



Summary of Financial Statements for the First Quarter of the Year Ending December 31, 2024 (JGAAP) (Consolidated)

May 10, 2024

Company Name: Sodick Co., Ltd.

Stock Exchange: Tokyo Stock Exchange, Prime Market

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

Representative: Kenichi Furukawa, CEO President and Representative Director

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Scheduled date of filing of quarterly report: May 10, 2024

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, 2024 (from January 1, 2024 to March 31, 2024)

(1) Consolidated Financial Results (Accumulated Total)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	¥ Million	%	¥ Million	%	¥ Million	%	¥ Million	%
1Q of the fiscal year ending December 31, 2024	15,636	(7.4)	(780)	–	(187)	–	(497)	–
1Q of the fiscal year ended December 31, 2023	16,884	(13.9)	318	(83.3)	508	(82.9)	141	(93.3)

Note: Comprehensive income: 1Q of the fiscal year ending December 31, 2024 ¥1,937 million (122.2%)
1Q of the fiscal year ended December 31, 2023 ¥872 million (-82.7%)

	Earnings per share		Diluted earnings per share	
	¥		¥	
1Q of the fiscal year ending December 31, 2024	(9.80)		–	
1Q of the fiscal year ended December 31, 2023	2.74		–	

Note: Diluted earnings per share for the first quarter of the fiscal year ending December 2024 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 March 31, 2024	139,098		78,300		56.3	1,542.10		
As of December 31, 2023	134,066		77,129		57.5	1,519.02		

Reference: Shareholders' Equity: As of March 31, 2024 ¥78,246 million
As of December 31, 2023 ¥77,075 million

2. Cash Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
Fiscal year ended December 31, 2023	–	14.00	–	15.00	29.00
Fiscal year ending December 31, 2024	–	–	–	–	–
Fiscal year ending December 31, 2024 (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, 2024 (From January 1, 2024 to December 31, 2024)

(Percentages indicate year-on-year changes.)

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

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

*Notes

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

(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, 2024	54,792,239 shares	Fiscal year ended December 31, 2023	54,792,239 shares
(ii) Number of treasury shares as of the balance sheet date	1Q of the fiscal year ending December 31, 2024	4,052,160 shares	Fiscal year ended December 31, 2023	4,051,960 shares
(iii) Average number of shares outstanding during period (quarterly cumulative total)	1Q of the fiscal year ending December 31, 2024	50,740,145 shares	1Q of the fiscal year ended December 31, 2023	51,623,839 shares

* Quarterly financial results are not subject to quarterly review by certified public accountants or an auditing 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 owing to the economic slowdown in China, global inflation, including high prices of raw materials and energy, concerns about economy recession and prolonged yen's depreciation due to global monetary policy tightening, increased geopolitical risks such as the Ukraine and Middle East situations. In the automotive market, where automation and electrification are advancing, there was a certain level of demand for CASE-related products, and there are signs of recovery in demand for semiconductors and electronic components. However, it is necessary to continue to closely monitor market trends. In addition, the fact that the yen continued to depreciate against the U.S. dollar, as in the previous year made it extremely difficult for the Company, which has a large proportion of overseas production, to compete with its Japanese competitors on prices.

In this economic environment, the Group is working on group-wide structural reforms based on the judgment that it is essential to change its business model in order to improve its corporate value, under the policies of "Reducing dependence on China," "Selection and concentration" to improve and enhance profitability, "Restructuring of production and sales systems globally" and "Balance sheet improvement" set forth in its Medium-term Management Plan from 2024 to 2026. At present, we aim to improve earnings as soon as possible by consolidating production at Suzhou Factory to Amoy Factory in China and workforce optimization in accordance with production adjustments at overseas plants in the machine tool segment, reviewing sales model strategies in the industrial machinery segment, strengthening development of new products for fields other than noodle making machines and rice preparation machine in the food machinery segment and thoroughly reducing expenses and selling idle assets.

In addition, we held private shows (in-house technical exhibitions) during this period, for the first time in eight years, at the Research and Technology Center (Yokohama), the Osaka Sales Office, and the Shizuoka Technical Center in Japan. More than 1,000 our business partners attended the events, and we received many inquiries.

Under these circumstances, the consolidated net sales for the first quarter under review totaled ¥15,636 million (down 7.4% year on year). In terms of profit, despite efforts to reduce fixed costs through structural reforms, operating loss was ¥780 million (operating profit of ¥318 million for the same period of the previous fiscal year), ordinary loss was ¥187 million (ordinary profit of ¥508 million for the same period of the previous year), and loss attributable to owners of parent was ¥497 million (profit attributable to owners of parent of ¥141 million for the same period of the previous year).

The results of operations by segment are as follows:

Machine tool segment	Net sales	¥11,471 million	Y/y change (rate)	Down 6.2%
	Operating profit	-¥56 million	Y/y change (amount)	Down ¥1,079 million
<p>Although aerospace demand was on a recovering trend in Japan, the United States, Europe, and South Korea and demand for automotive, semiconductors and electronic components was recovering in Greater China after Chinese New Year, net sales decreased year on year.</p> <p>Segment profit decreased significantly year on year mainly due to the weak yen and high production costs associated with inflation at overseas plants.</p> <p>On the other hand, the demand for advancement of manufacturing is expected to continue in the future, and the need for high-speed and high-precision machining will increase. We also recognize important business opportunities such as improved operability, energy-saving measures, stable long time machining, and larger and more complex processed products. 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, especially in the United States and Europe, by promoting technological development and strengthening our sales organization.</p> <p>As a structural reform, we are promoting consolidation of production at Suzhou Factory to Amoy Factory in China. In addition, we started promoting to the laser processing machine market expecting large-scale fuel cell vehicles, including metal separator mold processing for fuel cells. The number of inquiries and requests for test processing has already increased, and we expect its business prospects in the future.</p>				
Industrial machinery segment	Net sales	¥1,994 million	Y/y change (rate)	Down 16.7%
	Operating profit	¥126 million	Y/y change (amount)	Down ¥14 million
<p>The demand has been decreasing in the industrial machinery industry as a whole mainly due to the impact of inventory adjustments and delay of investment caused by the slack market conditions for semiconductors and electronic components. In the Company, demand recovered in some areas related to electronic components and IT in Greater China, but the overall situation has been severe in other areas. As a result, net sales decreased year on year.</p> <p>On the other hand, in the long term, in Asia and other regions, demand for ultra-high-precision injection molding machines, which the Company excels at, is expected to increase due to the trend toward higher precision in manufacturing. In addition, we stopped production of injection molding machines at Amoy Factory in China as a structural reform and are working to improve production efficiency by increasing the made-in Japan models.</p>				
Food machinery segment	Net sales	¥859 million	Y/y change (rate)	Down 14.0%
	Operating profit	-¥45 million	Y/y change (amount)	Down ¥1 million
<p>Although demand for noodle making machine-related equipment in Japan and overseas as well as aseptic-packaged cooked rice production systems for overseas markets has remained strong, there was little progress on projects in the first quarter, resulting in a year-on-year decrease in net sales.</p> <p>In terms of market conditions, demand for fresh noodles and cooked rice has been increasing in overseas markets, particularly in Greater China, South Korea and Southeast Asia, as a result of improvements in food quality and infrastructure in those areas. In addition, in order to strengthen the production system of noodle making machines and rice production systems, a new food machine factory started operation in the Amoy Factory in China in January 2023, and the completion of a new food machinery factory in Kaga Factory in Japan in November of the same year further strengthened our competitiveness by developing new technologies and reducing production costs.</p> <p>As part of the structural reform, we will continue to expand our business by expanding our sales activities with a view to expanding into other markets, including Japanese-style deli dishes, as well as our rice and noodle making facilities, which have proven successful in the past, also by further strengthening our maintenance service which is our strength.</p>				
Others	Net sales	¥1,311 million	Y/y change (rate)	Up 3.7%
	Operating profit	-¥121 million	Y/y change (amount)	Down ¥121 million
<p>Other segments consist of precision dies and mold operations involving the contract manufacturing of precision connectors and other products, and elemental technology operations involving the sale of linear motors and ceramic components. In the precision dies and mold operations, demand has weakened mainly due to weak demand for auto-related industries and continued slowdown in the semiconductor market, but net sales slightly increased year on year.</p>				

(2) Explanation regarding Financial Position

Total assets stood at ¥139 billion as of the end of the first quarter under review, an increase of ¥5,032 million from the end of the previous fiscal year. The increase was mainly due to an increase in cash and deposits of ¥7,499 million and an increase in electronically recorded monetary claims - operating of ¥1,225 million, partially offset by a decrease in long-term time deposits of ¥4,375 million.

Meanwhile, liabilities at the end of the period under review totaled ¥60,797 million, an increase of ¥3,860 million from the end of the previous fiscal year. The increase was mainly due to an increase in short-term borrowings of ¥1,514 million, an increase in other current liabilities of ¥1,714 million, and an increase in contract liabilities of ¥1,218 million, partially offset by a decrease in provisions of ¥397 million.

Net assets totaled ¥78.3 billion at the end of the period under review, an increase of ¥1,171 million from the end of the previous fiscal year. The increase was primarily due to an increase of ¥2,047 million in foreign currency translation adjustment, partially offset by a decrease of ¥1,263 million in retained earnings.

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

In the first quarter of the current fiscal year, we implemented structural reforms and strived to improve profitability. However, this has not been reflected in our business performance, and each of our businesses made a weak start. Profitability is still low due to extraordinary loss of 423 million yen posted for restructuring expenses related to the sale of company housing holdings and optimization of overseas workforce, among other factors. However, due to the high degree of uncertainty regarding the sustainability of the future recovery of the Greater China market and the market environment surrounding the Group, we maintain our full-year forecast for the fiscal year ending December 31, 2024, which was announced on February 13, 2024. We will steadily promote group-wide structural reforms to improve profitability.

If it becomes necessary to revise the earnings forecast, we will promptly disclose the revised forecast.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(In million yen)

	Fiscal year ended December 31, 2023 (as of December 31, 2023)	1Q fiscal year ending December 31, 2024 (as of March 31, 2024)
Assets		
Current assets		
Cash and deposits	34,621	42,120
Notes and accounts receivable - trade, and contract assets	14,692	13,739
Electronically recorded monetary claims - operating	1,312	2,538
Merchandise and finished goods	11,529	11,707
Work in process	9,444	9,754
Raw materials and supplies	11,423	11,319
Other	3,632	3,840
Allowance for doubtful accounts	(485)	(463)
Total current assets	86,170	94,557
Non-current assets		
Property, plant and equipment		
Buildings and structures	35,111	35,891
Machinery, equipment and vehicles	24,840	25,098
Other	16,932	16,741
Accumulated depreciation	(43,939)	(44,762)
Total property, plant and equipment	32,944	32,968
Intangible assets		
Goodwill	799	791
Other	1,855	1,831
Total intangible assets	2,654	2,622
Investments and other assets		
Long-term time deposits	4,583	208
Other	7,756	8,784
Allowance for doubtful accounts	(43)	(43)
Total investments and other assets	12,296	8,949
Total non-current assets	47,895	44,541
Total assets	134,066	139,098

Summary of Financial Statements for the First Quarter of the Year Ending December 31, 2024

(In million yen)

	Fiscal year ended December 31, 2023 (as of December 31, 2023)	1Q fiscal year ending December 31, 2024 (as of March 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,185	4,446
Electronically recorded obligations - operating	4,964	4,611
Short-term borrowings	3,045	4,559
Current portion of bonds payable	140	140
Current portion of long-term borrowings	8,649	8,620
Income taxes payable	364	421
Contract liabilities	3,296	4,514
Provisions	1,387	987
Other	4,775	6,490
Total current liabilities	30,808	34,792
Non-current liabilities		
Bonds payable	300	300
Long-term borrowings	23,829	23,754
Provisions	85	87
Retirement benefit liability	613	630
Asset retirement obligations	67	68
Other	1,233	1,164
Total non-current liabilities	26,128	26,005
Total liabilities	56,936	60,797
Net assets		
Shareholders' equity		
Share capital	24,618	24,618
Capital surplus	9,717	9,717
Retained earnings	32,257	30,993
Treasury shares	(3,010)	(3,010)
Total shareholders' equity	63,583	62,320
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,397	1,783
Foreign currency translation adjustment	12,125	14,172
Remeasurements of defined benefit plans	(30)	(30)
Total accumulated other comprehensive income	13,491	15,925
Non-controlling interests	53	54
Total net assets	77,129	78,300
Total liabilities and net assets	134,066	139,098

(2) Quarterly 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, 2023 (from January 1, 2023 to March 31, 2023)	1Q FY ending December. 31, 2024 (from January 1, 2024 to March 31, 2024)
Net sales	16,884	15,636
Cost of sales	11,574	11,120
Gross profit	5,310	4,516
Selling, general and administrative expenses		
Personnel expenses	2,353	2,374
Provision of allowance for doubtful accounts	(34)	(39)
Other	2,673	2,962
Total selling, general and administrative expenses	4,992	5,296
Operating profit (loss)	318	(780)
Non-operating income		
Interest income	97	132
Dividend income	13	80
Foreign exchange gains	71	644
Share of profit of entities accounted for using equity method	33	25
Subsidy income	18	8
Other	48	62
Total non-operating income	283	953
Non-operating expenses		
Interest expenses	69	91
Commission for syndicated loans	–	190
Other	23	79
Total non-operating expenses	93	361
Ordinary profit (loss)	508	(187)
Extraordinary income		
Gain on sale of non-current assets	–	30
Subsidy income	–	28
Compensation for forced relocation	–	39
Total extraordinary income	–	97
Extraordinary losses		
Loss on sale of non-current assets	7	-
Loss on retirement of non-current assets	9	83
Business restructuring expenses	–	423
Other	–	36
Total extraordinary losses	17	543
Profit (loss) before income taxes	491	(633)
Income taxes - current	306	106
Income taxes - deferred	48	(241)
Total income taxes	355	(134)
Profit (loss)	136	(498)
Profit (loss) attributable to non-controlling interests	(5)	(1)
Profit (loss) attributable to owners of parent	141	(497)

Summary of Financial Statements for the First Quarter of the Year Ending December 31, 2024

(Quarterly Consolidated Statement of Comprehensive Income)

(1Q Consolidated Results Accumulation Period)

(In million yen)

	1Q FY ended December. 31, 2023 (from January 1, 2023 to March 31, 2023)	1Q FY ending December. 31, 2024 (from January 1, 2024 to March 31, 2024)
Profit (loss)	136	(498)
Other comprehensive income		
Valuation difference on available-for-sale securities	16	386
Foreign currency translation adjustment	712	1,979
Remeasurements of defined benefit plans, net of tax	1	0
Share of other comprehensive income of entities accounted for using equity method	5	70
Total other comprehensive income	735	2,436
Comprehensive income	872	1,937
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	876	1,936
Comprehensive income attributable to non-controlling interests	(4)	0

(3) Notes to Quarterly Consolidated Financial Statements

(Note regarding going concern assumptions)

None

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

None

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

None

(Change in accounting policies)

None

(Segment information, etc.)

[Segment information]

I. Previous 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								
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 profit (loss) stated in the quarterly consolidated statement of 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, 2024 to March 31, 2024)

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								
Sales to outside parties	11,471	1,994	859	14,324	1,311	15,636	–	15,636
Intersegment sales or transfers	9	34	–	43	403	447	(447)	–
Total	11,480	2,028	859	14,368	1,715	16,083	(447)	15,636
Segment income (loss)	(56)	126	(45)	24	(121)	(97)	(682)	(780)

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 -¥682 million to segment income (loss) includes ¥29 million in eliminations of intersegment transactions and -¥712 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 quarterly consolidated statement of 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, 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 by region

(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.

Current consolidated cumulative first quarter (from January 1, 2024 to March 31, 2024)

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	8,252	1,601	580	1,311	11,747
Maintenance services and consumables	3,219	392	278	–	3,889
Total	11,471	1,994	859	1,311	15,636

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 by region

(In million yen)

	Reportable segment			Others (Note 2)	Total
	Machine tool segment	Industrial machinery segment	Food machinery segment		
Japan	2,362	741	594	1,285	4,985
North and South America	2,601	258	6	–	2,866
Europe	1,971	92	–	–	2,063
Greater China	3,219	583	55	26	3,884
Asia	1,316	317	201	–	1,836
Total	11,471	1,994	859	1,331	15,636

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, 2024, 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, 2024		
(2) The class and number of shares to be disposed of	72,600 shares of the Company’s common stock		
(3) Disposal value	¥730 per share		
(4) Total amount of disposal	¥52,998,000		
(5) Assignees of the disposal	Directors of the Company(*)	4 persons	20,600 shares
	Executive officers of the Company	9 persons	9,900 shares
	Employees of the Company	54 persons	36,400 shares
	Directors of subsidiaries	2 persons	2,000 shares
	Executive officers of subsidiaries	7 persons	3,700 shares
	*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 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, 2024, 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 72,600 shares of the Company’s common stock as specified shares with restriction on transfer to the 4 Eligible Directors, 9 executive officers and 54 employees of the Company, and 2 directors and 7 executive officers of subsidiaries (hereinafter referred to as “Assignees”) as payment based on shares with restriction on transfer during the period from the 48th Annual Meeting of Shareholders to the 49th Annual Meeting of Shareholders to be held in March 2025, by paying a total of ¥52,998,000 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, 2024), which is ¥730. 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.