



Summary of Financial Statements for the First Quarter of the Year Ending December 31, 2023 (JGAAP) (Consolidated)

May 11, 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
 Contact: Hirofumi Maejima, Executive Managing Director Tel. +81-45-942-3111
 Scheduled date of filing of quarterly report: May 11, 2023
 Scheduled date of dividend payout: –
 Explanatory documents supplemental to the quarterly financial statements: Yes
 Results briefing: None

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

1. Consolidated Results for the 1Q of the Fiscal Year Ending December 31, 2023 (from January 1, 2023 to March 31, 2023)

(1) Consolidated Financial Results (Accumulated Total)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit Attributable to Owners of the Parent	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
1Q of the fiscal year ending December 31, 2023	16,884	(13.9)	318	(83.3)	508	(82.9)	141	(93.3)
1Q of the fiscal year ended December 31, 2022	19,604	36.9	1,907	349.0	2,975	152.9	2,113	142.6

Note: Comprehensive income: 1Q of the fiscal year ending December 31, 2023 ¥872 million (-82.7%)
 1Q of the fiscal year ended December 31, 2022 ¥5,049 million (69.3%)

	Earnings per Share	Diluted Earnings per Share
	¥	¥
1Q of the fiscal year ending December 31, 2023	2.74	–
1Q of the fiscal year ended December 31, 2022	39.25	–

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

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	¥ Million	¥ Million	%	¥
1Q of the fiscal year ending December 31, 2023	138,718	80,232	57.8	1,565.69
Fiscal year ended December 31, 2022	138,433	80,993	58.5	1,548.28

Reference: Shareholders' Equity: 1Q of the fiscal year ending December 31, 2023 ¥80,176 million
 Fiscal year ended December 31, 2022 ¥80,934 million

2. Cash Dividends

	Annual Dividend				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
	¥	¥	¥	¥	¥
Fiscal year ended December 31, 2022	–	13.00	–	14.00	27.00
Fiscal year ending December 31, 2023 (Forecast)	–	14.00	–	15.00	29.00

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

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

(Percentages indicate year-on-year changes)

	Net Sales		Operating profit		Ordinary profit		Profit Attributable to Owners of the 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

Note: Revisions to the most recently announced consolidated results forecast: None

*Notes

- (1) Changes in important subsidiaries during the consolidated cumulative first 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)	1Q of the fiscal year ending December 31, 2023	57,292,239 shares	Fiscal year ended December 31, 2022	57,292,239 shares
(ii) Number of treasury shares as of the balance sheet date	1Q of the fiscal year ending December 31, 2023	6,083,516 shares	Fiscal year ended December 31, 2022	5,018,691 shares
(iii) Average number of shares outstanding during period (quarterly cumulative total)	1Q of the fiscal year ending December 31, 2023	51,623,839 shares	1Q of the fiscal year ended December 31, 2022	53,857,015 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 5 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 first quarter of the fiscal year under review.

(1) Explanation regarding Results of Operations

During the first quarter under review, the environment surrounding the Sodick Group remained uncertain due to global inflation, supply chain disruptions, monetary policy tightening, geopolitical risks such as the Russian invasion of Ukraine, and the slowdown of the Chinese economy.

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.

In sales and service activities, we actively exhibited at a number of exhibitions, including TCT Japan 2023, a comprehensive exhibition of 3D printing and AM technology, INTERMOLD 2023, an exhibition of die processing technology, and MOBAC SHOW 2023, an international bakery and confectionery industry exhibition, in an effort to promote and expand sales of the Sodick brand. In addition to exhibiting at on-site exhibitions, we will continue to add more contents to web exhibitions and strengthen IT-enabled activities such as utilization of remote tools.

Under these circumstances, the consolidated net sales for the first quarter under review totaled ¥16,884 million (down 13.9% year on year), with operating profit at ¥318 million (down 83.3% year on year), ordinary profit at ¥508 million (down 82.9% year on year), and profit attributable to owners of the parent at ¥141 million (down 93.3% year on year).

The results of operations by segment are as follows:

Machine Tool Segment	Net Sales	¥12,227 million	Y/y change (rate)	Down 13.3%
	Operating profit	¥1,023 million	Y/y change (rate)	Down ¥1,120 million
<p>Net sales declined year on year due to a decrease in demand for smartphones and electronic components, although demand for CASE-related products remained strong in Japan and Europe and there were signs of a recovery in aerospace demand in the West.</p> <p>On the other hand, as the sophistication of manufacturing is expected to continue in the future, the need for high-speed, high-precision machining is expected to increase. In addition, improvements in operability, energy-saving measures, stable machining over a long period of time, and larger and more complex workpieces are also recognized as important opportunities. Aiming at regions and customers that require high-precision machining, we will further expand sales of electrical discharge machines (EDMs), which are our strength, and at the same time, we will address high-value-added machining needs for metal 3D printers and precision machining centers, which are expected to grow significantly in the medium to long term, by promoting technological development and strengthening our sales structure.</p>				
Industrial Machinery Segment	Net Sales	¥2,393 million	Y/y change (rate)	Down 8.9%
	Operating profit	¥140 million	Y/y change (rate)	Down ¥12 million
<p>Net sales declined year on year due to a decrease in demand for smartphones and electronic components, although demand for CASE-related products remained strong in Japan.</p> <p>In Greater China and other Asian regions, demand for ultra-high-precision injection molding machines, which the Company excels at, is expected to increase due to the trend toward higher precision in manufacturing. 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>The new Amoy Plant in Xiamen has been operating since January 2023 to increase production capacity in response to growing demand in Greater China and Asia.</p>				
Food Machinery Segment	Net Sales	¥998 million	Y/y change (rate)	Down 2.2%
	Operating profit	-¥44 million	Y/y change (rate)	Down ¥15 million
<p>Demand for noodle making machine-related equipment in Japan and overseas, as well as sterile-packed cooked rice production equipment for overseas markets, has remained strong, and demand is expected to increase in the Asian region. Net sales in the first quarter were down slightly compared with the corresponding period of the previous year.</p> <p>In the future, in addition to corresponding to hygienic and labor-saving needs in production of noodles and rice in Japan, the Group is aiming to expand the business in a wide range of fields, including Japanese-style deli dishes, confectionery, and bread industries. Further, 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 production at the Amoy Plant in Xiamen that started operating in January 2023 and have been proceeding with expansion and improvement of the production lines at the Kaga Office.</p>				
Others	Net Sales	¥1,265 million	Y/y change (rate)	Down 32.0%
	Operating profit	-¥0 million	Y/y change (rate)	Down ¥189 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 precision dies and mold operations, net sales declined year on year due to weak demand for semiconductor manufacturing equipment in external sales of ceramics in addition to a decline in demand for automotive-related products due to semiconductor shortages and supply chain disruptions, although production volume in the automotive industry has been gradually recovering.</p>				

(2) Explanation regarding Financial Position

Total assets stood at ¥138,718 million as of the end of the first quarter under review, an increase of ¥285 million from the end of the previous fiscal year. The increase was mainly due to an increase of ¥1,722 million in buildings and structures and an increase of ¥745 million in machinery, equipment and vehicles, partially offset by a decrease of ¥1,192 million in notes and accounts receivable - trade and contract assets and an increase of ¥1,139 million in accumulated depreciation.

Meanwhile, liabilities at the end of the period under review totaled ¥58,486 million, an increase of ¥1,046 million from the end of the previous fiscal year. The increase was mainly due to an increase in long-term borrowings of ¥974 million, an increase in electronically recorded obligations - operating of ¥548 million and an increase in short-term borrowings of ¥510 million, partially offset by a decrease in notes and accounts payable - trade of ¥969 million.

Net assets totaled ¥80,232 million at the end of the period under review, a decrease of ¥761 million from the end of the previous fiscal year. The decrease was primarily due to a ¥784 million increase in treasury shares and a decrease of ¥707 million in retained earnings, partially offset by a ¥716 million increase in foreign currency translation adjustment.

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

There are no changes to the projections of results that were announced on February 14, 2023.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(In million yen)

	Fiscal year ended December 31, 2022 (as of December 31, 2022)	1Q fiscal year ending December 31, 2023 (as of March 31, 2023)
Assets		
Current assets		
Cash and deposits	36,047	36,772
Notes and accounts receivable - trade, and contract assets	15,698	14,506
Electronically recorded monetary claims-operating	2,792	2,536
Merchandise and finished goods	11,856	11,903
Work in process	10,068	9,937
Raw materials and supplies	12,390	12,995
Other	3,850	2,924
Allowance for doubtful accounts	(347)	(318)
Total current assets	92,356	91,259
Non-current assets		
Property, plant and equipment		
Buildings and structures	31,075	32,797
Machinery, equipment and vehicles	23,949	24,695
Other	17,167	16,254
Accumulated depreciation	(40,629)	(41,769)
Total property, plant and equipment	31,562	31,978
Intangible assets		
Goodwill	1,150	1,137
Other	1,471	1,945
Total intangible assets	2,622	3,083
Investments and other assets		
Long-term time deposits	4,562	4,952
Other	7,377	7,493
Allowance for doubtful accounts	(48)	(47)
Total investments and other assets	11,891	12,398
Total non-current assets	46,076	47,459
Total Assets	138,433	138,718

Summary of Financial Statements for the First Quarter of the Year Ending December 31, 2023

(In million yen)

	Fiscal year ended December 31, 2022 (as of December 31, 2022)	1Q fiscal year ending December 31, 2023 (as of March 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,312	4,342
Electronically recorded obligations - operating	6,734	7,282
Short-term borrowings	1,840	2,350
Current portion of bonds payable	140	140
Current portion of long-term borrowings	8,157	8,619
Income taxes payable	1,025	714
Contract liabilities	4,448	4,751
Provisions	1,643	1,161
Other	5,377	5,500
Total current liabilities	34,679	34,863
Non-current liabilities		
Bonds payable	440	440
Long-term borrowings	20,761	21,736
Provisions	78	97
Retirement benefit liability	673	704
Asset retirement obligations	66	67
Other	739	577
Total non-current liabilities	22,760	23,622
Total liabilities	57,439	58,486
Net Assets		
Shareholders' equity		
Share capital	24,618	24,618
Capital surplus	9,717	9,717
Retained earnings	40,312	39,605
Treasury shares	(3,739)	(4,524)
Total shareholders' equity	70,909	69,417
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,030	1,047
Foreign currency translation adjustment	9,114	9,831
Remeasurements of defined benefit plans	(120)	(118)
Total accumulated other comprehensive income	10,024	10,759
Non-controlling interests	59	55
Total net assets	80,993	80,232
Total Liabilities and Net Assets	138,433	138,718

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statements of Quarterly Income)

(1Q Consolidated Results Accumulation Period)

(In million yen)

	1Q FY ended December. 31, 2022 (from January 1, 2022 to March 31, 2022)	1Q FY ending December. 31, 2023 (from January 1, 2023 to March 31, 2023)
Net sales	19,604	16,884
Cost of sales	13,050	11,574
Gross profit	6,553	5,310
Selling, general and administrative expenses		
Personnel expenses	2,151	2,353
Provision of allowance for doubtful accounts	(15)	(34)
Other	2,510	2,673
Total selling, general and administrative expenses	4,645	4,992
Operating profit	1,907	318
Non-operating income		
Interest income	85	97
Dividend income	204	13
Foreign exchange gains	820	71
Share of profit of entities accounted for using equity method	–	33
Subsidy income	22	18
Others	66	48
Total non-operating income	1,199	283
Non-operating expenses		
Interest expenses	75	69
Share of loss of entities accounted for using equity method	11	–
Others	44	23
Total non-operating expenses	131	93
Ordinary profit	2,975	508
Extraordinary income		
Gain on sale of non-current assets	19	–
Total extraordinary income	19	–
Extraordinary losses		
Loss on sale of non-current assets	0	7
Loss on retirement of non-current assets	5	9
Total extraordinary losses	5	17
Profit before income taxes	2,990	491
Income taxes - current	872	306
Income taxes - deferred	5	48
Total income taxes	878	355
Profit	2,111	136
Profit (loss) attributable to non-controlling interests	(1)	(5)
Profit attributable to owners of the parent	2,113	141

Summary of Financial Statements for the First Quarter of the Year Ending December 31, 2023

(Consolidated Statement of Quarterly Comprehensive Income)

(1Q Consolidated Results Accumulation Period)

(In million yen)

	1Q FY ended December. 31, 2022 (from January 1, 2022 to March 31, 2022)	1Q FY ending December. 31, 2023 (from January 1, 2023 to March 31, 2023)
Profit	2,111	136
Other comprehensive income		
Valuation difference on available-for-sale securities	56	16
Foreign currency translation adjustment	2,842	712
Remeasurements of defined benefit plans, net of tax	1	1
Share of other comprehensive income of entities accounted for using equity method	37	5
Total other comprehensive income	2,937	735
Comprehensive income	5,049	872
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,048	876
Comprehensive income attributable to non-controlling interests	1	(4)

(3) Notes to Quarterly Consolidated Financial Statements

(Note regarding going concern assumptions)

None

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

Based on a resolution of the Board of Directors' meeting held on November 11, 2022, the Company resolved to purchase treasury shares pursuant to Article 156 of the Companies Act as applied pursuant to Article 165, paragraph 3 of the same Act, and purchased the treasury shares in the current cumulative first quarter.

Increase in treasury shares: ¥784 million

As a result, treasury shares stood at ¥4,524 million at the end of the first quarter under review.

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

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

(Change of accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

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

(Segment Information, etc.)

[Segment information]

I. Previous consolidated cumulative first quarter (from January 1, 2022 to March 31, 2022)

1. Information on net sales and operating profit (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								
Net sales to outside parties	14,096	2,625	1,021	17,743	1,861	19,604	–	19,604
Intersegment sales or transfers	69	53	–	122	583	706	(706)	–
Total	14,165	2,679	1,021	17,865	2,444	20,310	(706)	19,604
Segment income (loss)	2,143	152	(29)	2,267	188	2,456	(548)	1,907

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 -¥548 million to segment income (loss) includes ¥27 million in eliminations of intersegment transactions and -¥575 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. Segment income (loss) is stated on reconciliation with the operating profit (loss) 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

None

II. Current consolidated cumulative first quarter (from January 1, 2023 to March 31, 2023)

1. Information on net sales and operating profit (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								
Net sales to outside parties	12,227	2,393	998	15,619	1,265	16,884	–	16,884
Intersegment sales or transfers	20	5	–	26	380	406	(406)	–
Total	12,248	2,398	998	15,645	1,645	17,290	(406)	16,884
Segment income (loss)	1,023	140	(44)	1,119	(0)	1,119	(800)	318

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 -¥800 million to segment income (loss) includes -¥8 million in eliminations of intersegment transactions and -¥792 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. Segment income (loss) is stated on reconciliation with the operating income (loss) 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

None

(Revenue recognition-related matters)

Information about resolved revenue from contracts with customers

Previous consolidated cumulative first quarter (from January 1, 2022 to March 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	11,245	2,241	857	1,861	16,206
Maintenance services and consumables	2,850	383	163	–	3,397
Total	14,096	2,625	1,021	1,861	19,604

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	3,140	1,133	621	1,776	6,671
North and South America	1,982	356	3	–	2,343
Europe	1,817	–	–	–	1,817
Greater China	5,570	624	296	84	6,575
Asia	1,584	511	99	–	2,196
Total	14,096	2,625	1,021	1,861	19,604

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.

Current consolidated cumulative first quarter (from January 1, 2023 to March 31, 2023)

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	9,173	2,035	784	1,265	13,259
Maintenance services and consumables	3,053	357	213	–	3,625
Total	12,227	2,393	998	1,265	16,884

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	3,249	1,110	663	1,241	6,265
North and South America	2,051	218	10	–	2,280
Europe	1,627	–	–	–	1,627
Greater China	3,709	765	297	24	4,796
Asia	1,589	298	27	–	1,914
Total	12,227	2,393	998	1,265	16,884

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)

(Disposal of treasury shares as restricted stock compensation)

At the Board of Directors meeting held on April 19, 2023, the Company resolved to dispose of treasury shares as restricted stock compensation (hereinafter referred to as the “Disposal of Treasury Shares”), as follows:

1. Outline of disposal

	Resolution to dispose		
(1) Date of payment	May 17, 2023		
(2) The class and number of shares to be disposed of	102,000 shares of the Company’s common stock		
(3) Disposal value	¥748 per share		
(4) Total amount of disposal	¥76,296,000		
(5) Assignees of the disposal	Directors of the Company(*)	4 persons	33,500 shares
	Executive officers of the Company	18 persons	23,200 shares
	Employees of the Company	50 persons	33,400 shares
	Directors of subsidiaries	5 persons	7,100 shares
	Executive officers of subsidiaries	8 persons	4,800 shares
	*No-executive directors and external directors are excluded.		

2. The purpose and reasons for disposal

At the Board of Directors meeting held on February 14, 2019, the Company resolved to introduce a stock-based compensation plan (hereinafter referred to as the “System”) under which the Company’s eligible directors (except for non-executive directors and external directors; hereinafter referred to as “Eligible Directors”) would be issued with shares with restriction on transfer with the aim of sharing the advantages and risks of stock price fluctuation with shareholders and further increasing their motivation to contribute to stock price rise and corporate value improvement.

In addition, at the 43rd Ordinary General Meeting of Shareholders held on March 28, 2019, the Company received approval to set the total amount of monetary compensation receivables to be paid as remuneration, etc. for shares with restriction on transfer to the Eligible Directors of the Company at an annual amount not exceeding 100 million yen, to limit the total number of shares with restriction on transfer to be allotted to the Eligible Directors of the Company for each fiscal year to 200,000 shares, and to designate the period from 10 years to 30 years as the period for restriction on transfer of shares of the Company, which shall be specifically determined by the Board of Directors.

Accordingly, at the Board of Directors’ meeting held on April 19, 2023, the Company resolved to grant the executive officers and employees of the Company and the directors and executive officers of the Company’s subsidiaries a stock compensation plan with shares with restriction on transfer similar to the System, and to allot 102,000 shares of the Company’s common stock as specified shares with restriction on transfer to the 4 Eligible Directors, 18 executive officers and 50 employees of the Company, and 5 directors and 8 executive officers of subsidiaries (hereinafter referred to as “Assignees”) as payment based on shares with restriction on transfer during the period from the 47th Annual Meeting of Shareholders to the 48th Annual Meeting of Shareholders to be held in March 2024, by paying a total of ¥76,296,000 in monetary compensation claims, and by way of capital contribution in kind of all of the monetary compensation claims by the Assignees.

The amount of monetary compensation claims for each Assignee is determined after comprehensively considering various matters, such as the degree of contribution of each Assignee to the Company

3. Basis for calculating the amount to be paid in and the details thereof

In order to eliminate arbitrariness, the disposal price of the treasury shares shall be the closing price of the Company’s common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of resolution of the Board of Directors of the Company (April 18, 2023), which is ¥748. This is the market price immediately before the date of the resolution of the Company’s Board of Directors, and the Company believes that this is a reasonable and not particularly favorable price.