



Summary of Financial Statements for the First Quarter of the Year Ending December 31, 2022 (J-GAAP) (Consolidated)

May 11, 2022

Stock Exchange: Tokyo Stock Exchange, Prime Market

Company Name: Sodick Co., Ltd.

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

Representative: Kenichi Furukawa, President and Representative Director

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Scheduled date of filing of quarterly report: May 11, 2022

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, 2022 (from January 1, 2022 to March 31, 2022)

(1) Consolidated Financial Results (Accumulated Total)

(Percentages indicate year-on-year changes)

| | Net Sales | | Operating Income | | Ordinary Income | | Profit Attributable to Owners of the Parent | |
|--|-----------|------|------------------|-------|-----------------|-------|---|-------|
| | ¥ Million | % | ¥ Million | % | ¥ Million | % | ¥ Million | % |
| 1Q of the fiscal year ending December 31, 2022 | 19,604 | 36.9 | 1,907 | 349.0 | 2,975 | 152.9 | 2,113 | 142.6 |
| 1Q of the fiscal year ended December 31, 2021 | 14,317 | 9.9 | 424 | — | 1,176 | — | 871 | — |

Note: Comprehensive income: 1Q of the fiscal year ending December 31, 2022 ¥5,049 million (69.3%)
1Q of the fiscal year ended December 31, 2021 ¥2,983 million (-%)

| | Earnings per Share | Diluted Earnings per Share |
|--|--------------------|----------------------------|
| | ¥ | ¥ |
| 1Q of the fiscal year ending December 31, 2022 | 39.25 | — |
| 1Q of the fiscal year ended December 31, 2021 | 18.51 | 15.99 |

Note 1. We have applied the Accounting Standards for Revenue Recognition (Corporate Accounting Standards No. 29 of March 31, 2020) since the beginning of the first quarter of the current fiscal year, and figures for the first quarter of the fiscal year ending December 2022 are those after the application of those Accounting Standards.

Note 2. Diluted earnings per share for the first quarter of the fiscal year ending December 2022 are not shown in the above table because there are no dilutive shares.

(2) Consolidated Financial Position

| | Total Assets | Net Assets | Equity Ratio | Net Assets per Share |
|--|--------------|------------|--------------|----------------------|
| | ¥ Million | ¥ Million | % | ¥ |
| 1Q of the fiscal year ending December 31, 2022 | 141,397 | 77,607 | 54.8 | 1,448.35 |
| Fiscal year ended December 31, 2021 | 134,866 | 74,438 | 55.2 | 1,376.33 |

Reference: Shareholders' Equity: 1Q of the fiscal year ending December 31, 2022 ¥77,553 million
Fiscal year ended December 31, 2021 ¥74,385 million

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

2. Cash Dividends

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

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

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

(Percentages indicate year-on-year changes)

| | Net Sales | | Operating Income | | Ordinary Income | | Profit Attributable to Owners of the Parent | | Earnings per Share |
|-----------|-----------|-----|------------------|-----|-----------------|--------|---|--------|--------------------|
| | ¥ Million | % | ¥ Million | % | ¥ Million | % | ¥ Million | % | ¥ |
| Full-year | 77,900 | 3.6 | 7,200 | 5.7 | 7,200 | (16.2) | 5,700 | (13.5) | 108.57 |

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, 2022 | 57,792,239 shares | Fiscal year ended December 31, 2021 | 58,292,239 shares |
| (ii) Number of treasury shares as of the balance sheet date | 1Q of the fiscal year ending December 31, 2022 | 4,246,418 shares | Fiscal year ended December 31, 2021 | 4,246,368 shares |
| (iii) Average number of shares outstanding during period (quarterly cumulative total) | 1Q of the fiscal year ending December 31, 2022 | 53,857,015 shares | 1Q of the fiscal year ended December 31, 2021 | 47,078,854 shares |

* Quarterly financial statements are not subject to a quarterly review by certified public accountants or an audit firm.

* Cautionary statement regarding forward-looking information

The Company bases the above forecasts on judgments that rely on currently available information and contain numerous uncertainties. Changing conditions and other factors may cause actual results to differ from the above forecasts. In addition, for matters regarding forecasts, please refer to: “1. Qualitative Information regarding the Quarterly Financial Statements under Review (3) Explanation regarding Future Forecast Information including Projections of Consolidated Results” on Page 4 of the attachment to this summary of quarterly financial statements.

1. Qualitative Information regarding the Quarterly Financial Statements under Review

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

(1) Explanation regarding Results of Operations

During the consolidated cumulative first quarter under review, the future is more uncertain than before owing to the re-expansion of COVID-19 and global shortages of materials, including semiconductors, soaring oil and energy prices, rapid fluctuations in the exchange rates, and geopolitical risks such as the deteriorated Ukraine situation.

In this business environment, formulating the long-term business plan “Next Stage 2026 – Toward Further Growth –,” Sodick Group has been making efforts to, based on its founding spirit of “create, implement, and overcome difficulties,” enhance its skills to contribute to a prosperous future and realize a sustainable society through *monozukuri* (manufacturing).

In product development, we started to sell Neomazaru, an automatic noodle disentangling and seasoning machine for prepared noodle production lines, in the Food Machinery Segment. This machine is capable of keeping prepared noodle products fresh for longer time by realizing an unmanned process of adding sauces and other liquid seasonings and stirring ingredients in prepared noodle production that has been carried out by hand and reducing the risk of mixture of various kinds of harmful germs and foreign matter through reduction of handiwork processes and thereby will contribute to reduction of food waste and customers’ efforts at SDGs.

As part of sales and service activities, we opened for our customers a web channel Sodick Connect to supply various pieces of information, including explanations of machine operation and functions, various catalogs, and event information, for the purpose of contributing to customers’ manufacturing by expanding contact with our customers either from remote places or through direct meetings to develop new needs and make a quick response. In the future, considering the situation of the COVID-19 pandemic, we will increase the number of exhibits in on-site exhibitions, add more contents to web exhibitions, and strengthen activities utilizing IT.

In terms of production, we expanded our second Thailand Plant to meet a growing demand in the future. Influenced by more advanced and more precise manufacturing, including that for 5G and EV, we aim at equalizing production volume in addition to improvement of our supply system to meet a strong demand for high-precision electrical discharge machines (EDMs) and injection molding machines.

Under these circumstances, the consolidated net sales for the first quarter under review totaled ¥19,604 million (up 36.9% year on year), with operating income at ¥1,907 million (up 349.0% year on year), ordinary income at ¥2,975 million (up 152.9% year on year) and profit attributable to owners of the parent at ¥2,113 million (up 142.6% year on year).

The results of operations by segment are as follows:

| | | | | |
|--|------------------|-----------------|---------------------|--------------------|
| Machine Tool Segment | Net Sales | ¥14,096 million | Y/y change (rate) | Up 35.8% |
| | Operating Income | ¥2,143 million | Y/y change (amount) | Up ¥ 1,245 million |
| While auto-related industries were sluggish due to a semiconductor shortage, a demand continued to grow in electronic component, 5G and semiconductor-related fields. As a result, net sales increased year on year. Although the current level of orders received remains high, the future continues uncertain due to the deteriorated Ukraine situation and lockdowns in China. Segment income increased significantly year on year, owing to an increase in plant-utilization rate associated with an increase in sales volume. | | | | |
| Industrial Machinery Segment | Net Sales | ¥2,625 million | Y/y change (rate) | Up 38.7% |
| | Operating Income | ¥152 million | Y/y change (amount) | Up ¥142 million |
| In addition to a firm demand mainly for auto-related industries, including car-mounted components related to CASE, and electronic components and medical products in Japan, large projects for connectors in Asia and medical products in the U.S. remain strong. As a result, net sales increased year on year. | | | | |
| Food Machinery Segment | Net Sales | ¥1,021 million | Y/y change (rate) | Up 75.9% |
| | Operating Income | -¥29 million | Y/y change (amount) | Up ¥10 million |
| This segment is engaged in the development, production, and sale of a wide range of noodle-making machines, noodle-making plants, sterile-packed cooked-rice production systems, etc. as well as the provision of related maintenance services. Sales of noodle-making machine-related equipment and sterile-packed cooked-rice production systems remained favorable. As a result, net sales substantially increased year on year. | | | | |
| Others | Net Sales | ¥1,861 million | Y/y change (rate) | Up 27.4% |
| | Operating Income | ¥188 million | Y/y change (amount) | Up ¥44 million |
| Other segment consists of 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. In addition to a growing demand for ceramics thanks to a growing demand from semiconductor manufacturing apparatus makers, thanks to the increased items to produce, net sales increased year on year in the die and mold manufacturing business though a demand in the automotive industry has slowed owing to a semiconductor shortage and a confusion in supply chain. | | | | |

(2) Explanation regarding Financial Position

Total assets stood at ¥141,397 million as of the end of the quarterly consolidated accounting period under review, an increase of ¥6,531 million from the end of the previous fiscal year, primarily due to a ¥1,149 million increase in notes and accounts receivable - trade, and contract assets, a ¥979 million increase in merchandise and finished goods, and a ¥842 million increase in work in process.

Meanwhile, liabilities at the end of the period under review totaled ¥63,790 million, an increase of ¥3,361 million from the end of the previous fiscal year, primarily due to a ¥7,701 million increase in contract liabilities; however, it was partially offset by a ¥4,242 million decrease in current liabilities under other.

Net assets totaled ¥77,607 million at the end of the period under review, an increase of ¥3,169 million from the end of the previous fiscal year, mainly reflecting a ¥2,876 million increase in foreign currency translation adjustment.

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

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

There has been no change in the projections of results that were announced on February 14, 2022.

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

(In million yen)

| | Fiscal year ended December 31, 2021 (as of December 31, 2021) | 1Q fiscal year ending December 31, 2022 (as of March 31, 2022) |
|--|---|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 45,274 | 46,135 |
| Notes and accounts receivable - trade | 18,363 | - |
| Notes and accounts receivable - trade, and contract assets | - | 19,512 |
| Electronically recorded monetary claims-operating | 2,104 | 3,007 |
| Merchandise and finished goods | 9,352 | 10,331 |
| Work in process | 8,851 | 9,693 |
| Raw materials and supplies | 9,427 | 10,259 |
| Other | 3,428 | 2,617 |
| Allowance for doubtful accounts | (425) | (429) |
| Total current assets | 96,377 | 101,128 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 29,049 | 30,437 |
| Machinery, equipment and vehicles | 22,214 | 22,891 |
| Other | 15,855 | 16,158 |
| Accumulated depreciation | (36,901) | (38,465) |
| Total property, plant and equipment | 30,217 | 31,022 |
| Intangible assets | | |
| Goodwill | 1,240 | 1,231 |
| Other | 1,032 | 1,094 |
| Total intangible assets | 2,273 | 2,325 |
| Investments and other assets | | |
| Other | 6,050 | 6,973 |
| Allowance for doubtful accounts | (52) | (52) |
| Total investments and other assets | 5,997 | 6,920 |
| Total non-current assets | 38,488 | 40,269 |
| Total Assets | 134,866 | 141,397 |

(In million yen)

| | Fiscal year ended December 31, 2021 (as of December 31, 2021) | 1Q fiscal year ending December 31, 2022 (as of March 31, 2022) |
|---|---|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 6,423 | 7,066 |
| Electronically recorded obligations - operating | 6,724 | 6,107 |
| Short-term borrowings | 2,242 | 2,280 |
| Current portion of bonds payable | 140 | 140 |
| Current portion of long-term borrowings | 6,527 | 6,765 |
| Income taxes payable | 1,207 | 1,155 |
| Contract liabilities | – | 7,701 |
| Provisions | 1,217 | 892 |
| Other | 9,221 | 4,979 |
| Total current liabilities | 33,705 | 37,089 |
| Non-current liabilities | | |
| Bonds payable | 580 | 580 |
| Long-term borrowings | 24,251 | 24,234 |
| Provisions | 189 | 77 |
| Retirement benefit liability | 469 | 614 |
| Asset retirement obligations | 65 | 65 |
| Other | 1,166 | 1,128 |
| Total non-current liabilities | 26,722 | 26,700 |
| Total liabilities | 60,428 | 63,790 |
| Net Assets | | |
| Shareholders' equity | | |
| Share capital | 24,618 | 24,618 |
| Capital surplus | 9,739 | 9,717 |
| Retained earnings | 37,229 | 37,495 |
| Treasury shares | (3,117) | (3,127) |
| Total shareholders' equity | 68,470 | 68,703 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 732 | 788 |
| Foreign currency translation adjustment | 5,402 | 8,279 |
| Remeasurements of defined benefit plans | (219) | (218) |
| Total accumulated other comprehensive income | 5,914 | 8,849 |
| Non-controlling interests | 52 | 54 |
| Total net assets | 74,438 | 77,607 |
| Total Liabilities and Net Assets | 134,866 | 141,397 |

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

(2) Consolidated Statements of Quarterly Income and Comprehensive Income

(Consolidated Statement of Quarterly Income)

(1Q Consolidated Results Accumulation Period)

(In million yen)

| | 1Q FY ended December 31, 2021 (from January 1, 2021 to March 31, 2021) | 1Q FY ending December 31, 2022 (from January 1, 2022 to March 31, 2022) |
|---|--|---|
| Net Sales | 14,317 | 19,604 |
| Cost of sales | 9,665 | 13,050 |
| Gross profit | 4,652 | 6,553 |
| Selling, general and administrative expenses | | |
| Personnel expenses | 1,881 | 2,151 |
| Provision of allowance for doubtful accounts | (7) | (15) |
| Other | 2,353 | 2,510 |
| Total selling, general and administrative expenses | 4,227 | 4,645 |
| Operating Income | 424 | 1,907 |
| Non-operating income | | |
| Interest income | 56 | 85 |
| Dividend income | 3 | 204 |
| Foreign exchange gains | 566 | 820 |
| Share of profit of entities accounted for using equity method | 11 | – |
| Subsidy income | 146 | 22 |
| Other | 62 | 66 |
| Total non-operating income | 846 | 1,199 |
| Non-operating expenses | | |
| Interest expenses | 75 | 75 |
| Share of loss of entities accounted for using equity method | – | 11 |
| Provision of allowance for doubtful accounts | 0 | – |
| Other | 18 | 44 |
| Total non-operating expenses | 94 | 131 |
| Ordinary Income | 1,176 | 2,975 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 5 | 19 |
| Subsidy income | 25 | – |
| Total extraordinary income | 30 | 19 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | 0 | 0 |
| Loss on retirement of non-current assets | 7 | 5 |
| Loss on tax purpose reduction entry of non-current assets | 25 | – |
| Other | 1 | – |
| Total extraordinary losses | 34 | 5 |
| Profit (loss) before income taxes | 1,173 | 2,990 |
| Income taxes - current | 437 | 872 |
| Income taxes - deferred | (154) | 5 |
| Total income taxes | 283 | 878 |
| Profit | 889 | 2,111 |
| Profit (loss) attributable to non-controlling interests | 18 | (1) |
| Profit attributable to owners of the parent | 871 | 2,113 |

(Consolidated Statement of Quarterly Comprehensive Income)

(1Q Consolidated Results Accumulation Period)

(In million yen)

| | 1Q FY ended December 31, 2021 (from January 1, 2021 to March 31, 2021) | 1Q FY ending December 31, 2022 (from January 1, 2022 to March 31, 2022) |
|--|--|---|
| Profit | 889 | 2,111 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 121 | 56 |
| Foreign currency translation adjustment | 1,933 | 2,842 |
| Remeasurements of defined benefit plans, net of tax | 7 | 1 |
| Share of other comprehensive income of entities accounted for using equity method | 30 | 37 |
| Total other comprehensive income | 2,093 | 2,937 |
| Comprehensive income | 2,983 | 5,049 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 2,959 | 5,048 |
| Comprehensive income attributable to non-controlling interests | 23 | 1 |

(3) Notes to Quarterly Consolidated Financial Statements

(Notes regarding going concern assumptions)

None

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

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

Increase in treasury shares: ¥378 million

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

Decrease in capital surplus: ¥21 million

Decrease in retained earnings: ¥346 million

Decrease in treasury shares: ¥368 million

As a result, capital surplus, retained earnings, and treasury shares at the end of the consolidated cumulative first quarter of the fiscal year under review were ¥9,717 million, ¥37,495 million, and ¥3,127 million, respectively.

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

None

(Change of accounting policies)

(Application of Accounting Standards for Revenue Recognition)

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

- (1) Revenue recognition relating to construction contracts

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

- (2) Revenue recognition relating to sale of products

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

We apply the Revenue Recognition Accounting Standards accounting to the transitional handling specified in the proviso of Section 84 of the Revenue Recognition Accounting Standards. We have applied new accounting policies from the balance at the beginning of the first quarter of the current consolidated fiscal year by adding or subtracting an affected cumulative amount when the new accounting policies are retroactively applied before the beginning of the first quarter of that fiscal year to or from retained earnings at the beginning of the first quarter of the fiscal year. However, as we apply the method specified in Section 86 of the Revenue Recognition Accounting Standards, we do not retroactively apply new accounting policies to contracts almost all of whose revenue amounts were recognized according to the previous handling before the beginning of the first quarter of the current consolidated fiscal year. Moreover, as we apply the method specified in (1) after the "moreover" of Section 86 of the Revenue Recognition Accounting Standards, we did the accounts for contracts amended before the beginning of the first quarter of the current consolidated fiscal year under the terms of the contracts in which all amendments were reflected and added or subtracted cumulative amounts influenced thereby to or from retained earnings at the beginning of the first quarter of the current consolidated fiscal year.

As a result, for the current consolidated cumulative first quarter, net sales decreased by ¥92 million, cost of sales increased by ¥34 million, each of operating income, ordinary income and profit before income taxes decreased by ¥126 million. Moreover, the balance of retained earnings at the beginning of current fiscal year decreased by ¥795 million.

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

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

(Application of Accounting Standards for Market Value Calculation)

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

(Segment Information, etc.)

[Segment information]

I. Previous consolidated cumulative first quarter (from January 1, 2021 to March 31, 2021)

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

(In million yen)

| | Reportable Segment | | | | Others (Note 1) | Total | Adjustment amount (Note 2) | Amount stated on the quarterly consolidated statement of income (Note 3) |
|---------------------------------|----------------------------|------------------------------------|------------------------------|--------------------------------|--------------------|--------|----------------------------------|--|
| | Machine Tool Segment | Industrial Machinery Segment | Food Machinery Segment | Reportable Segment Total | | | | |
| Net Sales | | | | | | | | |
| Sales to outside parties | 10,382 | 1,893 | 580 | 12,857 | 1,460 | 14,317 | – | 14,317 |
| Intersegment sales or transfers | 37 | 67 | – | 104 | 458 | 562 | (562) | – |
| Total | 10,420 | 1,960 | 580 | 12,961 | 1,919 | 14,880 | (562) | 14,317 |
| Segment income (loss) | 898 | 10 | (39) | 869 | 144 | 1,013 | (588) | 424 |

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

2. The adjustment amount of -¥588 million to segment income (loss) includes -¥20 million in eliminations of intersegment transactions and -¥567 million in group overhead not allocable to individual reportable segments. Group overhead consists mainly of the cost of head office functions not attributable to any particular reportable segment.

3. Segment income (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

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

II. Current consolidated cumulative first quarter (from January 1, 2022 to March 31, 2022)

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

(In million yen)

| | Reportable Segment | | | | Others (Note 1) | Total | Adjustment amount (Note 2) | Amount stated on the quarterly consolidated statement of income (Note 3) |
|---------------------------------|----------------------------|------------------------------------|------------------------------|--------------------------------|--------------------|--------|----------------------------------|--|
| | Machine Tool Segment | Industrial Machinery Segment | Food Machinery Segment | Reportable Segment Total | | | | |
| Net Sales | | | | | | | | |
| Sales to outside parties | 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 molds and molding operations, elemental technology operations, lease 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 allocable to individual reportable segments. Group overhead consists mainly of the cost of head office functions not attributable to any particular reportable segment.

3. Segment income (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

(Application of Accounting Standards for Revenue Recognition)

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

As a result, for the current consolidated cumulative first quarter, net sales of Machine Tool segment decreased by ¥92 million, and Segment income decreased by ¥126 million, compared with the previous method.

(Revenue recognition-related matters)

Information about resolved revenue from contracts with customers

Current 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 molds and molding operations, elemental technology operations, lease operations, etc.

Notes: 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.

Notes: 2. The category headed "Others" covers business segments outside reportable ones, such as precision molds and molding operations, elemental technology operations, lease operations, etc.

Notes: 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 15, 2022, the Company made the following resolution to dispose of treasury shares as restricted stock compensation (hereinafter referred to as the "Disposal of Treasury Shares") and disposed of those shares. Moreover, as the number of shares to be initially disposed of changed owing to loss of some rights, the Company disposed of treasury shares as stated under "Actual results."

1. Outline of disposal

| | Resolution to dispose | Actual results |
|--|--|--|
| (1) Date of payment | May 6, 2022 | May 6, 2022 |
| (2) The class and number of shares to be disposed of | <u>96,000 shares</u> of the Company's common stock | <u>95,400 shares</u> of the Company's common stock |
| (3) Disposal value | ¥721 per share | ¥721 per share |
| (4) Total amount of disposal | <u>¥69,216,000</u> | <u>¥68,783,400</u> |
| (5) Assignees of the disposal | Directors of the Company (*) 4 persons 31,600 shares Executive officers of the Company 18 persons 18,900 shares Employees of the Company <u>58 persons 28,500 shares</u> Directors of subsidiaries 6 persons 10,400 shares Executive officers of subsidiaries 10 persons 6,600 shares * Non-executive directors and external directors are excluded. | Directors of the Company (*) 4 persons 31,600 shares Executive officers of the Company 18 persons 18,900 shares Employees of the Company <u>56 persons 27,900 shares</u> Directors of subsidiaries 6 persons 10,400 shares Executive officers of subsidiaries 10 persons 6,600 shares * Non-executive directors and external directors are excluded. |

2. The purpose of and reasons for the disposal

At the Board of Directors' meeting held on February 14, 2019, the Company resolved that it would introduce a stock 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 fluctuations 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.

In response, at the Board of Directors' meeting held on April 15, 2022, 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 96,000 shares of the Company's common stock as specified shares with restriction on transfer to the 4 Eligible Directors, 18 executive officers and 58 employees of the Company, and 6 directors and 10 executive officers of subsidiaries (hereinafter referred to as "Assignees") as payment based on shares with restriction on transfer during the period from the 46th Annual Meeting of Shareholders to the 47th Annual Meeting of Shareholders to be held in March 2023, by paying a total of ¥69,216,000 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 to 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 14, 2022), which is ¥721. 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.

4. Reason for change of number of shares disposed of

The assignees and the number thereof and the number of shares to be disposed of as resolved differed from their actual results because two of the Company's employees to whom shares were allotted at the time of decision of disposal of treasury shares declined the shares allotted and their rights were lost.

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

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

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

1. Purpose of the Company Split

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

2. Main points of the Company Split

(1) Schedule for the Company Split

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

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

Effective date of the Company Split: July 1, 2022 (scheduled)

* The Company Split is to be 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, not through a resolution on an approval for the company split agreement by a shareholders meeting.

(2) Method of the Company Split

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

(3) Details of allotment relating to the Company Split

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

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

None

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

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

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

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

(7) Prospects for performance of obligations

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

3. Details of business of division to succeed

(1) Details of business of division to succeed

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

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

Net sales: ¥2,459 million

Operating income: ¥143 million

(3) Items and amounts of assets and liabilities to succeed to (as of February 28, 2022)

Sodick Co., Ltd.

| Assets | | Liabilities | |
|--------------------|----------------|-------------------------|----------------|
| Item | Book value | Item | Book value |
| Current assets | ¥467 million | Current liabilities | ¥1,539 million |
| Non-current assets | ¥1,305 million | Non-current liabilities | – |
| Total | ¥1,772 million | Total | ¥1,539 million |

Note: As calculated based on the balance sheet as of February 28, 2022, actual amounts to succeed to are amounts obtained by adding or subtracting changes until the effective date to or from the above amounts.

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 planned 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).