



Summary of Financial Results for the Fiscal Year Ended December 2022 (J-GAAP) (Consolidated)

February 14, 2023

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 ordinary general shareholders' meeting: March 30, 2023
 Scheduled date of dividend payout: March 31, 2023
 Scheduled date of filing of financial statements: March 30, 2023
 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, 2022 (January 1, 2022 to December 31, 2022)

(1) Consolidated Financial 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, 2022 | 80,495 | 7.1 | 5,813 | (14.7) | 8,275 | (3.6) | 6,021 | (8.6) |
| Fiscal year ended December 31, 2021 | 75,174 | 29.5 | 6,813 | 267.8 | 8,588 | 319.6 | 6,591 | 389.4 |

Note: Comprehensive income: Fiscal year ended December 31, 2022 ¥10,138 million (-3.7%)
 Fiscal year ended December 31, 2021 ¥10,524 million (-%)

| | Earnings per share | Diluted earnings per share | Return on equity | Ratio of ordinary profit to total assets | Ratio of operating profit to net sales |
|-------------------------------------|--------------------|----------------------------|------------------|--|--|
| | Yen | Yen | % | % | % |
| Fiscal year ended December 31, 2022 | 112.67 | — | 7.8 | 6.1 | 7.2 |
| Fiscal year ended December 31, 2021 | 125.67 | — | 10.0 | 6.8 | 9.1 |

Reference: Equity in earnings of non-consolidated subsidiaries and affiliates: Fiscal year ended December 31, 2022 ¥86 million
 Fiscal year ended December 31, 2021 ¥99 million

Note 1: As the percentage change in comprehensive income for the fiscal year ended December 2021 from the same period of the previous fiscal year exceeded 1,000%, it is stated as “—”.

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 current fiscal year, and figures for the fiscal year ended December 2022 are those after the application of those Accounting Standards.

Note 3: Diluted earnings per share for the fiscal year ended 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 | % | ¥ |
| As of December 31, 2022 | 138,433 | 80,993 | 58.5 | 1,548.28 |
| As of December 31, 2021 | 134,866 | 74,438 | 55.2 | 1,376.33 |

Reference: Shareholders' Equity: As of December 31, 2022 ¥80,934 million
 As of 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 current fiscal year, and figures for the fiscal year ended December 2022 are those after the application of those Accounting Standards.

(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, 2022 | 3,543 | (10,957) | (6,012) | 33,158 |
| Fiscal year ended December 31, 2021 | 7,642 | (2,203) | (1,932) | 44,229 |

2. Cash Dividends

| | Annual dividend | | | | | Total cash dividend paid (annual) | Payout ratio (consolidation) | Ratio of dividends to net assets (consolidated) |
|---|-----------------|-----------|-----------|-----------|-------|-----------------------------------|------------------------------|---|
| | End of 1Q | End of 2Q | End of 3Q | End of 4Q | Total | | | |
| | ¥ | ¥ | ¥ | ¥ | ¥ | ¥ Million | % | % |
| Fiscal year ended December 31, 2021 | — | 13.00 | — | 13.00 | 26.00 | 1,411 | 20.6 | 1.9 |
| Fiscal year ended December 31, 2022 | — | 13.00 | — | 14.00 | 27.00 | 1,429 | 23.9 | 1.8 |
| Fiscal year ending December 31, 2023 (Forecast) | — | 14.00 | — | 15.00 | 29.00 | | 44.1 | |

3. Forecast for the Fiscal Year Ending December 31, 2023 (January 1, 2023 to December 31, 2023)

(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 | % | ¥ |
| Second quarter | 40,000 | 1.7 | 2,100 | (39.6) | 2,100 | (64.8) | 1,400 | (66.0) | 26.78 |
| Full year | 81,700 | 1.5 | 4,700 | (19.2) | 4,700 | (43.2) | 3,200 | (46.9) | 61.22 |

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) Changes 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, 2022 | 57,292,239 shares | Fiscal year ended December 31, 2021 | 58,292,239 shares |
| (ii) Number of treasury shares as of the balance sheet date | Fiscal year ended December 31, 2022 | 5,018,691 shares | Fiscal year ended December 31, 2021 | 4,246,368 shares |
| (iii) Average number of shares outstanding during period | Fiscal year ended December 31, 2022 | 53,450,054 shares | Fiscal year ended December 31, 2021 | 52,454,970 shares |

(Reference) Summary of Non-consolidated Results

1. Non-consolidated Results for the Fiscal Year Ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(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, 2022 | 45,544 | 7.8 | 160 | (89.4) | 4,382 | 14.7 | 3,868 | 45.1 |
| Fiscal year ended December 31, 2021 | 42,240 | 26.1 | 1,509 | — | 3,819 | 215.4 | 2,666 | 97.8 |

| | Earnings per share | Diluted earnings per share |
|-------------------------------------|--------------------|----------------------------|
| | ¥ | ¥ |
| Fiscal year ended December 31, 2022 | 72.38 | — |
| Fiscal year ended December 31, 2021 | 50.83 | — |

Note 1: Diluted earnings per share for the fiscal year ended December 2022 are not shown in the above table because there are no dilutive shares.

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 current fiscal year, and figures for the fiscal year ended December 2022 are those after the application of those Accounting Standards.

(2) Non-consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------------|--------------|------------|--------------|----------------------|
| | ¥ Million | ¥ Million | % | ¥ |
| As of December 31, 2022 | 92,426 | 48,529 | 52.5 | 928.38 |
| As of December 31, 2021 | 94,346 | 47,084 | 49.9 | 871.19 |

Reference: Shareholders' Equity: As of December 31, 2022 ¥48,529 million
As of December 31, 2021 ¥47,084 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 current fiscal year, and figures for the fiscal year ended December 2022 are those after the application of those Accounting Standards.

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

*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, the environment surrounding Sodick Group group remained uncertain due to global inflation, supply chain disruptions, monetary policy tightening, and rapid exchange rate fluctuations, as well as geopolitical risks such as the Russian invasion of Ukraine and concerns about an economic slowdown due to China's strict COVID-19 policy.

The Group strives to contribute to the sustainable development of society through manufacturing as a company that "Creates your Future" by providing the highest value to customers in the spirit of "Create (So)," "Implement (di)," and "Overcome difficulties (ck)." Against the backdrop of technological innovation in the automotive and telecommunications fields, the increasing need for labor saving, and the promotion of carbon neutrality and the Sustainable Development Goals (SDGs), manufacturing sites are also required to improve operability, reduce power consumption and waste, consolidate processes, and promote DX, as well as to improve precision, speed, and automation. Recognizing these "contributions to evolving manufacturing" as important management issues, we are working together to promote business expansion and sustainability initiatives, including the promotion of new product development, the development of total solutions, the enhancement of after-sales services, and the provision of added value using DX.

Under these circumstances, we exhibited at JIMTOF2022 (Japan International Machine Tool Fair), which was held in-person for the first time in four years, with our new products such as the AX350L ultra-precision wire-cut EDM developed for the manufacture of press dies for EV motor cores and lead frame dies for semiconductor packages, the UX450L machining center that contributes to quality stability with its thermal displacement compensation function, and the LPM450 metal 3D printer that suppresses maintenance loads such as replacement even when multiple materials are used, and enables stable large-size molding. In addition, we reproduced our booth as a digital twin system and made it available on our special website. In the future, we will continue to connect with our customers both digitally and face-to-face and offer proposals to solve their manufacturing issues.

As a result, the consolidated net sales for the fiscal year under review were ¥80,495 million (up 7.1% year on year), operating profit was ¥5,813 million (down 14.7% year on year), ordinary profit was ¥8,275 million (down 3.6% year on year) and profit attributable to owners of parent was ¥6,021 million (down 8.6% year on year).

(ii) Segment overview

| | | | | |
|---|------------------|-----------------|---------------------|-------------------|
| Machine Tool Segment | Net sales | ¥56,492 million | Y/y change (rate) | Up 9.7% |
| | Operating profit | ¥7,046 million | Y/y change (amount) | Down ¥129 million |
| <p>In Japan, the West, and Asia, demand for electronic components, semiconductors, and EV-related products was firm, despite the impact of a decline in facility investments in automotive and semiconductor-related products in Greater China, rising prices due to the situation in Ukraine and Russia, and supply chain disruptions. Net sales increased year on year partly due to the yen's depreciation.</p> <p>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 important opportunities. We are developing business activities recognizing those 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.</p> <p>As part of our efforts to develop products to meet these needs, for wire-cut EDM, we have developed the AL i Groove + Edition Series, which realize high-speed, high-precision wire rotation mechanisms as well as reductions in power and wire consumption, thereby supporting a decarbonized society. The AL600G i Groove + Edition received the award at Nikkan Kogyo Shimibun's the 65th New Product Awards.</p> | | | | |
| Industrial Machinery Segment | Net sales | ¥10,656 million | Y/y change (rate) | Up 2.8% |
| | Operating profit | ¥820 million | Y/y change (amount) | Up ¥317 million |
| <p>In Japan, while demand for EV-related products remained strong, demand for electronic components was weak due to a decline in demand for smartphones. In each region, there was also a decline in facility investments due to a decline in demand for electronic components, but sales increased year on year partly due to the weak yen.</p> <p>In Greater China and other Asian regions, demand for ultra-high-precision injection molding machines, which our company excels at, is expected to increase due to the trend toward higher precision in manufacturing. We also recognize the need to reduce the amount of electricity used and the amount of waste generated by molding as an important opportunity and are developing this business.</p> <p>To meet the abovementioned needs, we have developed the VR G Series as successors to the VRE Series, hybrid vertical rotary injection molding machines, in which control capability are further improved and power consumption is reduced by operating with less energy loss.</p> | | | | |
| Food Machinery Segment | Net sales | ¥6,813 million | Y/y change (rate) | Down 1.0% |
| | Operating profit | ¥447 million | Y/y change (amount) | Down ¥383 million |
| <p>Although there was a decline in facility investments due to the impact of the COVID-19 policy in Greater China and rising costs among customers affected by global inflation, sales remained slightly lower than the same period of the previous fiscal year due to steady demand for equipment related to noodle-making machines in Japan and sterile-packed cooked rice production systems in overseas markets, as well as progress in several projects for sterile-packed cooked rice production systems in Greater China.</p> <p>In the future, in addition to responding to hygienic and labor-saving needs in Japan, we intend to expand in a wide range of fields, including the Japanese-style deli dishes, confectionery, and bread industries. In addition, we anticipate that demand for raw noodles and rice is expected to increase in overseas markets, mainly in Greater China and Asia, due to improvements in food quality and the development of infrastructure. Consequently, further production capacity will be required, and thus we have started operations at Amoi Plant in China since January 2023 and have promoted renovation and demolition to increase the production capacity at Kaga Office.</p> <p>To meet these needs, we have developed Neo Mazaru, noodle loosening device with sauce dispenser for precooked noodle production, which can realize the unmanned addition and stirring process of seasonings, extend the freshness of cooked noodles by reducing the number of manual processes, resulting in contributing to food loss reduction. This product received the Super Manufacturing Parts Prize for Machinery & Robot Parts at Nikkan Kogyo Shimibun's 2022 (19th) Awards.</p> | | | | |
| Others | Net sales | ¥6,533 million | Y/y change (rate) | Up 1.5% |
| | Operating profit | ¥313 million | Y/y change (amount) | Down ¥498 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 ceramic components. In the die molding business, sales decreased slightly from the same period of the previous fiscal year due to weak demand for auto-related industries, but in element technology operations, sales increased from the same period of the previous fiscal year. In addition, profit ratio declined due to higher costs associated with the continued impact of supply chain disruptions and soaring material costs.</p> | | | | |

(2) Analysis of Financial Position

(i) Assets, Liabilities and Net Assets

Total assets stood at ¥138,433 million as of the end of the fiscal year under review, an increase of ¥3,566 million from the end of the previous fiscal year, primarily due to a ¥4,562 million increase in long-term time deposits, a ¥2,963 million increase in raw materials and supplies, a ¥2,503 million increase in merchandise and finished goods, a ¥2,026 million increase in buildings and structures, and a ¥1,734 million increase in machinery, equipment and vehicles, partially offset by a ¥9,227 million decrease in cash and deposits.

Meanwhile, liabilities at the end of the period under review totaled ¥57,439 million, a decrease of ¥2,989 million from the end of the previous fiscal year. The main factors for the decrease included a decrease of ¥4,123 million in other current liabilities including advances received and a decrease of ¥3,489 million in long-term borrowings, partially offset by a ¥4,448 million increase in contract liabilities.

Net assets totaled ¥80,993 million at the end of the period under review, an increase of ¥6,555 million from the end of the previous fiscal year, mainly due to a ¥3,712 million increase in foreign currency translation adjustment and a ¥3,082 million increase in retained earnings. As a result, the equity ratio stood at 58.5% at the end of the fiscal year.

(ii) Cash Flows

Cash and cash equivalents (hereinafter, "cash") were ¥33,158 million at the end of the fiscal year under review, down ¥11,070 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)

Net cash provided by operating activities was ¥3,543 million, (¥7,642 million provided in the previous fiscal year). This was mainly due to profit before income taxes and minority interests of ¥8,085 million and an increase in contract liabilities of ¥3,230 million, partially offset by an increase in inventories of ¥5,125 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥10,957 million (¥2,203 million used in the previous fiscal year). This was mainly due to payments into time deposits of ¥6,840 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥6,012 million (¥1,932 million used in the previous fiscal year). This was mainly due to repayments of long-term borrowings of ¥6,921 million and dividends paid of ¥1,399 million, partially offset by proceeds from long-term borrowings of ¥5,000 million.

Cash flow indicators of Sodick Group trended as follows.

| | Fiscal year ended Dec. 31, 2019 | Fiscal year ended Dec. 31, 2020 | Fiscal year ended Dec. 31, 2021 | Fiscal year ended Dec. 31, 2022 |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Equity ratio (%) | 51.2 | 49.9 | 55.2 | 58.5 |
| Equity ratio based on market capitalization (%) | 40.0 | 35.7 | 32.8 | 26.8 |
| Ratio of cash flow to interest-bearing liabilities (years) | 4.6 | 7.9 | 4.4 | 9.2 |
| Interest coverage ratio (times) | 28.5 | 18.1 | 23.4 | 11.9 |

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 include all liabilities on the consolidated balance sheets for which interest is paid. Non-interest-bearing convertible-bond-type bonds with stock acquisition rights are also covered.

*Operating cash flow and interest expenditure refer to "Net cash provided by (used in) operating activities" and "Interest 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 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

$$\text{Total return ratio in a FY (n)} = \frac{(\text{Total amount of dividend paid in such FY}) + (\text{Total purchase price of treasury shares in the next FY})}{\text{Profit attributable to owners of parent for year in such FY}}$$

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 ¥27 per share, comprised of a fiscal year-end regular dividend of ¥14 and a second quarter-end dividend of ¥13.

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

(4) Future Outlook

Looking at the future, as manufacturing continues to develop globally over the medium to long term, there is a growing need for lighter and more electric vehicles and for gasoline-free vehicles in the automotive industry, the Company's major customers operate, there is a growing demand for automotive lightening 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). Demand for capital investment in high-precision machinery is expected to further increase in line with the advancement of AI and IoT, as well as the sophistication of systems for the spread of 5G, and in addition, demand for EVs, renewable energy, labor productivity, and other measures to solve social issues such as decarbonization is expected to increase worldwide.

However, the future is likely to remain uncertain due to various geopolitical risks, including the impact of the COVID-19 outbreak, shortages of semiconductors and other materials, inflation and monetary tightening, as well as rising energy and raw material prices and the prolonged situation in Ukraine.

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

| | | | | |
|---|------------------|-----------------|---------------------|---------------------|
| Machine Tool Segment | Net sales | ¥54,900 million | Y/y change (rate) | Down 2.8% |
| | Operating profit | ¥5,700 million | Y/y change (amount) | Down ¥1,346 million |
| Demand for high-precision machinery is expected to increase as manufacturing becomes more sophisticated, particularly in the automotive, semiconductor, and 5G-related industries. Although we are working to strengthen the after COVID-19 market in Greater China, net sales are expected to slightly decrease year on year as the effects of the change in the COVID-19 policy are uncertain. The impact of supply chain disruptions continues to be seen. | | | | |
| Industrial Machinery Segment | Net sales | ¥11,600 million | Y/y change (rate) | Up 8.9% |
| | Operating profit | ¥800 million | Y/y change (amount) | Down ¥20 million |
| As demand for smartphones and electronic components is expected to continue to slow despite expected growth in demand for CASE-related products, environmental initiatives such as reducing power consumption and waste are attracting increasing attention. In such an environment, through the Company's proprietary V-LINE technologies that enable stable plasticization, metering and injection to realize accurate and highly reproducible molding, we will contribute to highly accurate and sustainable manufacturing by expanding sales of electric injection molding machines that are more environmentally friendly than conventional hybrid machines (electric and hydraulic). As a result of these efforts, sales are expected to increase year on year. | | | | |
| Food Machinery Segment | Net sales | ¥8,100 million | Y/y change (rate) | Up 18.9% |
| | Operating profit | ¥500 million | Y/y change (amount) | Up ¥52 million |
| In addition to projects in Japan related to sanitary and labor-saving facilities, demand for rice production equipment and other equipment for raw noodles, frozen noodles is expected to grow significantly in overseas markets such as Greater China and Asia. | | | | |
| Others | Net sales | ¥7,100 million | Y/y change (rate) | Up 8.7% |
| | Operating profit | ¥700 million | Y/y change (amount) | Up ¥386 million |
| Demand for ceramics will continue to remain strong, and sales in the die molding business are expected to expand as automobile production recovers and molding items sales expand. | | | | |

For the fiscal year ending December 2023, Sodick Group aims to achieve net sales of ¥81.7 billion (up 1.5% year on year), operating profit of ¥4.7 billion (down 19.2% year on year), ordinary profit of ¥4.7 billion (down 43.2% year on year) and profit attributable to owners of parent of ¥3.2 billion (down 46.9% year on year).

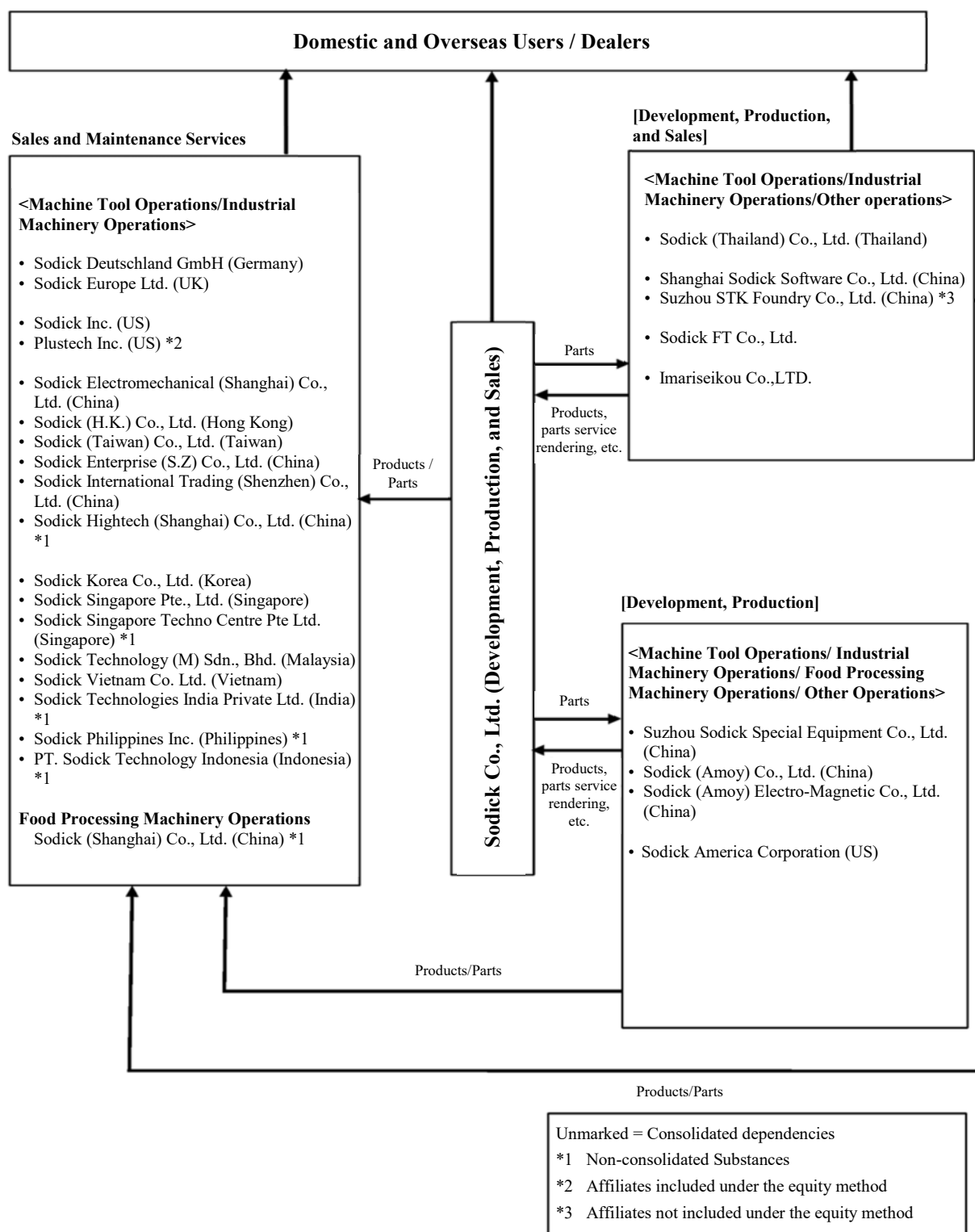
These forecasts are based on the fiscal year average exchange rate of 130 yen against the U.S. dollar and 144 yen against the euro.

| | Fiscal year ending Dec. 31, 2023 Full-year forecasts (¥ Million) | Fiscal year ended Dec. 31, 2022 Actual results (¥ Million) | Year-on-year change (%) |
|---|---|---|----------------------------|
| Net sales | 81,700 | 80,495 | 1.5 |
| Operating profit | 4,700 | 5,813 | (19.2) |
| Ordinary profit | 4,700 | 8,275 | (43.2) |
| Profit attributable to owners of parent | 3,200 | 6,021 | (46.9) |

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 Notes**(1) Consolidated Balance Sheets**

(In million yen)

| | Fiscal year ended December 31, 2021 (as of December 31, 2021) | Fiscal year ended December 31, 2022 (as of December 31, 2022) |
|--|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 45,274 | 36,047 |
| Notes and accounts receivable - trade | 18,363 | - |
| Notes and accounts receivable - trade, and contract assets | - | 15,698 |
| Electronically recorded monetary claims - operating | 2,104 | 2,792 |
| Merchandise and finished goods | 9,352 | 11,856 |
| Work in process | 8,851 | 10,068 |
| Raw materials and supplies | 9,427 | 12,390 |
| Other | 3,428 | 3,850 |
| Allowance for doubtful accounts | (425) | (347) |
| Total current assets | 96,377 | 92,356 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 29,049 | 31,075 |
| Machinery, equipment and vehicles | 22,214 | 23,949 |
| Tools, furniture and fixtures | 4,302 | 4,639 |
| Land | 7,278 | 7,888 |
| Leased assets | 2,882 | 2,918 |
| Construction in progress | 1,390 | 1,721 |
| Accumulated depreciation | (36,901) | (40,629) |
| Total property, plant and equipment | 30,217 | 31,562 |
| Intangible assets | | |
| Goodwill | 1,240 | 1,150 |
| Other | 1,032 | 1,471 |
| Total intangible assets | 2,273 | 2,622 |
| Investments and other assets | | |
| Investment securities | 3,537 | 4,597 |
| Long-term loans receivable | 27 | 39 |
| Deferred tax assets | 1,199 | 1,353 |
| Long-term time deposits | - | 4,562 |
| Other | 1,286 | 1,386 |
| Allowance for doubtful accounts | (52) | (48) |
| Total investments and other assets | 5,997 | 11,891 |
| Total non-current assets | 38,488 | 46,076 |
| Total Assets | 134,866 | 138,433 |

(In million yen)

| | Fiscal year ended December 31, 2021 (as of December 31, 2021) | Fiscal year ended December 31, 2022 (as of December 31, 2022) |
|--|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 6,423 | 5,312 |
| Electronically recorded obligations - operating | 6,724 | 6,734 |
| Short-term borrowings | 2,242 | 1,840 |
| Current portion of bonds payable | 140 | 140 |
| Current portion of long-term borrowings | 6,527 | 8,157 |
| Accounts payable - other | 1,599 | 1,878 |
| Income taxes payable | 1,207 | 1,025 |
| Contract liabilities | - | 4,448 |
| Provision for product warranties | 411 | 427 |
| Provision for quality guarantee | 3 | 4 |
| Provision for bonuses | 802 | 1,211 |
| Other | 7,622 | 3,498 |
| Total current liabilities | 33,705 | 34,679 |
| Non-current liabilities | | |
| Bonds payable | 580 | 440 |
| Long-term borrowings | 24,251 | 20,761 |
| Provision for retirement benefits for directors (and other officers) | 20 | 11 |
| Provision for product warranties | 169 | 67 |
| Retirement benefit liability | 469 | 673 |
| Asset retirement obligations | 65 | 66 |
| Other | 1,166 | 739 |
| Total non-current liabilities | 26,722 | 22,760 |
| Total liabilities | 60,428 | 57,439 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 24,618 | 24,618 |
| Capital surplus | 9,739 | 9,717 |
| Retained earnings | 37,229 | 40,312 |
| Treasury shares | (3,117) | (3,739) |
| Total shareholders' equity | 68,470 | 70,909 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 732 | 1,030 |
| Foreign currency translation adjustment | 5,402 | 9,114 |
| Remeasurements of defined benefit plans | (219) | (120) |
| Total accumulated other comprehensive income | 5,914 | 10,024 |
| Non-controlling interests | 52 | 59 |
| Total net assets | 74,438 | 80,993 |
| Total Liabilities and Net Assets | 134,866 | 138,433 |

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statement of Income)

(In million yen)

| | Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021) | Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022) |
|---|--|--|
| Net sales | 75,174 | 80,495 |
| Cost of sales | 49,461 | 53,670 |
| Gross profit | 25,713 | 26,825 |
| Selling, general and administrative expenses | | |
| Personnel expenses | 8,265 | 9,674 |
| Provision of allowance for doubtful accounts | 187 | (95) |
| Amortization of goodwill | 140 | 144 |
| Research and development expenses | 2,324 | 2,065 |
| Other | 7,981 | 9,223 |
| Total selling, general and administrative expenses | 18,899 | 21,011 |
| Operating profit | 6,813 | 5,813 |
| Non-operating income | | |
| Interest income | 305 | 392 |
| Dividend income | 102 | 287 |
| Foreign exchange gains | 976 | 1,681 |
| Share of profit of entities accounted for using equity method | 99 | 86 |
| Subsidy income | 512 | 256 |
| Gain on sale of scraps | 37 | 41 |
| Other | 198 | 154 |
| Total non-operating income | 2,231 | 2,900 |
| Non-operating expenses | | |
| Interest expenses | 327 | 301 |
| Provision of allowance for doubtful accounts | 1 | - |
| Other | 127 | 136 |
| Total non-operating expenses | 456 | 437 |
| Ordinary profit | 8,588 | 8,275 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 28 | 49 |
| Subsidy income | 25 | - |
| Total extraordinary income | 53 | 49 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | 17 | 2 |
| Loss on retirement of non-current assets | 58 | 39 |
| Loss on tax purpose reduction entry of non-current assets | 25 | - |
| Extra retirement payments | - | 184 |
| Others | 1 | 12 |
| Total extraordinary losses | 103 | 239 |
| Profit before income taxes | 8,538 | 8,085 |
| Income taxes - current | 2,025 | 2,010 |
| Income taxes - deferred | (102) | 49 |
| Total income taxes | 1,922 | 2,059 |
| Profit | 6,615 | 6,026 |
| Profit attributable to non-controlling interests | 23 | 4 |
| Profit attributable to owners of parent | 6,591 | 6,021 |

(Consolidated Statement of Comprehensive Income)

(In million yen)

| | Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021) | Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022) |
|--|--|--|
| Profit | 6,615 | 6,026 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 135 | 298 |
| Foreign currency translation adjustment | 3,611 | 3,622 |
| Remeasurements of defined benefit plans, net of tax | 108 | 99 |
| Share of other comprehensive income of entities accounted for using equity method | 53 | 91 |
| Total other comprehensive income | 3,908 | 4,112 |
| Comprehensive income | 10,524 | 10,138 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 10,491 | 10,131 |
| Comprehensive income attributable to non-controlling interests | 32 | 6 |

(3) Consolidated Statement of Changes in Equity

Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(In million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 20,785 | 5,877 | 33,787 | (4,566) | 55,884 |
| Changes during period | | | | | |
| Issuance of new shares (exercise of share acquisition rights) | 3,833 | 3,833 | | | 7,667 |
| Dividends of surplus | | | (1,320) | | (1,320) |
| Reserve for the awards and welfare fund for employees of overseas subsidiaries | | | (14) | | (14) |
| Profit attributable to owners of parent | | | 6,591 | | 6,591 |
| Purchase of treasury shares | | | | (413) | (413) |
| Disposal of treasury shares | | | | 47 | 47 |
| Cancellation of treasury shares | | | (1,814) | 1,814 | - |
| Purchase of shares of consolidated subsidiaries | | 6 | | | 6 |
| Restricted share-based remuneration | | 21 | | | 21 |
| Net changes of items other than shareholders' equity during period | | | | | |
| Total changes during period | 3,833 | 3,861 | 3,441 | 1,449 | 12,586 |
| Balance at end of period | 24,618 | 9,739 | 37,229 | (3,117) | 68,470 |

| | 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 | 596 | 1,746 | (328) | 2,014 | 77 | 57,976 |
| Changes during period | | | | | | |
| Issuance of new shares (exercise of share acquisition rights) | | | | | | 7,667 |
| Dividends of surplus | | | | | | (1,320) |
| Reserve for the awards and welfare fund for employees of overseas subsidiaries | | | | | | (14) |
| Profit attributable to owners of parent | | | | | | 6,591 |
| Purchase of treasury shares | | | | | | (413) |
| Disposal of treasury shares | | | | | | 47 |
| Cancellation of treasury shares | | | | | | - |
| Purchase of shares of consolidated subsidiaries | | | | | | 6 |
| Restricted share-based remuneration | | | | | | 21 |
| Net changes of items other than shareholders' equity during period | 135 | 3,656 | 108 | 3,899 | (24) | 3,874 |
| Total changes during period | 135 | 3,656 | 108 | 3,899 | (24) | 16,461 |
| Balance at end of period | 732 | 5,402 | (219) | 5,914 | 52 | 74,438 |

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) |
| Reserve for the awards and welfare fund for employees of 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) |
| Reserve for the awards and welfare fund for employees of 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 |

(4) Consolidated Statements of Cash Flows

(In million yen)

| | Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021) | Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022) |
|---|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 8,538 | 8,085 |
| Depreciation | 3,452 | 3,602 |
| Amortization of goodwill | 140 | 144 |
| Increase (decrease) in retirement benefit liability | (29) | 255 |
| Increase (decrease) in provision for bonuses | 311 | 398 |
| Increase (decrease) in allowance for doubtful accounts | 180 | (103) |
| Interest and dividend income | (407) | (679) |
| Interest expenses | 327 | 301 |
| Share of loss (profit) of entities accounted for using equity method | (99) | (86) |
| Foreign exchange losses (gains) | (250) | (283) |
| Extra retirement payments | – | 179 |
| Loss (gains) on sale and revaluation of investment securities | – | 0 |
| Loss (gains) on sale and retirement of non-current assets | 47 | (7) |
| Decrease (increase) in trade receivables | (4,352) | 2,614 |
| Decrease (increase) in inventories | (5,471) | (5,125) |
| Increase (decrease) in trade payables | 4,801 | (1,370) |
| Increase (decrease) in accounts payable - other | 483 | 113 |
| Increase (decrease) in advances received | 2,496 | (4,618) |
| Increase (decrease) in accrued consumption taxes | (266) | (366) |
| Increase (decrease) in contract liabilities | – | 3,230 |
| Decrease (increase) in advance payments to suppliers | (132) | (19) |
| Subsidy income | (25) | – |
| Increase (decrease) in provisions for loss on compensation for damage | (75) | – |
| Other | (574) | (1,248) |
| Subtotal | 9,096 | 5,015 |
| Interest and dividends received | 280 | 923 |
| Interest paid | (327) | (298) |
| Subsidies received | 25 | – |
| Income taxes refund (paid) | (1,431) | (2,096) |
| Net cash provided by (used in) operating activities | 7,642 | 3,543 |
| Cash flows from investing activities | | |
| Payments into time deposits | (200) | (6,840) |
| Proceeds from withdrawal of time deposits | 96 | 465 |
| Purchase of property, plant and equipment | (2,107) | (3,554) |
| Proceeds from sale of property, plant and equipment | 539 | 201 |
| Purchase of intangible assets | (344) | (653) |
| Purchase of investment securities | (0) | (10) |
| Proceeds from sales of investment securities | – | 0 |
| Purchase of shares of subsidiaries and associates | – | (480) |
| Loan advances | (23) | (70) |
| Proceeds from collection of loans receivable | 3 | 1 |
| Other | (165) | (16) |
| Net cash provided by (used in) investing activities | (2,203) | (10,957) |

(In million yen)

| | Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021) | Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022) |
|---|--|--|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | (543) | (487) |
| Proceeds from long-term borrowings | 8,544 | 5,000 |
| Repayments of long-term borrowings | (7,583) | (6,921) |
| Redemption of bonds | (454) | (140) |
| Repayments of finance lease liabilities | (359) | (630) |
| Proceeds from sale and leaseback transactions | 254 | – |
| Purchase of treasury shares | (413) | (1,433) |
| Dividends paid | (1,320) | (1,399) |
| Other | (56) | – |
| Net cash provided by (used in) financing activities | (1,932) | (6,012) |
| Effect of exchange rate change on cash and cash equivalents | 2,466 | 2,355 |
| Net increase (decrease) in cash and cash equivalents | 5,973 | (11,070) |
| Cash and cash equivalents at the beginning of period | 38,255 | 44,229 |
| Cash and cash equivalents at the end of period | 44,229 | 33,158 |

(5) Notes to Consolidated Financial Statements

(Notes regarding going concern assumptions)

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 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 current consolidated fiscal year by adding or subtracting an affected cumulative amount when the new accounting policies are retroactively applied before the beginning of that fiscal year to or from retained earnings at the beginning 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 all of whose revenue amounts were recognized according to the previous handling before the beginning of the current consolidated fiscal year. In addition, the Company applies the method set forth in paragraph 86 of the Accounting Standard for Revenue Recognition and in the description (1), and accounts for any contractual changes made prior to the beginning of the current consolidated fiscal year based on the contractual conditions after reflecting all contractual changes, and adds or subtracts the cumulative effect to retained earnings at the beginning of the current consolidated fiscal year.

As a result, for the current consolidated fiscal year, net sales decreased by ¥94 million, cost of sales decreased by ¥22 million, and operating profit, ordinary profit, and profit before income taxes each decreased by ¥71 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 fiscal year are included in “notes and accounts receivable - trade, and contract assets” from the current consolidated fiscal year, and “advances received” shown under “current liabilities” are included in “contract liabilities” from the current fiscal year.

In accordance with the transitional handling specified in paragraph 89-2 of the Revenue Recognition Accounting Standard, no reclassification has been made to the consolidated financial statements for the previous fiscal year to conform to the new presentation method. In addition, in accordance with the transitional handling specified in paragraph 89-3 of the Revenue Recognition Accounting Standard, we do not state information about resolved revenue from contracts with customers in the previous consolidated fiscal year.

(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 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.

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

None

(Segment Information, etc.)

[Segment information]

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, operating profit (loss), assets, and other items by reportable segment

Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(In million yen)

| | Reportable segment | | | | Other (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 machinery segment | Reportable segment total | | | | |
| Net sales | | | | | | | | |
| Sales to outside parties | 51,485 | 10,367 | 6,884 | 68,737 | 6,437 | 75,174 | – | 75,174 |
| Intersegment sales or transfers | 409 | 76 | – | 486 | 2,282 | 2,769 | (2,769) | – |
| Total | 51,895 | 10,443 | 6,884 | 69,223 | 8,720 | 77,943 | (2,769) | 75,174 |
| Segment income (loss) | 7,176 | 503 | 830 | 8,510 | 811 | 9,321 | (2,507) | 6,813 |
| Segment assets | 74,894 | 13,055 | 5,643 | 93,592 | 11,544 | 105,137 | 29,729 | 134,866 |
| Other | | | | | | | | |
| Depreciation | 2,369 | 366 | 85 | 2,820 | 524 | 3,345 | 107 | 3,452 |
| Amortization of goodwill | 91 | 31 | – | 122 | 17 | 140 | – | 140 |
| Increase in property, plant and equipment and intangible non- current assets | 2,572 | 153 | 13 | 2,739 | 589 | 3,329 | 121 | 3,451 |

- 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 -¥2,507 million to segment income includes -¥57 million in eliminations of intersegment transactions and -¥2,450 million in group overhead not attributable to any particular reportable segment. Group overhead consists mainly of the cost of head office functions not attributable to any particular reportable segment.
3. The adjustment amount of ¥29,729 million to segment assets includes ¥30,649 million in group assets that are not allocable to reportable segments and -¥919 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 ¥107 million to depreciation of the category headed "Other" consists of ¥107 million in Group-based depreciation not attributable to reportable segments.
5. The adjustment amount of ¥121 million to increases in property, plant and equipment and intangible assets in the category headed "Other" consists of ¥121 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 statements of income.

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

(In million yen)

| | Reportable segment | | | | Other (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 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 non- current assets | 2,530 | 736 | 466 | 3,733 | 720 | 4,453 | 228 | 4,681 |

- 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 -¥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 ¥27,697 million in group assets that are not allocable to reportable segments and -¥823 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 ¥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 statements of income.

4. 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 consolidated fiscal year.

As a result, for the current consolidated cumulative second quarter, net sales of machine tool segment decreased by ¥94 million, and segment income decreased by ¥71 million, compared with the previous method.

(Business combination-related matters)

(Business combination-related matters)

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

Based on the resolution at the Board of Directors meeting held on April 15, 2022, the Company succeeded to the businesses of developing, manufacturing and selling consumables for electrical discharge machines (EDMs) of Sodick F.T. Co., Ltd., a wholly owned subsidiary of the Company, by the method of company split (hereinafter referred to as the “Company Split”) with an effective date of July 1, 2022.

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 succeeded to the rights and obligations that Sodick F.T had in connection with the businesses of developing, manufacturing, and selling consumables for electrical discharge machines (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 profit: ¥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).

(Revenue recognition-related matters)

Information about resolved revenue from contracts with customers

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

2. Breakdown of overseas sales

(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.

(Per-share information)

| | Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021) | Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022) |
|----------------------|---|---|
| Net assets per share | ¥1,376.33 | ¥1,548.28 |
| Earnings per share | ¥125.67 | ¥112.67 |

Notes 1. Diluted earnings per share for the fiscal year ended December 2022 are not shown in the above table because there are no dilutive shares.

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

| | Fiscal year ended December 31, 2021 (From January 1, 2021 to December 31, 2021) | Fiscal year ended December 31, 2022 (From January 1, 2022 to December 31, 2022) |
|---|---|---|
| Earnings per share | | |
| Profit attributable to owners of parent (¥ Million) | 6,591 | 6,021 |
| Portion not attributable to shares of common stock (¥ Million) | – | – |
| Profit attributable to owners of parent company's common stock (¥ Million) | 6,591 | 6,021 |
| Average number of common stock outstanding (thousands of shares) | 52,454 | 53,450 |

Note: Diluted earnings per share for the fiscal year ended December 2022 are not shown in the above table because there are no dilutive shares.

(Significant subsequent events)

None