were ¥38,255 million at the end of the fiscal year under review, up ¥5,364 million from the end of the prior fiscal year, due to the following changes in cash flows:

Cash flows and reason for changes in cash flows during the year under review are described as follows:

## (Cash flows from operating activities)

Cash acquired from operating activities of ¥5,399 million (as compared with ¥8,336 million acquired in the preceding fiscal year) was chiefly due to ¥2,078 million in profit before income taxes and ¥3,399 million in depreciation.

## (Cash flows from investing activities)

Cash used by investing activities of ¥1,539 million (as compared with ¥5,609 million used in the preceding year) was primarily due to ¥1,538 million for the purchase of property, plant and equipment.

(Cash flows from financing activities)

Cash used by financing activities of ¥1,665 million (as compared with ¥2,228 million used in the previous year) was primarily due to proceeds from long-term borrowings payable of ¥12,500 million, partially offset by the repayment of long-term borrowings payable of ¥9,810 million and the payment of cash dividends paid of ¥1,176 million.

Cash flow indicators of Sodick Group trended as follows.

	FY ended Dec. 31, 2017	FY ended Dec. 31, 2018	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Equity ratio (%)	45.2	48.7	51.2	49.9
Equity ratio based on market capitalization (%)	56.5	27.2	40.0	35.7
Ratio of cash flow to interest-bearing liabilities (years)	9.2	4.3	4.6	7.7
Interest coverage ratio (times)	17.4	29.3	28.5	18.6

Notes: Equity ratio = Shareholders' equity / total assets

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

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

Interest coverage ratio = Operating cash flow / interest expenditure

\* The basis of calculation for all values is consolidated financial data.

\* Market capitalization is calculated by multiplying the closing price of Sodick shares at the end of the fiscal year by the number of shares outstanding (less treasury shares) at the end of the fiscal year.

\* Interest-bearing liabilities comprise all liabilities on the consolidated balance sheet on which interest is payable and non-interest bearing convertible bond-type bonds with share acquisition rights

\* Operating cash flow and interest expenditure refer to "Cash Flows from Operating Activities" and "Interest expenses paid" according to the consolidated statement of cash flows.

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

Given that Sodick holds custody over shareholders' valuable capital for the corporate activities of the Company, we are committed to ensuring sufficient internal reserves necessary for future business development and for strengthening management resources. Consistent with these principles, our basic policy for dividend payments has been to preserve stability and continuity. Specifically, we aim to maintain a dividend-on-equity ratio (DOE) of 2% or more, comprehensively taking into account the subject year's business results and cash flows.

We will be using internal reserves in effective ways from a long-term perspective for R&D and capital investment to continuously enhance the Company's operating results. For the period under review, in keeping with the dividend basic policy and consistent with our judgment of business performance, we propose an annual dividend of ¥25 per share, comprised of a fiscal year-end regular dividend of ¥13 and a second quarter-end dividend of ¥12.

For the next fiscal year, we expect to propose an annual dividend of ¥26 per share, comprised of a fiscal year-end regular dividend of ¥13 and a second quarter-end dividend of ¥13.

### (4) Future Outlook

We expect that the demand for capital investment will continue to grow amid ongoing development of manufacturing at an international level in the medium and long run. Of all industries, the automotive industry, in which the Company's major customers operate, sees demand for automotive lightening and automotive electronics and electronic systems as well as fewer gasoline-powered vehicles further increase in response to CASE (Connected, Autonomous, Shared/Service, Electric) and MaaS (Mobility as a Service). In addition, as capital investment to upgrade systems continues to increase in line with the development of AI and IoT and towards diffusion of the next-generation mobile technology 5G, capital investment-related demand for high-precision machinery is likely to further rise.

While the economy is expected to recover from the latter half of the year owing to growing expectations that the impact of the spread of the COVID-19 will be brought to an end by the start of vaccination. We see, however, that the business outlook remains uncertain since there are risks, such as the further spread of the infection, delays in vaccine supply, and pressure on national finances around the world.

Under these circumstances, each segment is forecast to perform in the next fiscal year as follows:

Summary of Financial Statements for the Year Ended December 31, 2020

Machine Tool Segment	Net sales	¥41,200 million	Y/y change (rate)	Up 8.4%
	Operating income	¥4,800 million	Y/y change (amount)	Up ¥1,903 million
We see demand for capital investment will be on a recovery trend since, in addition to continuing recovery of demand in the 5G-related and semiconductor-related fields centered on China, which is the Company's largest market, demand for high-precision machines is forecast to increase in line with highly-advanced manufacturing accompanied by the promotion of next-generation auto-related industries products such as CASE, and the global economy, which slowed down due to the spread of the COVID-19 infection and associated lockdown measures in major cities around the world, is expected to revive.				
Industrial Machinery Segment	Net sales	¥10,300 million	Y/y change (rate)	Down 5.8%
	Operating income	¥500 million	Y/y change (amount)	Down ¥96 million
While demand is expected to remain strong for 5G-related components such as antennas and lenses, as well as for next-generation auto-related industries products such as CASE, the competitive environment seems to become increasingly severe, and we will strive to win more orders by meeting customer needs accurately and timely.				
Food Processing Machinery Segment	Net sales	¥6,500 million	Y/y change (rate)	Up 81.3%
	Operating income	¥300 million	Y/y change (amount)	Up ¥234 million
In addition to the postponed capital investment projects from 2020 due to the spread of COVID-19, the food processing machinery segment is likely to see an increase demand both in Japan and abroad for high-quality noodle making equipment as well as sterile-packed cooked rice production systems and automated production facilities.				
Others	Net sales	¥7,400 million	Y/y change (rate)	Up 34.8%
	Operating income	¥700 million	Y/y change (amount)	Up ¥380 million
External sales of ceramics are expected to see continued demand for ceramics thanks to increasing demand for information and communications equipment, while demand in the die and mold manufacturing business is expected to grow with the expansion of molding items in the automotive industry.				

For the fiscal year ending December 31, 2021, Sodick Group aims to achieve net sales of ¥65,400 million (up 12.7% year on year), with operating income of ¥4,100 million (up 121.3%), ordinary income of ¥4,100 million (up 100.3%), and net profit attributable to owners of the parent of ¥3,000 million (up 122.7%). These forecasts are based on the fiscal year average exchange rate of 104 yen against the U.S. dollar and 122 yen against the euro.

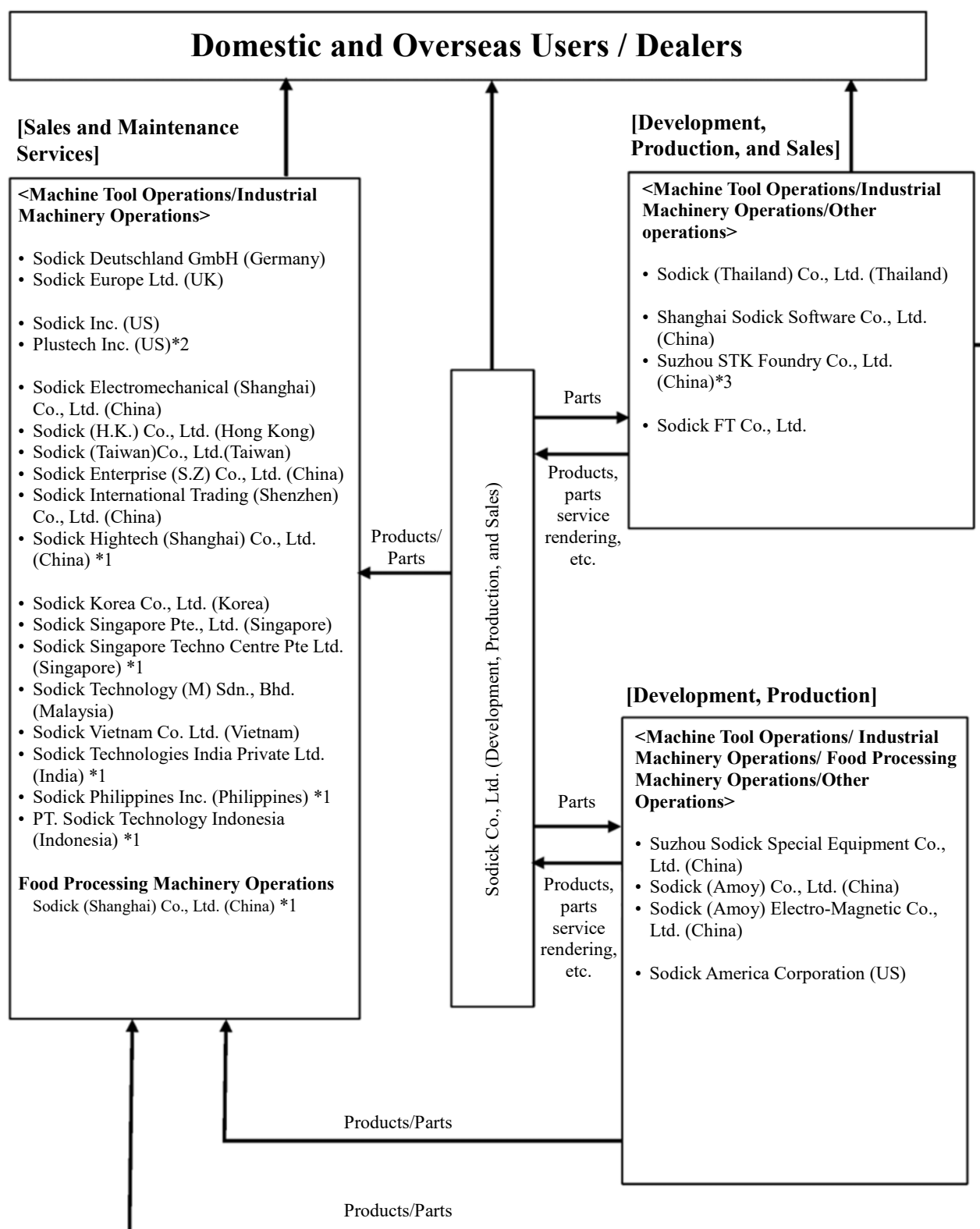
	FY ending Dec. 31, 2021 Full-year forecasts (¥ Million)	Fiscal year ended December 31, 2020 Actual results (¥ Million)	Year-on-year change (%)
Net sales	65,400	58,030	12.7
Operating income	4,100	1,852	121.3
Ordinary Income	4,100	2,046	100.3
Profit attributable to owners of the parent	3,000	1,346	122.7

Note: Please be reminded that these projections reflect judgments of the Company using currently available information. Depending on both known and unknown risks and uncertain factors, actual results may differ from these projections.

## 2. Corporate Group

The operations of Sodick Group consist of the following four divisions: (i) Machine Tool Operations engaged in the development, production, and marketing of electrical discharge machines (EDMs), machining centers, and metal 3D printers; (ii) Industrial Machinery Operations engaged in the development, production, and marketing of injection molding machines; (iii) Food Processing Machinery Operations engaged in the development, production, and marketing of mainly noodle production plants, noodle production equipment, and sterile-packed cooked rice production systems; and (iv) Other operations include precision mold and precision molding operations involving the made-to-order production of precision connectors and other products, and element technology operations involving the sale, etc. of linear motors and ceramic components. These operations work together in organic interconnections to contribute to the business of Sodick Group. The following diagram gives an overview of the main business relationships in the Group.





Unmarked = Consolidated subsidiaries

\*1 Non-consolidated subsidiaries

\*2 Affiliates included under the equity method

\*3 Affiliates not included under the equity method

### **3. Basic Approach to the Selection of Accounting Standards**

As a matter of policy, Sodick Group has been preparing its consolidated financial statements in accordance with the Generally Accepted Accounting Principles of Japan, which has the advantage of facilitating comparisons with prior accounting periods and other companies. For the time being, this policy remains in force. A shift to the application of International Financial Reporting Standards (IFRS) would depend on future developments in Japan and overseas.

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

(In million yen)

	Fiscal year ended December 31, 2019 (as of December 31, 2019)	Fiscal year ended December 31, 2020 (as of December 31, 2020)
<b>Assets</b>		
Current assets:		
Cash and deposits	33,873	38,920
Notes and accounts receivable-trade	13,773	13,268
Electronically recorded monetary claims-operating	1,589	2,149
Merchandise and finished goods	8,733	7,668
Work in process	7,585	7,159
Raw materials and supplies	7,339	6,492
Other	2,774	2,508
Allowance for doubtful accounts	(379)	(214)
Total current assets	75,290	77,954
Non-current assets		
Property, plant and equipment		
Buildings and structures	28,257	28,136
Machinery, equipment, and vehicles	20,887	21,095
Tools, furniture, and fixtures	3,831	3,954
Land	7,274	7,222
Leased assets	1,699	2,403
Construction in progress	706	833
Accumulated depreciation	(30,800)	(33,287)
Total property, plant and equipment	31,856	30,358
Intangible assets		
Goodwill	1,494	1,336
Other	916	892
Total intangible assets	2,411	2,228
Investments and other assets		
Investment securities	3,501	3,226
Long-term loans receivable	5	3
Deferred tax assets	601	1,112
Other	1,075	1,290
Allowance for doubtful accounts	(95)	(57)
Total investments and other assets	5,088	5,575
Total non-current assets	39,357	38,162
Total Assets	114,647	116,117

(In million yen)

	Fiscal year ended December 31, 2019 (as of December 31, 2019)	Fiscal year ended December 31, 2020 (as of December 31, 2020)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	4,231	4,297
Electronically recorded obligations-operating	5,063	3,870
Short-term borrowings payable	2,508	2,719
Current portion of bonds payable	140	8,121
Current portion of long-term borrowings payable	8,944	6,743
Accounts payable - other	1,092	883
Income taxes payable	293	401
Provision for product warranties	365	342
Provision for quality guarantee	2	5
Provision for bonuses	325	489
Provision for point card certificates	1	1
Provision for loss on compensation for damage	-	75
Other	4,123	4,196
Total current liabilities	27,092	32,146
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	8,841	720
Long-term borrowings payable	18,203	23,081
Provision for directors' retirement benefits	22	22
Provision for product warranties	248	190
Net defined benefit liability	545	592
Asset retirement obligations	63	64
Other	885	1,322
Total non-current liabilities	28,810	25,993
Total liabilities	55,902	58,140
<b>Net Assets</b>		
Shareholders' equity		
Capital stock	20,785	20,785
Capital surplus	5,896	5,877
Retained earnings	33,670	33,787
Treasury shares	(4,647)	(4,566)
Total shareholders' equity	55,705	55,884
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	901	596
Foreign currency translation adjustment	2,286	1,746
Remeasurements of defined benefit plans	(227)	(328)
Total accumulated other comprehensive income	2,960	2,014
Non-controlling interests	79	77
Total net assets	58,745	57,976
Total Liabilities and Net Assets	114,647	116,117

**(2) Consolidated Statements of Income and Comprehensive Income**

(Consolidated Statements of Income)

(In million yen)

	Fiscal year ended December 31, 2019 (from Jan. 1, 2019 to Dec. 31, 2019)	Fiscal year ended December 31, 2020 (from Jan. 1, 2020 to Dec. 31, 2020)
Net sales	67,591	58,030
Cost of sales	45,421	39,779
Gross profit	22,169	18,250
Selling, general and administrative expenses		
Personnel expenses	7,469	7,343
Provision of allowance for doubtful accounts	1	57
Amortization of goodwill	139	138
Provision for point card certificates	0	0
R&D expenses	2,528	2,216
Other	8,609	6,640
Total selling, general and administrative expenses	18,747	16,397
Operating income	3,422	1,852
Non-operating income		
Interest income	256	266
Dividends income	236	118
Equity in earnings of affiliates	42	71
Subsidy income	212	424
Gain on sale of scraps	20	16
Other	244	190
Total non-operating income	1,013	1,088
Non-operating expenses		
Interest expenses	285	285
Foreign exchange losses	132	393
Provision of allowance for doubtful accounts	274	49
Other	184	166
Total non-operating expenses	877	894
Ordinary income	3,558	2,046
Extraordinary income		
Gain on sales of non-current assets	138	28
Gain on liquidation of subsidiaries and associates	—	129
Other	3	1
Total extraordinary income	141	159
Extraordinary losses		
Loss on sales of non-current assets	114	1
Loss on retirement of non-current assets	31	31
Loss on valuation of shares of subsidiaries and associates	87	18
Loss on valuation of investments in capital of subsidiaries and associates	94	—
Provision of allowance for loss on compensation for damage	—	75
Other	2	1
Total extraordinary losses	330	128
Profit before income taxes	3,369	2,078
Income taxes - current	888	1,178
Income taxes - deferred	479	(444)
Total income taxes	1,368	734
Profit	2,001	1,343
Profit (loss) attributable to non-controlling interests	(1)	(3)
Profit attributable to owners of the parent	2,002	1,346

## (Consolidated Statements of Comprehensive Income)

(In million yen)

	Fiscal year ended December 31, 2019 (from Jan. 1, 2019 to Dec. 31, 2019)	Fiscal year ended December 31, 2020 (from Jan. 1, 2020 to Dec. 31, 2020)
Profit	2,001	1,343
Other comprehensive income		
Valuation difference on available-for-sale securities	(65)	(304)
Foreign currency translation adjustment	(227)	(515)
Remeasurements of defined benefit plans, net of tax	9	(100)
Share of other comprehensive income of entities accounted for using equity method	(4)	(23)
Total other comprehensive income	(287)	(944)
Comprehensive income	1,713	398
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,718	401
Comprehensive income attributable to non-controlling interests	(4)	(2)

**(3) Consolidated Statements of Changes in Equity**

Fiscal year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)

(In million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current fiscal year	20,785	5,877	32,823	(4,698)	54,788
Changes of items during current fiscal year					
Dividends of surplus			(1,128)		(1,128)
Reserve for the awards and welfare fund for employees of foreign subsidiaries			(26)		(26)
Profit attributable to owners of the parent			2,002		2,002
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				51	51
Restricted stock compensation		18			18
Net changes of items other than shareholders' equity					
Total changes of items during current fiscal year	—	18	847	50	916
Balance at end of current fiscal year	20,785	5,896	33,670	(4,647)	55,705

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Accumulated other comprehensive income		
Balance at beginning of current fiscal year	967	2,513	(236)	3,244	96	58,129
Changes of items during current fiscal year						
Dividends of surplus						(1,128)
Reserve for the awards and welfare fund for employees of foreign subsidiaries						(26)
Profit attributable to owners of the parent						2,002
Purchase of treasury shares						(0)
Disposal of treasury shares						51
Restricted stock compensation						18
Net changes of items other than shareholders' equity	(65)	(227)	9	(284)	(16)	(300)
Total changes of items during current fiscal year	(65)	(227)	9	(284)	(16)	615
Balance at end of current fiscal year	901	2,286	(227)	2,960	79	58,745

Fiscal year ended December 31, 2020 (from Jan. 1, 2020 to Dec. 31, 2020)

(In million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current fiscal year	20,785	5,896	33,670	(4,647)	55,705
Changes of items during current fiscal year					
Dividends of surplus			(1,176)		(1,176)
Reserve for the awards and welfare fund for employees of foreign subsidiaries			(5)		(5)
Profit attributable to owners of the parent			1,346		1,346
Purchase of treasury shares				(53)	(53)
Disposal of treasury shares				70	70
Cancellation of treasury shares		(15)	(48)	63	
Restricted stock compensation		(3)			(3)
Net changes of items other than shareholders' equity					
Total changes of items during current fiscal year	–	(18)	117	81	179
Balance at end of current fiscal year	20,785	5,877	33,787	(4,566)	55,884

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Accumulated remeasurements of defined benefit plans	Accumulated other comprehensive income		
Balance at beginning of current fiscal year	901	2,286	(227)	2,960	79	58,745
Changes of items during current fiscal year						
Dividends of surplus						(1,176)
Reserve for the awards and welfare fund for employees of foreign subsidiaries						(5)
Profit attributable to owners of the parent						1,346
Purchase of treasury shares						(53)
Disposal of treasury shares						70
Cancellation of treasury shares						–
Restricted stock compensation						(3)
Net changes of items other than shareholders' equity	(304)	(539)	(100)	(945)	(2)	(947)
Total changes of items during current fiscal year	(304)	(539)	(100)	(945)	(2)	(768)
Balance at end of current fiscal year	596	1,746	(328)	2,014	77	57,976



**(4) Consolidated Statements of Cash Flows**

(In million yen)

	Fiscal year ended December 31, 2019 (from Jan. 1, 2019 to Dec. 31, 2019)	Fiscal year ended December 31, 2020 (from Jan. 1, 2020 to Dec. 31, 2020)
<b>Cash flows from operating activities</b>		
Profit before income taxes	3,369	2,078
Depreciation	3,664	3,399
Amortization of goodwill	139	138
Increase (decrease) in net defined benefit liability	(49)	(67)
Increase (decrease) in provision for bonuses	(286)	165
Increase (decrease) in provision of allowance for doubtful accounts	188	50
Interest and dividend income	(493)	(384)
Interest expenses	285	285
Share of (profit) loss of entities accounted for using equity method	(42)	(71)
Foreign exchange losses (gains)	11	100
Loss (gains) on sale and revaluation of investment securities	90	—
Loss on valuation of shares of subsidiaries and associates	—	18
Loss (gains) on sale and retirement of non-current assets	8	4
Decrease (increase) in trade receivables	1,070	(86)
Decrease (increase) in inventories	2,944	1,610
Increase (decrease) in trade payable	(1,519)	(1,102)
Increase (decrease) in accounts payable - other	(258)	(134)
Increase (decrease) in advances received	(408)	101
Increase (decrease) in accrued consumption taxes	582	32
Other	56	574
<b>Subtotal</b>	<b>9,352</b>	<b>6,712</b>
Interest and dividends received	410	267
Interest expenses paid	(292)	(290)
Income taxes refund(or paid)	(1,133)	(1,289)
<b>Net cash provided by operating activities</b>	<b>8,336</b>	<b>5,399</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(53)	(413)
Proceeds from withdrawal of time deposits	48	506
Purchase of property, plant and equipment	(5,645)	(1,538)
Proceeds from sales of property, plant and equipment	767	68
Purchase of intangible assets	(357)	(175)
Purchase of investment securities	(0)	(0)
Proceeds from sale of investment securities	1	—
Purchase of shares of subsidiaries and associates	(75)	(56)
Payments of loans receivable	(332)	—
Collection of loans receivable	145	18
Other	(108)	51
<b>Net cash provided by investing activities</b>	<b>(5,609)</b>	<b>(1,539)</b>

(In million yen)

	Fiscal year ended December 31, 2019 (from Jan. 1, 2019 to Dec. 31, 2019)	Fiscal year ended December 31, 2020 (from Jan. 1, 2020 to Dec. 31, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings payable	(1,645)	227
Proceeds from long-term borrowings payable	8,000	12,500
Repayment of long-term borrowings payable	(8,291)	(9,810)
Proceeds from issuance of bonds	1,000	—
Redemption of bonds	—	(140)
Repayments of finance lease obligations	(138)	(250)
Proceeds from sale and leaseback transactions	—	416
Purchase of treasury shares	(0)	(53)
Cash dividends paid	(1,128)	(1,176)
Other	(24)	(48)
Net cash provided by financing activities	(2,228)	1,665
Effect of exchange rate change on cash and cash equivalents	(302)	(160)
Net increase (decrease) in cash and cash equivalents	195	5,364
Cash and cash equivalents at the beginning of the period	32,650	32,890
Increase in cash and cash equivalents resulting from merger with non-consolidated subsidiaries	44	—
Cash and cash equivalents at the end of the period	32,890	38,255

**(5) Notes to Consolidated Financial Statements**

(Notes regarding going concern assumptions)

None

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

None

(Changes of the presentation method)

(Additional information)

(Segment information, etc.)

1. Summary of reportable segments

Reportable segments are business units of Sodick for which stand-alone financial information is available and whose allocation of management resources and financial results are, at regular intervals, the subject of decisions and assessments of the board of directors.

Sodick runs its business operations using comprehensive strategic planning that distinguishes between products and services. The Group's three reportable segments comprise the Machine Tool Segment, the Industrial Machinery Segment and the Food Processing Machinery Segment.

Main products by segment comprise electrical discharge machines and machining centers in the Machine Tool Segment, plastic injection molding machines in the Industrial Machinery Segment, and noodle production plant and equipment in the Food Processing Machinery Segment. In each segment the scope of operations includes product development, manufacture, and sales.

2. Method of computation of net sales, income or loss, assets, liabilities, and other items by reportable segments

The accounting methods used in each reportable segment are the same as described in the "Important Matters Concerning the Basis of Preparation of Consolidated Financial Statements."

Income information of reportable segments reflects operating income.

Intersegment sales data are based on arm's length transaction prices.

3. Information on sales, operating income (loss), assets, and other items by reportable segment

Fiscal year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)

(In million yen)

	Reportable Segment				Others (Note 1)	Total	Adjustment amount (Notes 2, 3, 4, 5)	Amount stated on the consolidated statement of income (Note 6)
	Machine Tool Segment	Industrial Machinery Segment	Food Processing Machinery Segment	Reportable Segment Total				
Net sales								
Sales to outside parties	45,797	9,773	6,283	61,854	5,737	67,591	—	67,591
Intersegment sales or transfers	37	151	—	188	2,101	2,289	(2,289)	—
Total	45,834	9,925	6,283	62,042	7,838	69,881	(2,289)	67,591
Segment income	4,621	165	625	5,411	311	5,723	(2,301)	3,422
Segment assets	65,828	11,890	2,917	80,636	12,766	93,403	21,244	114,647
Other								
Depreciation	2,486	390	113	2,989	527	3,516	147	3,664
Amortization of goodwill	91	31	—	122	16	139	—	139
Increase in tangible and intangible non-current assets	4,877	272	80	5,229	752	5,982	579	6,561

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

2. The adjustment amount of -¥2,301 million to segment income includes ¥58 million in eliminations of intersegment transactions and -¥2,359 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. The adjustment amount of ¥21,244 million to segment assets includes ¥22,416 million in group assets that are not allocable to reportable segments and -¥1,172 million in eliminations of intersegment transactions. Group assets consist mainly of assets related to head office functions not attributable to reportable segments.

4. The adjustment amount of ¥147 million to depreciation of the category headed "Other" consists of ¥147 million in Group-based depreciation not attributable to reportable segments.

5. The adjustment amount of ¥579 million to increases in property, plant and equipment and intangible assets in the category headed "Other" consists of ¥579 million in Group-based property, plant and equipment and intangible assets not attributable to reportable segments.

6. Segment income is stated on reconciliation with the operating income stated in the consolidated statement of income.

Summary of Financial Statements for the Year Ended December 31, 2020

Fiscal year ended December 31, 2020 (from Jan. 1, 2020 to Dec. 31, 2020)

(In million yen)

	Reportable Segment				Others (Note 1)	Total	Adjustment amount (Notes 2, 3, 4, 5)	Amount stated on the consolidated statement of income (Note 6)
	Machine Tool Segment	Industrial Machinery Segment	Food Processing Machinery Segment	Reportable Segment Total				
Net sales								
Sales to outside parties	38,024	10,931	3,585	52,541	5,488	58,030	—	58,030
Intersegment sales or transfers	196	135	—	332	1,631	1,964	(1,964)	—
Total	38,221	11,066	3,585	52,874	7,120	59,994	(1,964)	58,030
Segment income	2,896	596	65	3,558	319	3,878	(2,025)	1,852
Segment assets	63,559	11,326	3,647	78,533	11,237	89,771	26,346	116,117
Other								
Depreciation	2,243	446	100	2,789	488	3,278	121	3,399
Amortization of goodwill	90	31	—	122	16	138	—	138
Increase in tangible and intangible non-current assets	718	220	50	989	1,414	2,404	44	2,448

- Notes: 1. The category headed “Others” covers business segments outside reportable ones, such as precision molds and molding operations and elemental technology operations.
2. The adjustment amount of -¥2,025 million to segment income includes ¥65 million in eliminations of intersegment transactions and -¥2,091 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. The adjustment amount of ¥26,346 million to segment assets includes ¥27,228 million in group assets that are not allocable to reportable segments and -¥882 million in eliminations of intersegment transactions. Group assets consist mainly of assets related to head office functions not attributable to reportable segments.
4. The adjustment amount of ¥121 million to depreciation of the category headed “Other” consists of ¥121 million in Group-based depreciation not attributable to reportable segments.
5. The adjustment amount of ¥44 million to increases in property, plant and equipment and intangible assets in the category headed “Other” consists of ¥44 million in Group-based property, plant and equipment and intangible assets not attributable to reportable segments.
6. Segment income is stated on reconciliation with the operating income stated in the consolidated statement of income.

(Per-share information)

	Fiscal year ended Dec. 31, 2019 (from Jan. 1, 2019 to Dec. 31, 2019)	Fiscal year ended Dec. 31, 2020 (from Jan. 1, 2020 to Dec. 31, 2020)
Net assets per share (yen)	1,247.06	1,230.53
Earnings per share (yen)	42.58	28.63
Diluted Earnings per share (yen)	36.57	24.59

Note: The table below shows the basis of calculation of earnings per share and diluted earnings per share.

	Fiscal year ended Dec. 31, 2019 (from Jan. 1, 2019 to Dec. 31, 2019)	Fiscal year ended Dec. 31, 2020 (from Jan. 1, 2020 to Dec. 31, 2020)
Earnings per share (yen)		
Profit attributable to owners of the parent (¥ Million)	2,002	1,346
Portion not attributable to shares of common stock (¥ Million)	—	—
Profit attributable to owners of parent company's common stock (¥ Million)	2,002	1,346
Average number of common stock outstanding (thousands of shares)	47,018	47,039
Diluted Earnings per share (yen)		
Adjustment to Profit attributable to owners of the parent (¥ Million)	—	—
Increase in the number of common stock (thousands of shares)	7,733	7,733
(of which convertible bonds (thousands of shares))	(7,733)	(7,733)
Description of dilutive shares not included in calculation of diluted earnings per share due to no dilutive effect	—	—