



Summary of Financial Statements for the Second Quarter of the Year Ending December 31, 2022 (JGAAP) (Consolidated)

August 9, 2022

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 filing of quarterly report: August 9, 2022
 Scheduled date of dividend payout: September 6, 2022
 Explanatory documents supplemental to the quarterly financial statements: Yes
 Results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated Results for the 2Q of the Fiscal Year Ending December 31, 2022 (from January 1, 2022 to June 30, 2022)

(1) Consolidated Financial Results (Accumulated Total) (Percentages indicate year-on-year changes)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of the Parent	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
2Q of the fiscal year ending December 31, 2022	39,317	13.9	3,479	28.2	5,958	57.5	4,121	55.6
2Q of the fiscal year ended December 31, 2021	34,504	29.2	2,714	685.9	3,784	943.9	2,648	—

Note: Comprehensive income: 2Q of the fiscal year ending December 31, 2022 ¥10,376 million (113.3%)
 2Q of the fiscal year ended December 31, 2021 ¥4,865 million (—%)

	Earnings per Share
	¥
2Q of the fiscal year ending December 31, 2022	76.70
2Q of the fiscal year ended December 31, 2021	52.52

Note 1. The rate of change in quarterly profit attributable to owners of the parent for the second quarter of the fiscal year ended December 2021 is not stated because it exceeds 1,000%.

Note 2. We have applied the Accounting Standards for Revenue Recognition (Corporate Accounting Standards No. 29 of March 31, 2020) since the beginning of the first quarter of the current fiscal year, and figures for the second quarter of the fiscal year ending December 2022 are those after the application of those Accounting Standards.

Note 3. Diluted earnings per share for the second quarter of the fiscal year ending December 2022 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	%	¥
2Q of the fiscal year ending December 31, 2022	145,082	83,001	57.2	1,546.21
Fiscal year ended December 31, 2021	134,866	74,438	55.2	1,376.33

Reference: Shareholders' Equity: 2Q of the fiscal year ending December 31, 2022 ¥82,940 million
 Fiscal year ended December 31, 2021 ¥74,385 million

Note: We have applied the Accounting Standards for Revenue Recognition (Corporate Accounting Standards No. 29 of March 31, 2020) since the beginning of the first quarter of the current fiscal year, and figures for the second quarter of the fiscal year ending December 2022 are those after the application of those Accounting Standards.

2. Cash Dividends

	Annual Dividend				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
	¥	¥	¥	¥	¥
Fiscal year ended December 31, 2021	—	13.00	—	13.00	26.00
Fiscal year ending December 31, 2022	—	13.00			
Fiscal year ending December 31, 2022 (Forecast)			—	14.00	27.00

Note: Revisions to the most recently announced dividend forecast: None

3. Forecast for the Fiscal Year Ending December 31, 2022 (From January 1, 2022 to December 31, 2022)

(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	81,800	8.8	7,200	5.7	9,000	4.8	6,500	(1.4)	123.81

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

*Notes

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

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

(i) Shares issued and outstanding as of the balance sheet date (including treasury shares)	2Q of the fiscal year ending December 31, 2022	57,792,239 shares	Fiscal year ended December 31, 2021	58,292,239 shares
(ii) Number of treasury shares as of the balance sheet date	2Q of the fiscal year ending December 31, 2022	4,151,258 shares	Fiscal year ended December 31, 2021	4,246,368 shares
(iii) Average number of shares outstanding during period (quarterly cumulative total)	2Q of the fiscal year ending December 31, 2022	53,730,005 shares	2Q of the fiscal year ended December 31, 2021	50,417,626 shares

* Quarterly financial statements are not subject to a quarterly review 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. In addition, for matters regarding forecasts, please refer to: "1. Qualitative Information regarding the Quarterly Financial Statements under Review (3) Explanation regarding Future Forecast Information including Projections of Consolidated Results" on Page 4 of the attachment to this summary of quarterly financial statements.

1. Qualitative Information regarding the Quarterly Financial Statements under Review

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

(1) Explanation regarding Results of Operations

During the consolidated cumulative second quarter under review, the economic situation has shown signs of recovery due to the normalization of economic activities amid the continuing impact of COVID-19. On the other hand, there are growing concerns about the economic slowdown due to global shortages of semiconductors and other materials, soaring crude oil and energy prices, rapid foreign exchange fluctuations, and geopolitical risks such as the deteriorating situation in Ukraine.

In this business environment, formulating the 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,” enhance its skills to contribute to a prosperous future and realize a sustainable society through *monozukuri* (manufacturing).

As for product development, in the Machine Tool Segment, we have developed and launched sales of Material Trial Unit A/B, a test molding unit for metal 3D printers that reduces the load of powder material replacement work and enables simple and low-cost test molding of a variety of metal powders, and SVM (Sodick Versatile Steel for Mold), a powder material that enables low-cost molding of large die casting molds, etc. in accordance with our company’s proprietary SRT (Stress Relief Technology) method, which prevents defects in deformation and cracking during molding. We will continue to develop new products that are conscious of convenience and sustainability as well as performance.

As for sales and service activities, after taking sufficient measures to prevent the spread of COVID-19, we exhibited at INTERMOLD 2022 Osaka, MEX Kanazawa 2022, and FOMA JAPAN 2022 to promote the spread and sales of the Sodick brand. In the future, considering the situation of the COVID-19 pandemic, we will increase the number of exhibits in on-site exhibitions, add more contents to web exhibitions, and strengthen activities utilizing IT.

Under these circumstances, the consolidated net sales for the second quarter under review totaled ¥39,317 million (up 13.9% year on year), with operating income at ¥3,479 million (up 28.2% year on year), ordinary income at ¥5,958 million (up 57.5% year on year) and profit attributable to owners of the parent at ¥4,121 million (up 55.6% year on year).

The results of operations by segment are as follows:

Machine Tool Segment	Net Sales	¥28,245 million	Y/y change (rate)	Up 17.0%
	Operating Income	¥3,938 million	Y/y change (amount)	Up ¥782 million
While auto-related industries were sluggish due to a semiconductor shortage, a demand continued to grow in electronic component, semiconductor-related fields, and next-generation automotive. As a result, net sales increased year on year. Although the current level of orders received remains high, some shipments were delayed due to lockdowns in China. Segment income increased year on year, owing to an increase in plant-utilization rate associated with an increase in sales volume.				
Industrial Machinery Segment	Net Sales	¥5,244 million	Y/y change (rate)	Up 13.3%
	Operating Income	¥544 million	Y/y change (amount)	Up ¥366 million
In addition to a firm demand mainly for auto-related industries, including car-mounted components related to CASE, and electronic components and medical products in Japan, large projects for connectors in Asia and medical products in the U.S. remain strong. As a result, net sales increased year on year.				
Food Machinery Segment	Net Sales	¥2,344 million	Y/y change (rate)	Down 7.0%
	Operating Income	¥3 million	Y/y change (amount)	Down ¥202 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. Although demand for equipment related to noodle making machines in Japan and sterile-packed cooked-rice production systems, etc. for overseas markets remained strong, net sales decreased year on year due to a shift in the timing of orders for several projects to the second half or later due to lockdowns in China.				
Others	Net Sales	¥3,482 million	Y/y change (rate)	Up 8.5%
	Operating Income	¥277 million	Y/y change (amount)	Down ¥149 million
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 ceramic components. Although net sales in both the precision dies and mold operations and element technology operations increased year on year, it is expected that the impact of a reduction in automotive production due to a shortage of materials will continue.				

(2) Explanation regarding Financial Position

Total assets stood at ¥145,082 million as of the end of the quarterly consolidated accounting period under review, an increase of ¥10,215 million from the end of the previous fiscal year, primarily due to a ¥2,742 million increase in raw materials and supplies, a ¥2,658 million increase in merchandise and finished goods, and a ¥4,687 million increase in long-term time deposits.

Meanwhile, liabilities at the end of the period under review totaled ¥62,080 million, an increase of ¥1,652 million from the end of the previous fiscal year, primarily due to a ¥6,181 million increase in contract liabilities; however, it was partially offset by a ¥4,860 million decrease in current liabilities under Other including advances received.

Net assets totaled ¥83,001 million at the end of the period under review, an increase of ¥8,563 million from the end of the previous fiscal year, primarily due to a ¥6,018 million increase in foreign currency translation adjustment and a ¥2,269 million increase in retained earnings.

Moreover, we have applied the Accounting Standards for Revenue Recognition (Corporate Accounting Standards No. 29 of March 31, 2020) since the beginning of the first quarter of the current fiscal year.

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

There have been revisions to the projections of results that were announced on February 14, 2022.

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

(In million yen)

	Fiscal year ended December 31, 2021 (as of December 31, 2021)	2Q fiscal year ending December 31, 2022 (as of June 30, 2022)
Assets		
Current assets		
Cash and deposits	45,274	42,177
Notes and accounts receivable - trade	18,363	-
Notes and accounts receivable - trade, and contract assets	-	17,181
Electronically recorded monetary claims-operating	2,104	3,158
Merchandise and finished goods	9,352	12,011
Work in process	8,851	9,458
Raw materials and supplies	9,427	12,169
Other	3,428	3,450
Allowance for doubtful accounts	(425)	(410)
Total current assets	96,377	99,196
Non-current assets		
Property, plant and equipment		
Buildings and structures	29,049	31,211
Machinery, equipment and vehicles	22,214	23,794
Other	15,855	16,400
Accumulated depreciation	(36,901)	(40,080)
Total property, plant and equipment	30,217	31,326
Intangible assets		
Goodwill	1,240	1,240
Other	1,032	1,225
Total intangible assets	2,273	2,465
Investments and other assets		
Long-term time deposits	-	4,687
Other	6,050	7,458
Allowance for doubtful accounts	(52)	(51)
Total investments and other assets	5,997	12,093
Total non-current assets	38,488	45,885
Total Assets	134,866	145,082

(In million yen)

	Fiscal year ended December 31, 2021 (as of December 31, 2021)	2Q fiscal year ending December 31, 2022 (as of June 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,423	6,791
Electronically recorded obligations - operating	6,724	6,308
Short-term borrowings	2,242	2,043
Current portion of bonds payable	140	140
Current portion of long-term borrowings	6,527	7,962
Income taxes payable	1,207	1,595
Contract liabilities	-	6,181
Provisions	1,217	1,387
Other	9,221	4,360
Total current liabilities	33,705	36,771
Non-current liabilities		
Bonds payable	580	510
Long-term borrowings	24,251	22,930
Provisions	189	73
Retirement benefit liability	469	659
Asset retirement obligations	65	66
Other	1,166	1,069
Total non-current liabilities	26,722	25,309
Total liabilities	60,428	62,080
Net Assets		
Shareholders' equity		
Share capital	24,618	24,618
Capital surplus	9,739	9,717
Retained earnings	37,229	39,499
Treasury shares	(3,117)	(3,057)
Total shareholders' equity	68,470	70,778
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	732	956
Foreign currency translation adjustment	5,402	11,420
Remeasurements of defined benefit plans	(219)	(215)
Total accumulated other comprehensive income	5,914	12,161
Non-controlling interests	52	61
Total net assets	74,438	83,001
Total Liabilities and Net Assets	134,866	145,082

Summary of Financial Statements for the Second Quarter of the Year Ending December 31, 2022

(2) Consolidated Statements of Quarterly Income and Comprehensive Income

(Consolidated Statement of Quarterly Income)

(2Q Consolidated Results Accumulation Period)

(In million yen)

	2Q FY ended December 31, 2021 (from January 1, 2021 to June 30, 2021)	2Q FY ending December 31, 2022 (from January 1, 2022 to June 30, 2022)
Net Sales	34,504	39,317
Cost of sales	22,832	26,176
Gross profit	11,672	13,140
Selling, general and administrative expenses		
Personnel expenses	3,840	4,399
Provision of allowance for doubtful accounts	27	(52)
Other	5,090	5,314
Total selling, general and administrative expenses	8,957	9,660
Operating Income	2,714	3,479
Non-operating income		
Interest income	135	182
Dividend income	38	257
Foreign exchange gains	628	2,052
Share of profit of entities accounted for using equity method	28	40
Subsidy income	341	29
Gain on sale of scraps	17	30
Other	94	102
Total non-operating income	1,284	2,694
Non-operating expenses		
Interest expenses	157	150
Provision of allowance for doubtful accounts	0	–
Other	56	64
Total non-operating expenses	214	215
Ordinary Income	3,784	5,958
Extraordinary income		
Gain on sale of non-current assets	12	25
Subsidy income	25	–
Total extraordinary income	37	25
Extraordinary losses		
Loss on sale of non-current assets	5	0
Loss on retirement of non-current assets	17	14
Loss on tax purpose reduction entry of non-current assets	25	–
Extra retirement payments	–	179
Other	1	0
Total extraordinary losses	49	194
Profit (loss) before income taxes	3,772	5,790
Income taxes - current	1,056	1,706
Income taxes - deferred	47	(39)
Total income taxes	1,104	1,666
Profit	2,667	4,123
Profit (loss) attributable to non-controlling interests	19	2
Profit attributable to owners of the parent	2,648	4,121

(Consolidated Statement of Quarterly Comprehensive Income)

(2Q Consolidated Results Accumulation Period)

(In million yen)

	2Q FY ended December 31, 2021 (from January 1, 2021 to June 30, 2021)	2Q FY ending December 31, 2022 (from January 1, 2022 to June 30, 2022)
Profit	2,667	4,123
Other comprehensive income		
Valuation difference on available-for-sale securities	59	224
Foreign currency translation adjustment	2,080	5,908
Remeasurements of defined benefit plans, net of tax	26	4
Share of other comprehensive income of entities accounted for using equity method	30	116
Total other comprehensive income	2,197	6,253
Comprehensive income	4,865	10,376
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,839	10,368
Comprehensive income attributable to non-controlling interests	25	8

(3) Consolidated Statements of Quarterly Cash Flows

(In million yen)

	2Q FY ended December 31, 2021 (from January 1, 2021 to June 30, 2021)	2Q FY ending December 31, 2022 (from January 1, 2022 to June 30, 2022)
Cash flows from operating activities		
Profit (loss) before income taxes	3,772	5,790
Depreciation	1,669	1,705
Amortization of goodwill	69	71
Increase (decrease) in provision for bonuses	243	142
Increase (decrease) in allowance for doubtful accounts	26	(54)
Increase (decrease) in retirement benefit liability	68	94
Interest and dividend income	(173)	(439)
Interest expenses	157	150
Foreign exchange losses (gains)	(160)	(521)
Extra retirement payments	–	179
Decrease (increase) in trade receivables	(1,969)	1,220
Decrease (increase) in inventories	(3,084)	(3,427)
Increase (decrease) in trade payables	4,407	(453)
Increase (decrease) in accounts payable - other	367	28
Increase (decrease) in advances received	3,304	(4,819)
Increase (decrease) in accrued consumption taxes	34	266
Increase (decrease) in contract liabilities	–	5,021
Decrease (increase) in advance payments - trade	(443)	(408)
Subsidy income	(25)	–
Other	(1,174)	(2,302)
Subtotal	7,090	2,245
Interest and dividends received	103	727
Interest paid	(159)	(150)
Subsidies received	25	–
Income taxes refund (paid)	(656)	(1,299)
Net cash provided by (used in) operating activities	6,403	1,523
Cash flows from investing activities		
Payments into time deposits	(161)	(5,604)
Purchase of property, plant and equipment	(764)	(1,626)
Proceeds from sale of property, plant and equipment	503	158
Purchase of intangible assets	(131)	(227)
Purchase of investment securities	(0)	(0)
Purchase of shares of subsidiaries and associates	–	(480)
Loan advances	(0)	–
Proceeds from collection of loans receivable	1	0
Other	(174)	73
Net cash provided by (used in) investing activities	(728)	(7,705)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(503)	(306)
Proceeds from long-term borrowings	7,200	3,400
Repayments of long-term borrowings	(4,044)	(3,351)
Redemption of bonds	(384)	(70)
Purchase of treasury shares	(1)	(378)
Dividends paid	(611)	(702)
Repayments of finance lease obligations	(174)	(385)
Proceeds from sale and leaseback transactions	254	–
Other	(56)	–
Net cash provided by (used in) financing activities	1,679	(1,795)
Effect of exchange rate change on cash and cash equivalents	1,461	3,404
Net increase (decrease) in cash and cash equivalents	8,815	(4,573)
Cash and cash equivalents at the beginning of the period	38,255	44,229
Cash and cash equivalents at the end of the period	47,071	39,655

(4) Notes to Quarterly Consolidated Financial Statements

(Notes regarding going concern assumptions)

None

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

- (1) Based on a resolution of the Board of Directors' meeting held on February 14, 2022, the Company resolved to purchase treasury shares pursuant to the provisions of Article 165, paragraph (2) of the Companies Act and purchased treasury shares in the current cumulative first quarter.

Increase in treasury shares: ¥378 million

- (2) Based on a resolution of the Board of Directors' meeting held on February 14, 2022, the Company resolved to cancel treasury shares pursuant to the provisions of Article 178 of the Companies Act and cancelled those shares on March 31, 2022.

Decrease in capital surplus: ¥21 million

Decrease in retained earnings: ¥346 million

Decrease in treasury shares: ¥368 million

- (3) Based on a resolution of the Board of Directors' meeting held on April 15, 2022, the Company resolved to dispose of 95,400 treasury shares as restricted stock compensation on May 6, 2022.

Decrease in retained earnings: ¥1 million

Decrease in treasury shares: ¥70 million

As a result, capital surplus, retained earnings, and treasury shares at the end of the consolidated cumulative second quarter of the fiscal year under review were ¥9,717 million, ¥39,499 million, and ¥3,057 million, respectively.

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

None

(Change of accounting policies)

(Application of Accounting Standards for Revenue Recognition)

The Company has applied the Accounting Standards for Revenue Recognition (Corporate Accounting Standards No. 29 of March 31, 2020; hereinafter referred to as "Revenue Recognition Accounting Standards") since the beginning of the first quarter of the consolidated cumulative fiscal year under review and decided to recognize revenue at an amount expected to receive in exchange for goods or a service at the time of transfer of control of those goods or service promised to a customer. Major changes therefrom are as follows.

- (1) Revenue recognition relating to construction contracts

In recording revenue from construction contracts, we had applied the percentage-of-completion method (the cost-to-cost method to estimation of the progress rate of construction) to construction that is recognized as to produce a definite result in the progressed part and the completed contract method to other construction. However, we have changed to a method of recognizing revenue over a certain period of time with the fulfillment of obligations. Moreover, we apply the cost recovery method to construction for which the progress rate relating to the fulfillment of obligations cannot be reasonably estimated.

- (2) Revenue recognition relating to sale of products

We deliver the products under contracts with customers and provide free maintenance service in the warranty period in some transactions. Although we did not recognize revenue from that maintenance service previously, we decided to distinguish an obligation to deliver products from that to provide the maintenance service to recognize revenue at the time of fulfillment of each of the obligations.

We apply the Revenue Recognition Accounting Standards accounting to the transitional handling specified in the proviso of Section 84 of the Revenue Recognition Accounting Standards. We have applied new accounting policies from the balance at the beginning of the first quarter of the current consolidated fiscal year by adding or subtracting an affected cumulative amount when the new accounting policies are retroactively applied before the beginning of the first quarter of that fiscal year to or from retained earnings at the beginning of the first quarter of the fiscal year. However, as we apply the method specified in Section 86 of the Revenue Recognition Accounting Standards, we do not retroactively apply new accounting policies to contracts almost

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all of whose revenue amounts were recognized according to the previous handling before the beginning of the first quarter of the current consolidated fiscal year. Moreover, as we apply the method specified in (1) after the “moreover” of Section 86 of the Revenue Recognition Accounting Standards, we did the accounts for contracts amended before the beginning of the first quarter of the current consolidated fiscal year under the terms of the contracts in which all amendments were reflected and added or subtracted cumulative amounts influenced thereby to or from retained earnings at the beginning of the first quarter of the current consolidated fiscal year.

As a result, for the current consolidated cumulative second quarter, net sales decreased by ¥153 million, cost of sales decreased by ¥26 million, each of operating income, ordinary income and profit before income taxes decreased by ¥127 million. Moreover, the balance of retained earnings at the beginning of current fiscal year decreased by ¥795 million.

As we applied the Revenue Recognition Accounting Standards, “notes and accounts receivable - trade” shown under “current assets” in the consolidated balance sheet for the previous consolidated fiscal year are included in “notes and accounts receivable - trade, and contract assets” from the first quarter of the consolidated fiscal year, and “advances received” shown under “current liabilities” are included in “contract liabilities” from the first quarter of that fiscal year.

Furthermore, we do not state information about resolved revenue from contracts with customers in the second quarter of the previous consolidated cumulative fiscal year according to the transitional handling specified in Section 28-15 of the Accounting Standards for Quarterly Financial Statements (Corporate Accounting Standards No. 12 of March 31, 2020).

(Application of Accounting Standards for Market Value Calculation)

We have applied the Accounting Standards for Market Value Calculation (Corporate Accounting Standards No. 30 of July 4, 2019; hereinafter referred to as “Market Value Calculation Accounting Standards”) since the beginning of the first quarter of the current consolidated fiscal year and decided to apply the new accounting policies specified by the Market Value Calculation Accounting Standards over the future according to the transitional handling specified in Section 19 of the Market Value Calculation Accounting Standards and Section 44-2 of the Accounting Standards for Financial Instruments (Corporate Accounting Standards No. 10 of July 4, 2019). There is no significant change in the market value calculating method therefrom.

(Segment Information, etc.)

I. Previous consolidated cumulative second quarter (from January 1, 2021 to June 30, 2021)

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

(In million yen)

	Reportable Segment				Others (Note 1)	Total	Adjustment amount (Note 2)	Amount stated on the quarterly consolidated statement of income (Note 3)
	Machine Tool Segment	Industrial Machinery Segment	Food Machinery Segment	Reportable Segment Total				
Net Sales								
Sales to outside parties	24,145	4,628	2,521	31,295	3,209	34,504	–	34,504
Intersegment sales or transfers	33	132	–	166	1,106	1,272	(1,272)	–
Total	24,179	4,760	2,521	31,461	4,315	35,777	(1,272)	34,504
Segment income (loss)	3,156	177	205	3,539	426	3,965	(1,251)	2,714

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

2. The adjustment amount of -¥1,251 million to segment income includes -¥27 million in eliminations of intersegment transactions and -¥1,223 million in group overhead not allocable to individual reportable segments. Group overhead consists mainly of the cost of head office functions not attributable to any particular reportable segment.

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

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

None

II. Current consolidated cumulative second quarter (from January 1, 2022 to June 30, 2022)

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

(In million yen)

	Reportable Segment				Others (Note 1)	Total	Adjustment amount (Note 2)	Amount stated on the quarterly consolidated statement of income (Note 3)
	Machine Tool Segment	Industrial Machinery Segment	Food Machinery Segment	Reportable Segment Total				
Net Sales								
Sales to outside parties	28,245	5,244	2,344	35,834	3,482	39,317	–	39,317
Intersegment sales or transfers	93	159	–	252	1,095	1,348	(1,348)	–
Total	28,338	5,404	2,344	36,087	4,577	40,665	(1,348)	39,317
Segment income (loss)	3,938	544	3	4,486	277	4,763	(1,284)	3,479

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

2. The adjustment amount of -¥1,284 million to segment income includes ¥41 million in eliminations of intersegment transactions and -¥1,326 million in group overhead not allocable to individual reportable segments. Group overhead consists mainly of the cost of head office functions not attributable to any particular reportable segment.

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

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

None

3. Matters concerning changes in reportable segments

(Application of Accounting Standards for Revenue Recognition)

As mentioned in the Changes in Accounting Policies, we have applied the Revenue Recognition Accounting Standards and other standards since the beginning of the first quarter of the consolidated fiscal year.

As a result, for the current consolidated cumulative second quarter, net sales of Machine Tool Segment decreased by ¥153 million, and Segment income decreased by ¥127 million, compared with the previous method.

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(Revenue recognition-related matters)

Information about resolved revenue from contracts with customers

Current consolidated cumulative second quarter (from January 1, 2022 to June 30, 2022)

1. 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	22,397	4,467	2,028	3,482	32,376
Maintenance services and consumables	5,847	776	315	–	6,940
Total	28,245	5,244	2,344	3,482	39,317

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.

2. Breakdown of overseas sales

(In million yen)

	Reportable Segment			Others (Note 2)	Total
	Machine Tool Segment	Industrial Machinery Segment	Food Machinery Segment		
Japan	5,940	2,351	1,358	3,296	12,946
North and South America	3,997	614	8	–	4,619
Europe	3,602	–	–	–	3,602
Greater China	11,732	1,507	743	185	14,170
Asia	2,972	771	233	–	3,978
Total	28,245	5,244	2,344	3,482	39,317

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.

(Material subsequent events)

(Company split with a consolidated subsidiary (simplified or summary absorption-type company split))

At the Board of Directors' meeting held on April 15, 2022, the Company resolved to succeed to the businesses of developing, producing and selling consumables for electrical discharge machines (EDMs) which are conducted by Sodick F.T, which is a wholly owned subsidiary of the Company, on the effective date of July 1, 2022 by means of a company split (hereinafter referred to as "Company Split").

As the Company Split is a company split under the provisions of Article 796, paragraph (2) of the Companies Act in which the Company succeeds to the businesses of its wholly owned subsidiary (simplified absorption-type company split), we omit some disclosure matters and details of it.

1. Purpose of the Company Split

As informed in "Notice of Entity Conversion" dated January 5, 2022, the Company has changed over its system from an organization by function to an organization by business since January 1, 2022. In the new system, a division consistently directs sales, techniques, development, after-sales service, and production and provides a total solution to business servitization and digitization as well as machine tools. In order to realize that, the Company decided that it was to succeed to the businesses of developing, producing and selling consumables for EDMs through a company split (simplified absorption-type company split) and thereby aims at increasing business efficiency by unifying the production and sale of supplies with services therefor in the CS Division and at expanding business areas.

2. Main points of the Company Split

(1) Schedule for the Company Split

Date of resolution on the Company Split by the Board of Directors: April 15, 2022

Execution date of an agreement for the Company Split: April 19, 2022

Effective date of the Company Split: July 1, 2022

* The Company Split was carried out through the procedure for a simplified absorption-type company split under the provisions of Article 796, paragraph (2) of the Companies Act in the Company and through the procedure for a summary absorption-type company split under the provisions of Article 784, paragraph (1) of the said Act in Sodick F.T, not through a resolution on an approval for the company split agreement by a shareholders meeting.

(2) Method of the Company Split

The Company Split is an absorption-type company split in which Sodick F.T is a split company and the Company is a succeeding company.

(3) Details of allotment relating to the Company Split

As Sodick F.T is a wholly-owned subsidiary of the Company, the Company is to allot no shares or otherwise provide no money or the like in connection with the Company Split.

(4) Handling of share acquisition rights and bonds with share acquisition rights in connection with the Company Split

None

(5) Changes in share capital owing to the Company Split

The Company's share capital does not change owing to the Company Split.

(6) Rights and obligations that the succeeding company succeeds to

The Company is to succeed to the rights and obligations that Sodick F.T has in connection with the businesses of developing, producing and selling consumables for EDMs and are specified in the company split agreement, through the Company Split.

(7) Prospects for performance of obligations

We consider that there is no problem with prospects for the performance of obligations that the Company and Sodick F.T are to have in the Company Split.

3. Details of business of division to succeed

(1) Details of business of division to succeed

The businesses of developing, producing and selling consumables for EDMs that Sodick F.T has

(2) Operating results of division to succeed (fiscal year ended December 2021)

Net sales: ¥2,459 million

Operating income: ¥143 million

(3) Items and amounts of assets and liabilities to succeed to (as of June 30, 2022)

Sodick Co., Ltd.

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	¥527 million	Current liabilities	¥1,551 million
Non-current assets	¥1,335 million	Non-current liabilities	–
Total	¥1,862 million	Total	¥1,551 million

4. State after the Company Split

The name, location, title and name of the representative, details of business, share capital, and fiscal term of the Company are not changed after the Company Split.

5. Outline of the accounting

We intend to account for transactions under common control according to the Accounting Standards for Business

Combinations (Corporate Accounting Standards No. 21 of January 16, 2019) and the Guidelines on Application of Business

Combination Accounting Standards and Business Split Accounting Standards (Corporate Accounting Standard Application

Guidelines No. 10 of January 16, 2019).

(Purchase and cancellation of treasury shares)

At a meeting of the Board of Directors held on August 9, 2022, the Company resolved on matters pertaining to the purchase of treasury shares pursuant to Article 156 of the Companies Act as applied pursuant to Article 165, paragraph 3 of the same Act, and also resolved to cancel all the purchased treasury shares pursuant to Article 178 of the Companies Act.

1. Reasons for purchase and cancellation of treasury shares

The purchase and cancellation of treasury shares are to improve the share value through the reinforcement of returns to shareholders and flexible capital policy in response to changes in the business environment.

2. Details of the matters pertaining to the purchase

(1) Class of shares to be purchased: common shares of the Company

(2) Total number of shares purchasable: 500,000 shares (upper limit)

(0.93% of the total number of issued shares, excluding treasury shares)

(3) Total amount of purchase: ¥500 million (upper limit)

(4) Purchase period: August 10, 2022 to September 9, 2022

(5) Purchase method: Market purchase on the Tokyo Stock Exchange, Inc.

3. Details of the matters pertaining to the cancellation

(1) Class of shares to be cancelled: common shares of the Company

(2) Total number of shares to be cancelled: total number of treasury shares to be purchased in accordance with 2. above

(3) Scheduled date of cancellation: September 30, 2022