



Summary of Financial Results for the Fiscal Year Ended December 2023 (J-GAAP) (Consolidated)

February 13, 2024

Company Name: Sodick Co., Ltd.

Stock Exchange: Tokyo Stock Exchange, Prime Market

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

Representative: Kenichi Furukawa, President and Representative Director

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Scheduled date of the ordinary general shareholders' meeting: March 28, 2024

Scheduled date of dividend payout: March 29, 2024

Scheduled date of filing of financial statements: March 28, 2024

Explanatory documents supplemental to the financial statements: Yes

Holding of financial results briefing: Yes

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

1. Consolidated Results for the Fiscal Year Ended December 31, 2023 (January 1, 2023 to December 31, 2023)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
Fiscal year ended December 31, 2023	67,174	(16.5)	(2,819)	—	(1,257)	—	(4,604)	—
Fiscal year ended December 31, 2022	80,495	7.1	5,813	(14.7)	8,275	(3.6)	6,021	(8.6)

Note: Comprehensive income: Fiscal year ended December 31, 2023 -¥1,143 million (-%)

Fiscal year ended December 31, 2022 ¥10,138 million (-3.7%)

	Earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	¥	¥	%	%	%
Fiscal year ended December 31, 2023	(90.29)	—	(5.8)	(0.9)	(4.2)
Fiscal year ended December 31, 2022	112.67	—	7.8	6.1	7.2

Reference: Equity in earnings of non-consolidated subsidiaries and affiliates Fiscal year ended December 31, 2023 ¥178 million

Fiscal year ended December 31, 2022 ¥86 million

Note: Diluted earnings per share for the fiscal year ended December 2023 are not shown in the above table because there are no dilutive shares.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ Million	¥ Million	%	¥
As of December 31, 2023	134,066	77,129	57.5	1,519.02
As of December 31, 2022	138,433	80,993	58.5	1,548.28

Reference: Shareholders' Equity: As of December 31, 2023 ¥77,108 million As of December 31, 2022 ¥80,934 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 end of period
	¥ Million	¥ Million	¥ Million	¥ Million
Fiscal year ended December 31, 2023	(14)	(2,492)	1,421	33,305
Fiscal year ended December 31, 2022	3,543	(10,957)	(6,012)	33,158

2. Cash Dividends

	Annual dividend					Total cash dividend paid (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total			
Fiscal year ended December 31, 2022	¥ —	¥ 13.00	¥ —	¥ 14.00	¥ 27.00	¥ Million 1,429	% 23.9	% 1.8
Fiscal year ended December 31, 2023	—	14.00	—	15.00	29.00	1,471	—	1.8
Fiscal year ending December 31, 2024 (Forecast)	—	14.00	—	15.00	29.00		210.1	

3. Forecast for the Fiscal Year Ending December 31, 2024 (From January 1, 2024 to December 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%	¥
Full Year	72,200	7.5	1,100	—	1,100	—	700	—	13.80

Notes:

- (1) Changes in important subsidiaries during the fiscal year under review (changes in specified subsidiaries resulting in a change in the scope of consolidation): None
- (2) Change in accounting policies; change and/or restatement of accounting estimates
 - (i) Change in accounting policies caused by revision of accounting standards: Yes
 - (ii) Change in accounting policies other than stated in (i): None
 - (iii) Change in 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, 2023	54,792,239 shares	Fiscal year ended December 31, 2022	57,292,239 shares
(ii) Number of treasury shares as of the balance sheet date	Fiscal year ended December 31, 2023	4,051,960 shares	Fiscal year ended December 31, 2022	5,018,691 shares
(iii) Average number of shares outstanding during period	Fiscal year ended December 31, 2023	50,998,114 shares	Fiscal year ended December 31, 2022	53,450,054 shares

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Results for the Fiscal Year Ended December 31, 2023 (January 1, 2023 to December 31, 2023)

(1) Non-consolidated Financial Results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
Fiscal year ended December 31, 2023	38,629	(15.2)	(3,033)	—	1,726	(60.6)	(114)	—
Fiscal year ended December 31, 2022	45,544	7.8	160	(89.4)	4,382	14.7	3,868	45.1

	Earnings per share	Diluted earnings per share
	¥	¥
Fiscal year ended December 31, 2023	(2.24)	—
Fiscal year ended December 31, 2022	72.38	—

Note : Diluted earnings per share for the fiscal year ended December 2023 are not shown in the above table because there are no dilutive shares.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ Million	¥ Million	%	¥
As of December 31, 2023	90,848	46,198	50.9	910.50
As of December 31, 2022	92,426	48,529	52.5	928.38

Reference: Shareholders' Equity: As of December 31, 2023 ¥46,198 million
As of December 31, 2022 ¥48,529 million

*These financial statements are not subject to audit by certified public accountants or audit firms.

*Cautionary statement regarding forward-looking information and other special notes

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, the environment surrounding the Sodick Group remained uncertain owing to the economic slowdown in China, global inflation, including high prices of raw materials and energy, concerns about economy recession and prolonged yen's depreciation due to global monetary policy tightening, increased geopolitical risks such as the Ukraine situation.

In this external environment, demand for CASE-related products keeps certain level in the automotive market, where automation and electrification are advancing. However, demand for semiconductors and electronic components has continued to slow due to ongoing adjustments in both domestic and overseas markets as inventory adjustments continue and capital expenditures have been curtailed.

The Group is working on structural reforms based on the judgment that it is essential to change its business model in order to overcome the present tough business environment and improve its corporate value in the future. Under the policy of "Breaking away from dependence on the China market," "Selection and concentration to improve and enhance profitability" and "Global restructuring of production and sales systems," we aim to improve earnings as soon as possible by consolidating production at Suzhou Factory to Amoy Factory and adjusting personnel in accordance with production adjustments at overseas plants in the machine tool segment, reviewing sales model strategies in the industrial machinery segment, and strengthening development of new products for fields other than noodle making machines and rice preparation in the food machinery segment.

Although we have started structural reforms to improve profitability as described above, the impact of the economic slowdown in Greater China was significant, resulting in net sales of ¥67,174 million (down 16.5% year on year) for the fiscal year under review.

In terms of profit, operating loss was ¥2,819 million (operating profit of ¥5,813 million for the same period of the previous year) and ordinary loss was ¥1,257 million (ordinary profit of ¥8,275 million for the same period of the previous fiscal year) due to a decline in profitability at overseas plants due to production adjustments, as well as persistently high personnel expenses and manufacturing costs due to inflation.

In the industrial machinery segment, we recorded impairment losses of ¥1,035 million on non-current assets and recorded income taxes-deferred of ¥836 million due to the reversal of deferred tax assets in response to the deterioration in business performance, resulting in a net loss attributable to owners of parent of ¥4,604 million (profit attributable to owners of parent of ¥6,021 million for the same period of the previous year).

(ii) Segment overview

Machine tool segment	Net sales	¥46,706 million	Y/y change (rate)	Down 17.3%
	Operating profit	¥798 million	Y/y change (amount)	Down ¥6,248 million
<p>Although aerospace demand continued to recover in Japan and the West, demand for automotive, semiconductors and electronic components remained weak in Japan, Greater China, and Asia, resulting in year-on-year decrease in net sales. Segment profit decreased significantly from the same period of the previous fiscal year mainly due to the weak yen and high production costs associated with inflation at overseas plants, a decline in plant profitability associated with production adjustments, and an increase in personnel expenses.</p> <p>On the other hand, as the sophistication of manufacturing is expected to continue in the future, the need for high-speed, high-precision machining is expected to increase. In addition, improvements in operability, energy-saving measures, stable machining over a long period of time, and larger and more complex workpieces are also recognized as important opportunities. Aiming at regions and customers that require high-precision machining, we will further expand sales of electrical discharge machines (EDMs), which are our strength, and at the same time, we will address high-value-added machining needs for metal 3D printers and precision machining centers, which are expected to grow significantly in the medium to long term, by promoting technological development and strengthening our sales structure. In addition to transferring production from Suzhou Factory to Amoy Factory as part of structural reforms, we are also developing laser processing machines for the preparation to enter the market expecting large-scale fuel cell vehicles, including metal separator mold processing for fuel cells.</p>				
Industrial machinery segment	Net sales	¥8,630 million	Y/y change (rate)	Down 19.0%
	Operating profit	(¥478 million)	Y/y change (amount)	Down ¥1,299 million
<p>The demand has been decreasing in the industrial machinery industry as a whole mainly due to the impact of inventory adjustments and investment delays caused by the softening of market conditions for semiconductors and electronic components. The overall situation has been severe in each region and industry where we operate. As a result, net sales decreased year on year. On the other hand, in the long term, in Asia and other regions, demand for ultra-high-precision injection molding machines, which the Company excels at, is expected to increase due to the trend toward higher precision in manufacturing. In addition, we stopped production of injection molding machines at Amoy Factory in China as a structural reform and are working to improve production efficiency by increasing domestic production models.</p>				
Food machinery segment	Net sales	¥6,902 million	Y/y change (rate)	Up 1.3%
	Operating profit	¥876 million	Y/y change (amount)	Up ¥428 million
<p>Demand for noodle making machine-related equipment in Japan and overseas, as well as aseptically-packaged cooked rice production systems for overseas markets, has remained strong, and net sales increased year on year. Demand for fresh noodles and cooked rice has been increasing in overseas markets, particularly in Greater China and Asia, as a result of improvements in food quality and infrastructure. The newly established overseas sales division will develop its businesses mainly in East Asia, Southeast Asia and the U.S.</p> <p>In addition, in order to strengthen the production system of noodle making machines and rice production systems, a new food machine factory started operation in Amoy Factory in China in January 2023, and the completion of a new food machinery factory in Kaga Factory in November of the same year further strengthened our competitiveness by developing new technologies and reducing costs.</p> <p>As part of the structural reform, we will continue to expand our business by expanding our sales activities with a view to expanding into other markets, including Japanese-style deli dishes, as well as our rice and noodle making facilities, which have proven successful in the past, also by further strengthening our maintenance service which is our strength.</p>				
Others	Net sales	¥4,934 million	Y/y change (rate)	Down 24.5%
	Operating profit	(¥954 million)	Y/y change (amount)	Down ¥1,268 million
<p>Other segments consist of precision dies and mold 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 ceramics components. Due to weak demand for auto-related industries in the precision dies and mold operations, and weakening demand for external sales of ceramics, including continued slowdown in the semiconductor market, net sales decreased year on year.</p>				

(2) Analysis of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets stood at ¥134,066 million as of the end of the fiscal year under review, a decrease of ¥4,366 million from the end of the previous fiscal year. The decrease was mainly due to an increase of ¥3,309 million in accumulated depreciation, a decrease of ¥1,479 million in electronically recorded monetary claims - operating, a decrease of ¥1,455 million in construction in progress, a decrease of ¥1,426 million in cash and deposits, and a decrease of ¥1,005 million in notes and accounts receivable - trade, and contract assets, partially offset by an increase of ¥4,035 in buildings and structures, etc.

Meanwhile, liabilities at the end of the fiscal year under review totaled ¥56,936 million, a decrease of ¥502 million from the end of the previous fiscal year. The decrease was mainly due to a decrease of ¥1,769 million in electronically recorded obligations - operating, a decrease of ¥1,151 million in contract liabilities, a decrease of ¥1,126 million in notes and accounts payable - trade, and a decrease of ¥661 million in income taxes payable, partially offset by an increase of ¥3,067 million in long-term borrowings, an increase of ¥1,204 million in short-term borrowings, etc.

Net assets totaled ¥77,129 million at the end of the fiscal year under review, a decrease of ¥3,864 million from the end of the previous fiscal year. The decrease was primarily due to a ¥8,055 million decrease in retained earnings, partially offset by a ¥3,010 million increase in foreign currency translation adjustment, a ¥729 million decrease of treasury shares, etc. As a result, the equity ratio was 57.5%.

(ii) Cash Flows

Cash and cash equivalents (hereinafter referred to as “cash”) increased by ¥146 million from the end of the previous fiscal year due to the following changes in cash flows, resulting in a balance of ¥33,305 million at the end of the fiscal year under review.

The status of cash flows and their factors for the fiscal year under review are as follows.

(Cash flows from operating activities)

Net cash used in operating activities was ¥14 million (¥3,543 million provided in the previous fiscal year). This was mainly due to a net loss before income taxes of ¥2,433 million and a decrease in accounts payable of ¥3,020 million, partially offset by depreciation and amortization of ¥3,792 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥2,492 million (¥10,957 million used in the previous fiscal year). This was mainly due to ¥4,302 million in purchases of property, plant and equipment, partially offset by ¥2,705 million in proceeds from withdrawal of time deposits.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥1,421 million (¥6,012 million used in the previous fiscal year). This was mainly due to proceeds from long-term borrowings of ¥12,500 million, partially offset by repayments of long-term borrowings of ¥8,985 million.

Cash flow indicators of Sodick Group trended as follows.

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Equity ratio (%)	49.9	55.2	58.5	57.5
Equity ratio based on market capitalization (%)	35.7	32.8	26.8	27.6
Ratio of cash flow to interest-bearing liabilities (years)	7.9	4.4	9.2	–
Interest coverage ratio (times)	18.1	23.4	11.9	–

Notes: Equity ratio: Shareholders' equity / total assets

Equity ratio(%) based on market value: Market capitalization of stocks / total assets

Ratio of cash flow to interest-bearing liabilities: Interest-bearing liabilities / operating cash flow

Interest coverage ratio: Operating cash flow / interest expenditure

* The basis of calculated 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 include all liabilities on the consolidated balance sheets for which interest is paid. Non-interest-bearing convertible-bond-type bonds with share acquisition rights are also covered.

* Operating cash flows and interest expenditure refer to "Net cash provided by (used in) operating activities" and "Interest paid" according to the consolidated statement of cash flows.

* The ratio of interest-bearing debt to cash flows and the interest coverage ratio for the fiscal year ended December 2023 are not shown because operating cash flows were negative.

(3) Basic Policy on Profit Distribution 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 and a total return ratio of 40% or more, comprehensively taking into account the subject year's business results and cash flows.

[Reference] Calculation of total return ratio

$$\text{Total return ratio for fiscal year n (\%)} = \frac{(\text{Total amount of dividend paid in fiscal year n}) + (\text{Total amount of share buybacks in fiscal year n+1})}{\text{Profit attributable to owners of parent in fiscal year n}}$$

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 ¥29 per share, comprised of a second quarter-end dividend of ¥14 and a fiscal year-end regular dividend of ¥15.

For the next fiscal year, we expect to propose an annual dividend of ¥29 per share, comprised of a second quarter-end dividend of ¥14 and a fiscal year-end dividend of ¥15.

(4) Future Outlook

Looking ahead, in the medium to long term, as manufacturing continues to develop globally, the automotive industry, which is the Company's main destination, is seeing a further increase in the need to reduce the weight of vehicles and make them more electric, as well as in the trend toward gasoline-free vehicles, in response to the "CASE (Connected, Autonomous, Shared/Service, Electric)" and MaaS (Mobility as a Service) initiatives. In addition, demand for high-precision equipment will further increase as AI and IoT advance and systems become more sophisticated to promote 5G. In addition, demand for EVs, renewable energy, and improved labor productivity is expected to expand globally to address social issues such as decarbonization.

However, the future is likely to remain uncertain due to a prolonged period of economic stagnation in Greater China, the effects of unstable exchange rates, inflation and monetary tightening, as well as high energy and raw material prices and various geopolitical risks, including the prolonged situation in Ukraine.

The Company recognizes that improving profitability is an urgent management issue, and will pursue structural reforms based on the policy of "Breaking away from dependence on the Chinese market," "Selection and concentration to improve and enhance profitability" and "Global restructuring of production and sales systems."

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

Machine tool segment	Net sales	¥49,400 million	Y/y change (rate)	Up 5.8%
	Operating profit	¥2,800 million	Y/y change (amount)	Up ¥2,001 million
Demand for high-precision machines is expected to increase in the medium to long term as manufacturing becomes more sophisticated and less labor-intensive, particularly in the automotive, semiconductor and 5G-related sectors. Sales are expected to increase year on year as we focus on strengthening sales in regions such as the U.S., Europe, Vietnam, and India, as well as strengthening the aftermarket in Greater China, where sales are expected to remain low.				
Industrial machinery segment	Net sales	¥9,000 million	Y/y change (rate)	Up 4.3%
	Operating profit	¥100 million	Y/y change (amount)	Up ¥578 million
Amid the continuing difficult business environment, we expect demand for automotive and semiconductors to recover in Japan. In addition, environmental measures such as the reduction of electricity consumption and waste are receiving increasing attention. In such an environment, the Company is expected to achieve stable plasticization, measurement, and injection using its proprietary V-LINE technology, and to achieve a slight increase in sales compared to the same period of the previous year by taking advantage of its strengths in medical fields and other fields.				
Food machinery segment	Net sales	¥8,100 million	Y/y change (rate)	Up 17.3%
	Operating profit	¥1,000 million	Y/y change (amount)	Up ¥124 million
In particular, we expect to increase sales of rice machines in overseas markets, and we plan to increase sales and profits. In addition, we aim to promote development in confectionery, Japanese-style deli dishes, etc. as the third pillar after noodles and cooked rice, and we also aim to expand sales in Southeast Asia and the U.S.				
Others	Net sales	¥5,700 million	Y/y change (rate)	Up 15.5%
	Operating profit	¥0 million	Y/y change (amount)	Up ¥954 million
Demand for ceramics is expected to recover after 2025, and the demand will remain stagnant for the time being. In the molding business, sales are expected to increase due to a recovery in automotive production and expansion of molding items.				

For the fiscal year ending December 2024, Sodick Group aims to achieve net sales of ¥72.2 billion, operating profit of ¥1.1 billion, ordinary profit of ¥1.1 billion, and profit attributable to owners of parent of ¥0.7 billion.

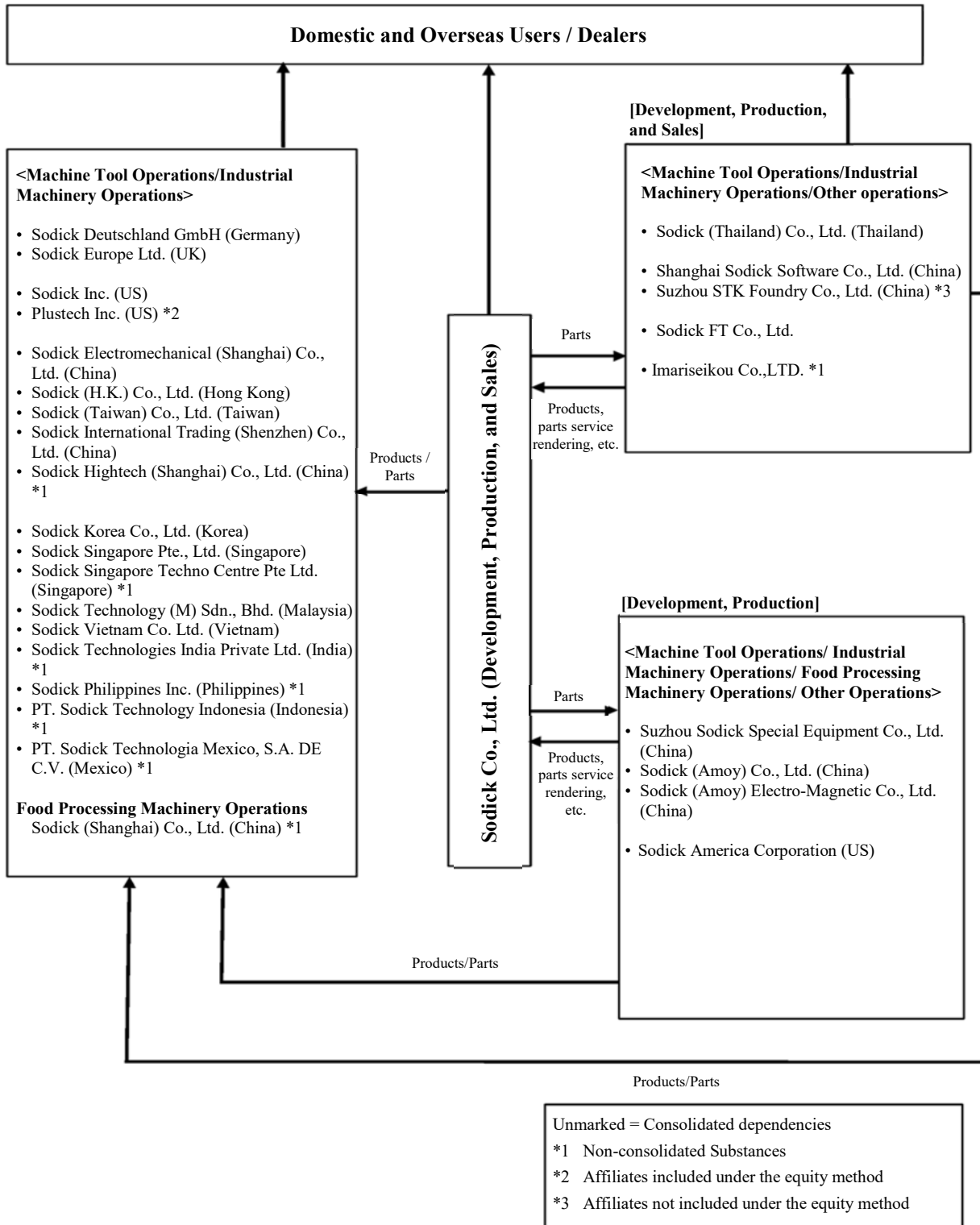
The assumed exchange rate used in making the above forecast is 140 yen against the U.S. dollar and 157 yen against the euro (average during the period).

	Fiscal year ending Dec. 31, 2024 Full-year forecast (¥ Million)	Fiscal year ended December 31, 2023 Actual results (¥ Million)	Year-on-year change (%)
Net sales	72,200	67,174	7.5
Operating profit	1,100	(2,819)	—
Ordinary profit	1,100	(1,257)	—
Profit attributable to owners of parent	700	(4,604)	—

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 segment engaged in the development, production, and marketing of electrical discharge machines (EDMs), machining centers, and metal 3D printers; (ii) industrial machinery segment engaged in the development, production, and marketing of injection molding machines; (iii) food machinery segment engaged in the development, production, and marketing of mainly noodle production plants, noodle making machine, 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.



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 Major Notes

(1) Consolidated Balance Sheets

(In million yen)

	Fiscal year ended December 31, 2022 (as of December 31, 2022)	Fiscal year ended December 31, 2023 (as of December 31, 2023)
Assets		
Current assets		
Cash and deposits	36,047	34,621
Notes and accounts receivable - trade, and contract assets	15,698	14,692
Electronically recorded monetary claims - operating	2,792	1,312
Merchandise and finished goods	11,856	11,529
Work in process	10,068	9,444
Raw materials and supplies	12,390	11,423
Others	3,850	3,632
Allowance for doubtful accounts	(347)	(485)
Total current assets	92,356	86,170
Non-current assets		
Property, plant and equipment		
Buildings and structures	31,075	35,111
Machinery, equipment and vehicles	23,949	24,840
Tools, furniture and fixtures	4,639	4,807
Land	7,888	8,622
Leased assets	2,918	3,235
Construction in progress	1,721	266
Accumulated depreciation	(40,629)	(43,939)
Total property, plant and equipment	31,562	32,944
Intangible assets		
Goodwill	1,150	799
Others	1,471	1,855
Total intangible assets	2,622	2,654
Investments and other assets		
Investment securities	4,597	5,480
Long-term loans receivable	39	28
Deferred tax assets	1,353	783
Long-term time deposits	4,562	4,583
Others	1,386	1,463
Allowance for doubtful accounts	(48)	(43)
Total investments and other assets	11,891	12,296
Total non-current assets	46,076	47,895
Total assets	138,433	134,066

(In million yen)

	Fiscal year ended December 31, 2022 (as of December 31, 2022)	Fiscal year ended December 31, 2023 (as of December 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,312	4,185
Electronically recorded obligations - operating	6,734	4,964
Short-term borrowings	1,840	3,045
Current portion of bonds payable	140	140
Current portion of long-term borrowings	8,157	8,649
Accounts payable-other	1,878	1,306
Income taxes payable	1,025	364
Contract liabilities	4,448	3,296
Provision for product warranties	427	331
Provisions for quality assurance	4	3
Provision for bonuses	1,211	1,051
Others	3,498	3,469
Total current liabilities	34,679	30,808
Non-current liabilities		
Bonds payable	440	300
Long-term borrowings	20,761	23,829
Provision for retirement benefits for directors (and other officers)	11	11
Provision for product warranties	67	73
Retirement benefit liability	673	613
Asset retirement obligations	66	67
Others	739	1,233
Total non-current liabilities	22,760	26,128
Total liabilities	57,439	56,936
Net assets		
Shareholders' equity		
Share capital	24,618	24,618
Capital surplus	9,717	9,717
Retained earnings	40,312	32,257
Treasury shares	(3,739)	(3,010)
Total shareholders' equity	70,909	63,583
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,030	1,397
Foreign currency translation adjustment	9,114	12,125
Remeasurements of defined benefit plans	(120)	(30)
Total accumulated other comprehensive income	10,024	13,491
Non-controlling interests	59	53
Total net assets	80,993	77,129
Total liabilities and net assets	138,433	134,066

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Income)

(In million yen)

	Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)
Net sales	80,495	67,174
Cost of sales	53,670	47,892
Gross profit	26,825	19,281
Selling, general and administrative expenses		
Personnel expenses	9,674	9,874
Provision of allowance for doubtful accounts	(95)	118
Amortization of goodwill	144	152
Research and development expenses	2,065	2,158
Others	9,223	9,765
Total selling, general and administrative expenses	21,011	22,100
Operating profit (loss)	5,813	(2,819)
Non-operating income		
Interest income	392	479
Dividend income	287	147
Foreign exchange gains	1,681	729
Share of profit of entities accounted for using equity method	86	178
Subsidy income	256	190
Gain on sale of scraps	41	32
Others	154	248
Total non-operating income	2,900	2,007
Non-operating expenses		
Interest expenses	301	317
Provision of allowance for doubtful accounts	–	1
Rental expenses on non-current assets	42	48
Others	93	79
Total non-operating expenses	437	446
Ordinary Profit (Loss)	8,275	(1,257)
Extraordinary income		
Gain on sale of non-current assets	49	33
Compensation for forced relocation	–	7
Total extraordinary income	49	41
Extraordinary losses		
Loss on sale of non-current assets	2	45
Loss on retirement of non-current assets	39	99
Impairment losses	–	1,035
Extra retirement payments	184	–
Others	12	35
Total extraordinary losses	239	1,216
Profit (loss) before income taxes	8,085	(2,433)
Income taxes - current	2,010	1,343
Income taxes - deferred	49	836
Total income taxes	2,059	2,179
Profit (loss)	6,026	(4,613)
Profit (loss) attributable to non-controlling interests	4	(8)
Profit (loss) attributable to owners of parent	6,021	(4,604)

Summary of Financial Statements for the Year Ended December 31, 2023

(Consolidated Statement of Comprehensive Income)

(In million yen)

	Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)
Profit (loss)	6,026	(4,613)
Other comprehensive income		
Valuation difference on available-for-sale securities	298	366
Foreign currency translation adjustment	3,622	2,956
Remeasurements of defined benefit plans, net of tax	99	89
Share of other comprehensive income of entities accounted for using equity method	91	56
Total other comprehensive income	4,112	3,469
Comprehensive income:	10,138	(1,143)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,131	(1,137)
Comprehensive income attributable to non-controlling interests	6	(5)

(3) Consolidated Statement of Changes in Equity

Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(In million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	24,618	9,739	37,229	(3,117)	68,470
Cumulative effects of changes in accounting policies			(795)		(795)
Restated balance	24,618	9,739	36,434	(3,117)	67,674
Changes during period					
Dividends of surplus			(1,399)		(1,399)
Reserves for employee incentive benefit funds at overseas subsidiaries			(22)		(22)
Profit attributable to owners of parent			6,021		6,021
Purchase of treasury shares				(1,433)	(1,433)
Disposal of treasury shares				70	70
Cancellation of treasury shares		(21)	(719)	740	-
Transfer from retained earnings to capital surplus		1	(1)		-
Restricted share-based remuneration		(1)			(1)
Net changes of items other than shareholders' equity during period					
Total changes during period	-	(21)	3,878	(622)	3,235
Balance at end of period	24,618	9,717	40,312	(3,739)	70,909

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	732	5,402	(219)	5,914	52	74,438
Cumulative effects of changes in accounting policies						(795)
Restated balance	732	5,402	(219)	5,914	52	73,642
Changes during period						
Dividends of surplus						(1,399)
Reserves for employee incentive benefit funds at overseas subsidiaries						(22)
Profit attributable to owners of parent						6,021
Purchase of treasury shares						(1,433)
Disposal of treasury shares						70
Cancellation of treasury shares						-
Transfer from retained earnings to capital surplus						-
Restricted share-based remuneration						(1)
Net changes of items other than shareholders' equity during period	298	3,712	99	4,109	6	4,116
Total changes during period	298	3,712	99	4,109	6	7,351
Balance at end of period	1,030	9,114	(120)	10,024	59	80,993

Summary of Financial Statements for the Year Ended December 31, 2023

Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(In million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	24,618	9,717	40,312	(3,739)	70,909
Changes during period					
Dividends of surplus			(1,442)		(1,442)
Reserves for employee incentive benefit funds at overseas subsidiaries			(36)		(36)
Profit attributable to owners of parent			(4,604)		(4,604)
Change in scope of consolidation			(114)		(114)
Purchase of treasury shares				(1,203)	(1,203)
Disposal of treasury shares				75	75
Cancellation of treasury shares		(0)	(1,856)	1,857	—
Restricted share-based remuneration		0			0
Net changes of items other than shareholders' equity during period					
Total changes during period	—	—	(8,055)	729	(7,325)
Balance at end of period	24,618	9,717	32,257	(3,010)	63,583

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,030	9,114	(120)	10,024	59	80,993
Changes during period						
Dividends of surplus						(1,442)
Reserves for employee incentive benefit funds at overseas subsidiaries						(36)
Profit attributable to owners of parent						(4,604)
Change in scope of consolidation						(114)
Purchase of treasury shares						(1,203)
Disposal of treasury shares						75
Cancellation of treasury shares						—
Restricted share-based remuneration						0
Net changes of items other than shareholders' equity during period	366	3,010	89	3,467	(5)	3,461
Total changes during period	366	3,010	89	3,467	(5)	(3,864)
Balance at end of period	1,397	12,125	(30)	13,491	53	77,129

(4) Consolidated Statements of Cash Flows

(In million yen)

	Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)
Cash flows from operating activities		
Profit (loss) before income taxes	8,085	(2,433)
Depreciation	3,602	3,792
Amortization of goodwill	144	152
Increase (decrease) in retirement benefit liability	255	(6)
Increase (decrease) in provision for bonuses	398	(165)
Increase (decrease) in allowance for doubtful accounts	(103)	116
Interest and dividend income	(679)	(627)
Interest expenses	301	317
Share of loss (profit) of entities accounted for using equity method	(86)	(178)
Foreign exchange losses (gains)	(283)	(230)
Loss (gains) on sale and revaluation of investment securities	0	–
Loss (gains) on sale and retirement of non-current assets	(7)	111
Impairment losses	–	1,035
Decrease (increase) in trade receivables	2,614	2,800
Decrease (increase) in inventories	(5,125)	2,928
Increase (decrease) in trade payables	(1,370)	(3,020)
Increase (decrease) in accounts payable - other	113	(365)
Increase (decrease) in advances received	(4,618)	(112)
Increase (decrease) in accrued consumption taxes	(366)	188
Increase (decrease) in contract liabilities	3,230	(1,268)
Decrease (increase) in advance payments to suppliers	(19)	(159)
Others	(1,068)	(1,111)
Subtotal	5,015	1,765
Interest and dividends received	923	472
Interest paid	(298)	(317)
Income taxes refund (paid)	(2,096)	(1,934)
Net cash provided by (used in) operating activities	3,543	(14)
Cash flows from investing activities		
Payments into time deposits	(6,840)	(697)
Proceeds from withdrawal of time deposits	465	2,705
Purchase of property, plant and equipment	(3,554)	(4,302)
Proceeds from sale of property, plant and equipment	201	679
Purchase of intangible assets	(653)	(1,023)
Purchase of investment securities	(10)	–
Proceeds from sale of investment securities	0	–
Purchase of shares of subsidiaries and associates	(480)	(202)
Loan advances	(70)	(50)
Proceeds from collection of loans receivable	1	0
Others	(16)	399
Net cash provided by (used in) investing activities	(10,957)	(2,492)

(In million yen)

	Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(487)	1,161
Proceeds from long-term borrowings	5,000	12,500
Repayments of long-term borrowings	(6,921)	(8,985)
Redemption of bonds	(140)	(140)
Repayments of finance lease liabilities	(630)	(469)
Purchase of treasury shares	(1,433)	(1,201)
Dividends paid	(1,399)	(1,442)
Others	–	(0)
Net cash provided by (used in) financing activities	(6,012)	1,421
Effect of exchange rate change on cash and cash equivalents	2,355	1,501
Net increase (decrease) in cash and cash equivalents	(11,070)	415
Cash and cash equivalents at beginning of period	44,229	33,158
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	–	(269)
Cash and cash equivalents at end of period	33,158	33,305

(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)

Sodick Enterprise (S.Z) Co., Ltd. has been excluded from the scope of consolidation as of the first quarter of the current fiscal year due to a decrease in its materiality.

(Change in accounting policies)

(Application of accounting standards for market value calculation)

Applying the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as the “Guidance on Fair Value Measurement Accounting Standard”) from the beginning of the first quarter of the current fiscal year, and in accordance with the transitional treatment set forth in Article 27, paragraph 2 of the Guidance, the Company has decided to apply the new accounting policies set forth in the Guidance on Fair Value Measurement Accounting Standard into the future. There is no impact on the quarterly consolidated financial statements.

(Change of display method)

(Consolidated statements of income)

“Rental expenses on non-current assets,” which were included in “Other” under “Non-operating expenses” in the previous consolidated fiscal year, have been independently posted from the current consolidated fiscal year due to their increased monetary importance. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation method.

As a result, in the consolidated statements of income for the previous fiscal year, the amount of ¥136 million shown in “Other” under “Non-operating expenses” has been reclassified into ¥42 million for “Rental expenses on non-current assets” and ¥93 million for “Other”.

(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 machinery segment.

The machine tool segment develops, manufactures and sells electrical discharge machines (EDMs) and machining centers. The industrial machinery segment develops, manufactures and sells plastic injection molding machines. The food machinery segment develops, manufactures and sells noodle manufacturing plants, noodle making machines, and other products.

2. Calculation method of net sales, profit or loss, assets, liabilities, and other items by reportable segment

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."

Profit information of reportable segments reflects operating profit.

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

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

Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(In million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment amount (Notes 2,3,4,5)	Amount reported in consolidated financial statements (Note 6)
	Machine tool segment	Industrial machinery segment	Food machinery segment	Reportable segment total				
Net sales								
Sales to outside parties	56,492	10,656	6,813	73,962	6,533	80,495	–	80,495
Intersegment sales or transfers	220	222	–	442	2,198	2,640	(2,640)	–
Total	56,713	10,878	6,813	74,404	8,731	83,136	(2,640)	80,495
Segment income (loss)	7,046	820	447	8,315	313	8,628	(2,814)	5,813
Segment assets	83,757	14,087	4,126	101,971	9,587	111,559	26,873	138,433
Other								
Depreciation	2,397	363	95	2,856	624	3,481	121	3,602
Amortization of goodwill	97	31	–	128	15	144	–	144
Increase in property, plant and equipment and intangible assets	2,530	736	466	3,733	720	4,453	228	4,681

- Notes: 1. The category headed "Other" covers business segments outside reportable ones, such as precision dies and mold operations, elemental technology operations, etc.
2. The adjustment amount of -¥2,814 million to segment income includes ¥89 million in eliminations of intersegment transactions and -¥2,904 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 ¥26,873 million to segment assets includes corporate assets of ¥27,697 million not allocated to each reportable segment and elimination of inter-segment transactions of -¥823 million. Corporate assets are primarily those related to headquarters functions not belonging to the reportable segment.
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 ¥228 million to increases in property, plant and equipment and intangible assets in the category headed "Other" consists of ¥228 million in Group-based property, plant and equipment and intangible assets not attributable to reportable segments.
6. Segment income is adjusted for operating profit in the consolidated statement of income.

Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(In million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment amount (Notes 2,3,4,5)	Amount reported in consolidated financial statements (Note 6)
	Machine tool segment	Industrial machinery segment	Food machinery segment	Reportable segment total				
Net sales								
Sales to outside parties	46,706	8,630	6,902	62,239	4,934	67,174	–	67,174
Intersegment sales or transfers	47	56	–	103	1,352	1,456	(1,456)	–
Total	46,754	8,686	6,902	62,343	6,287	68,630	(1,456)	67,174
Segment income (loss)	798	(478)	876	1,196	(954)	241	(3,060)	(2,819)
Segment assets	81,471	12,338	4,493	98,302	12,968	111,271	22,794	134,066
Other								
Depreciation	2,299	368	140	2,808	834	3,643	148	3,792
Amortization of goodwill	103	31	–	134	18	152	–	152
Impairment losses	–	1,035	–	1,035	–	1,035	–	1,035
Increase in property, plant and equipment and intangible assets	2,757	562	1,245	4,565	1,239	5,804	204	6,009

- Notes: 1. The category headed “Other” covers business segments outside reportable ones, such as precision dies and mold operations, elemental technology operations, etc.
2. The adjustment amount of -¥3,060 million to segment income (loss) includes ¥316 million in eliminations of intersegment transactions and -¥3,377 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 ¥22,794 million to segment assets includes corporate assets of ¥23,344 million not allocated to each reportable segment and elimination of inter-segment transactions of -¥549 million. Corporate assets are primarily those related to headquarters functions not belonging to the reportable segment.
4. The adjustment amount of ¥148 million to depreciation of the category headed “Other” consists of ¥148 million in Group-based depreciation not attributable to reportable segments.
5. The adjustment amount of ¥204 million to increases in property, plant and equipment and intangible assets in category headed “Other” represents ¥204 million in company-wide property, plant and equipment and intangible assets not allocated to each reportable segment.
6. Segment income is adjusted from operating profit in the consolidated statement of income.

4. Matters concerning changes in reportable segments

None

(Revenue recognition-related matters)

(1) Information about resolved revenue from contracts with customers

Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(i) Breakdown of goods and services by type

(In million yen)

	Reportable segment			Others (Note 1)	Total
	Machine tool segment	Industrial machinery segment	Food machinery segment		
Machine sales	44,391	9,074	6,092	6,533	66,091
Maintenance services and consumables	12,101	1,581	721	–	14,404
Total	56,492	10,656	6,813	6,533	80,495

Notes: 1. The category headed “Others” covers business segments outside reportable ones, such as precision dies and mold operations, elemental technology operations, etc.

2. Amounts after deduction of those of intergroup transactions are shown.

(ii) Breakdown by region

(In million yen)

	Reportable segment			Others (Note 2)	Total
	Machine tool segment	Industrial machinery segment	Food machinery segment		
Japan	11,101	4,465	2,880	6,182	24,629
North and South America	9,071	1,340	22	–	10,434
Europe	7,225	21	–	–	7,247
Greater China	22,068	3,313	3,370	350	29,104
Asia	7,025	1,515	539	–	9,080
Total	56,492	10,656	6,813	6,533	80,495

Notes: 1. Revenue by country or region is analyzed based on customers’ locations.

2. The category headed “Others” covers business segments outside reportable ones, such as precision dies and mold operations, elemental technology operations, etc.

3. Amounts after deduction of those of intergroup transactions are shown.

Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(i) Breakdown of goods and services by type

(In million yen)

	Reportable segment			Others (Note 1)	Total
	Machine tool segment	Industrial machinery segment	Food machinery segment		
Machine sales	34,407	7,152	5,924	4,934	52,419
Maintenance services and consumables	12,299	1,477	977	–	14,754
Total	46,706	8,630	6,902	4,934	67,174

Notes: 1. The category headed “Others” covers business segments outside reportable ones, such as precision dies and mold operations, elemental technology operations, etc.

2. Amounts after deduction of those of intergroup transactions are shown.

(ii) Breakdown by region

(In million yen)

	Reportable segment			Others (Note) 2	Total
	Machine tool segment	Industrial machinery segment	Food machinery segment		
Japan	9,991	4,154	3,119	4,806	22,072
North and South America	8,777	722	37	–	9,538
Europe	6,617	24	–	–	6,642
Greater China	14,887	2,618	2,850	128	20,484
Asia	6,432	1,111	893	0	8,437
Total	46,706	8,630	6,902	4,934	67,174

Notes: 1. Revenue by country or region is analyzed based on customers' locations.

2. The category headed "Others" covers business segments outside reportable ones, such as precision dies and mold operations, elemental technology operations, etc.

3. Amounts after deduction of those of intergroup transactions are shown.

(Per-share information)

	Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)
Net assets per share	¥1,548.28	¥1,519.02
Earnings (loss) per share	¥112.67	(¥90.29)

Notes: 1. Diluted earnings per share for the fiscal year under review are not shown in the above table because there are no dilutive shares.

2. The amount of earnings per share or loss per share and the basis for calculation are as follows:

	Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)	Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)
Earnings (loss) per share		
(Basis for calculation)		
Profit (loss) attributable to owners of parent	6,021	(4,604)
Portion not attributable to shares of common stock (¥ million)	–	
Profit (loss) attributable to owners of parent related to common shares (¥million)	6,021	(4,604)
Average number of common stock outstanding (thousands of shares)	53,450	50,998

(Significant subsequent events)

None