



Summary of Financial Statements for the First Quarter of the Year Ending December 31, 2025 (JGAAP) (Consolidated)

May 13, 2025

Company Name: Sodick Co., Ltd.

Stock Exchange: Tokyo Stock Exchange, Prime Market

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

Representative: Yuji Akutsu, CEO President and Representative Director

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Scheduled date of dividend payout: –

Explanatory documents supplemental to the financial statements: Yes

Holding of financial 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, 2025 (from January 1, 2025 to March 31, 2025)

(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 FY2025/12	18,819	20.4	1,281	–	1,090	–	946	–
1Q FY2024/12	15,636	(7.4)	(780)	–	(187)	–	(497)	–

Note: Comprehensive income: 1Q FY2025/12 –¥1,682 million (–%)
 1Q FY2024/12 ¥1,937 million (122.2%)

	Earnings per share	Diluted earnings per share
	¥	¥
1Q FY2025/12	18.72	–
1Q FY2024/12	(9.80)	–

Diluted earnings per share for the quarter 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, 2025	135,855	81,978	60.3	1,620.25
As of December 31, 2024	144,993	84,427	58.2	1,668.55

Reference: Shareholders' Equity: As of March 31, 2025 ¥81,932 million
 As of December 31, 2024 ¥84,377 million

2. Cash Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
	¥	¥	¥	¥	¥
FY2024/12	–	14.00	–	15.00	29.00
FY2025/12	–				
FY2025/12 (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, 2025 (From January 1, 2025 to December 31, 2025)

(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	77,400	5.1	4,300	92.7	3,800	4.8	2,900	(29.5)	57.35

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

*Notes

- (1) Significant changes in scope of consolidation during the period: 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) Changes in accounting policies caused by revision of accounting standards: None
 - (ii) Change in accounting policies other than stated in (i): None
 - (iii) Change in 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 FY2025/12	54,792,239 shares	FY2024/12	54,792,239 shares
(ii) Number of treasury shares as of the balance sheet date	1Q FY2025/12	4,224,759 shares	FY2024/12	4,223,169 shares
(iii) Average number of shares outstanding during period (quarterly cumulative total)	1Q FY2025/12	50,568,046 shares	1Q FY2024/12	50,740,145 shares

* Review of the accompanying quarterly consolidated financial statements by a certified public accountant or auditing firm: None

* Cautionary statement regarding forward-looking information and other special notes

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.

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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

In the environment surrounding our group during the first quarter under review, despite a recovery trend in consumption due to deceleration in inflation, the outlook is increasingly uncertain due to continued geopolitical risks such as the economic slowdown in China, unstable exchange rates, the situation in Ukraine and the Middle East, and the impact of U.S. tariff policies.

By industry, demand for semiconductors, electronic components and connectors for data centers and smartphones in Greater China remained robust, while, in the automobile industry, sluggish demand continued due to prolonged revisions of production adjustments and investment plans in Japan, the United States and Europe.

In this economic environment, the Group has formulated the Medium-Term Management Plan and is working on structural reforms for the entire Group, with the policies of “Reducing dependence on China,” “Selection and concentration,” “Restructuring production and sales systems globally” and “Balance sheet improvement.” We have been striving to implement 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; focusing on sales of high-value-added products in the Industrial machinery segment, strengthening development of new products for fields other than noodle making machines and rice production systems in the Food machinery segment; and thoroughly reducing expenses and selling idle assets in the group as a whole.

As a result, the consolidated net sales for the first quarter under review totaled ¥18,819 million (up 20.4% year on year). In terms of profits, operating profit was ¥1,281 million (operating loss of ¥780 million for the same period of the previous year), ordinary profit was ¥1,090 million (ordinary loss of ¥187 million for the same period of the previous year), and profit attributable to owners of parent was ¥946 million (loss attributable to owners of parent of ¥497 million for the same period of the previous year).

The results of operations by segment are as follows:

Machine tool segment	Net sales	¥13,489 million	Y/y change (rate)	Up 17.6%
	Operating profit	¥1,605 million	Y/y change (amount)	Up ¥1,661 million
<p>Although overall market conditions in Greater China were weak, demand in certain industries such as NEV vehicles, smartphones, optical connectors for data centers, and electronic components, remained robust. Net sales increased year on year due to continued strong demand in the aerospace and medical industries in Japan, Europe, the United States and South Korea.</p> <p>Segment profit increased significantly from the same period of the previous fiscal year due to factors such as the continued intensification of production in China, the optimization of personnel allocation, and the improvement of plant utilization rates resulting from increased production volume.</p> <p>As the sophistication of manufacturing is expected to continue in the future, the Company is working to meet the needs for high value-added machining by further expanding sales of electrical discharge machines (EDMs), which are strong in high-speed and high-precision machining, developing and selling laser machining machines, and expanding sales channels by making an Italian metal 3DP manufacturer a subsidiary.</p>				
Industrial machinery segment	Net sales	¥2,355 million	Y/y change (rate)	Up 18.1%
	Operating profit	¥65 million	Y/y change (amount)	Down ¥60 million
<p>Despite the postponement of capital investment in the automobile-related sector, demand for optical connectors for data centers and smartphones in Japan, Greater China and the United States remained robust, resulting in a year-on-year increase in net sales.</p> <p>Segment profit decreased year on year due to factors such as an increase in personnel expenses and a review of the burden of expenses associated with organizational changes, despite the shift to a high-value-added model, which is a structural reform.</p>				
Food machinery segment	Net sales	¥1,535 million	Y/y change (rate)	Up 78.8%
	Operating profit	¥314 million	Y/y change (amount)	Up ¥360 million
<p>Demand for noodle making machine-related equipment and aseptically-packaged cooked rice production systems in Japan and overseas remained robust, and both net sales and segment profit increased year on year.</p> <p>In terms of market conditions, demand for fresh noodles and cooked rice is increasing in overseas markets, mainly in Greater China, South Korea and Southeast Asia, due to improvements in food quality and infrastructure, and we will expand our sales activities to new regions such as Europe and the United States. In Japan, demand remained stable, mainly due to renewed demand for rice and noodle making equipment.</p>				
Others	Net sales	¥1,440 million	Y/y change (rate)	Up 9.8%
	Operating profit	¥32 million	Y/y change (amount)	Up ¥154 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, etc. of linear motors and ceramic components.</p> <p>In the precision dies and mold operations, although demand for automobile-related products continued to be weak, progress of sales of linear motors and LED floodlights contributed a slight increase of total net sales year on year.</p>				

(2) Explanation regarding Financial Position

Total assets stood at ¥135,855 million as of the end of the first quarter under review, a decrease of ¥9,137 million from the end of the previous fiscal year. The decrease was mainly due to a decrease of ¥4,464 million in cash and deposits, a decrease of ¥1,710 million in notes and accounts receivable - trade, and contract assets, a decrease of ¥1,493 million yen in other current assets and a decrease of ¥1,326 million yen in merchandise and finished goods.

Meanwhile, liabilities at the end of the quarter under review totaled ¥53,877 million, a decrease of ¥6,688 million from the end of the previous fiscal year. The decrease was mainly due to a decrease of ¥2,000 million in short-term borrowings, a decrease of ¥1,931 million in long-term borrowings, a decrease of ¥1,495 million of electronically recorded obligations - operating, and a decrease of ¥1,348 million of notes and accounts payable-trade.

Net assets totaled ¥81,978 million at the end of the quarter under review, a decrease of ¥2,449 million from the end of the previous fiscal year. The decrease was mainly due to a decrease of ¥2,766 million 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 13, 2025.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(million yen)

	Fiscal year ended December 31, 2024 (as of December 31, 2024)	1Q fiscal year ending December 31, 2025 (as of March 31, 2025)
Assets		
Current assets		
Cash and deposits	47,762	43,297
Notes and accounts receivable - trade, and contract assets	16,969	15,258
Electronically recorded monetary claims - operating	2,220	2,589
Merchandise and finished goods	11,102	9,776
Work in process	9,641	9,769
Raw materials and supplies	10,879	10,484
Others	3,328	1,834
Allowance for doubtful accounts	(381)	(328)
Total current assets	101,522	92,683
Non-current assets		
Property, plant and equipment		
Buildings and structures	37,070	36,606
Machinery, equipment and vehicles	25,670	25,058
Others	17,237	17,182
Accumulated depreciation	(47,740)	(47,082)
Total property, plant and equipment	32,238	31,764
Intangible assets		
Goodwill	714	661
Others	1,505	1,372
Total intangible assets	2,220	2,034
Investments and other assets		
Retirement benefit asset	427	454
Others	8,612	8,946
Allowance for doubtful accounts	(27)	(27)
Total investments and other assets	9,012	9,373
Total non-current assets	43,471	43,172
Total assets	144,993	135,855

Summary of Financial Statements for the First Quarter of the Year Ending December 31, 2025

(million yen)

	Fiscal year ended December 31, 2024 (as of December 31, 2024)	1Q fiscal year ending December 31, 2025 (as of March 31, 2025)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,574	4,226
Electronically recorded obligations - operating	6,040	4,544
Short-term borrowings	4,245	2,244
Current portion of bonds payable	140	140
Current portion of long-term borrowings	8,645	8,391
Income taxes payable	475	448
Contract liabilities	3,855	4,308
Provisions	1,091	1,026
Others	4,371	4,545
Total current liabilities	34,440	29,875
Non-current liabilities		
Bonds payable	160	160
Long-term borrowings	23,963	22,031
Provisions	98	99
Retirement benefit liability	746	615
Asset retirement obligations	69	69
Others	1,089	1,026
Total non-current liabilities	26,126	24,001
Total liabilities	60,566	53,877
Net assets		
Shareholders' equity		
Share capital	24,618	24,618
Capital surplus	9,717	9,717
Retained earnings	34,888	35,069
Treasury shares	(3,134)	(3,135)
Total shareholders' equity	66,090	66,270
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,366	1,458
Foreign currency translation adjustment	16,842	14,076
Remeasurements of defined benefit plans	78	127
Total accumulated other comprehensive income	18,286	15,662
Non-controlling interests	50	46
Total net assets	84,427	81,978
Total liabilities and net assets	144,993	135,855

(2) Quarterly Consolidated Statement of Income and Statement of Comprehensive Income

(Quarterly Consolidated Statements of Income)

(Consolidated cumulative first quarter)

(million yen)

	1Q FY ended December. 31, 2024 (from January 1, 2024 to March 31, 2024)	1Q FY ending December. 31, 2025 (from January 1, 2025 to March 31, 2025)
Net sales	15,636	18,819
Cost of sales	11,120	12,212
Gross profit	4,516	6,607
Selling, general and administrative expenses		
Personnel expenses	2,374	2,471
Provision of allowance for doubtful accounts	(39)	(38)
Others	2,962	2,892
Total Selling, general and administrative expenses	5,296	5,325
Operating profit (loss)	(780)	1,281
Non-operating income		
Interest income	132	94
Dividend income	80	12
Foreign exchange gains	644	—
Share of profit of entities accounted for using equity method	25	149
Subsidy income	8	32
Others	62	115
Total non-operating income	953	404
Non-operating expenses		
Interest expenses	91	111
Foreign exchange losses	—	452
Commission for syndicated loans	190	—
Others	79	31
Total non-operating expenses	361	595
Ordinary profit (loss)	(187)	1,090
Extraordinary income		
Gain on sale of non-current assets	30	14
Subsidy income	28	46
Compensation for forced relocation	39	—
Total extraordinary income	97	60
Extraordinary losses		
Loss on sale of non-current assets	—	10
Loss on retirement of non-current assets	83	9
Business restructuring expenses	423	64
Others	36	—
Total extraordinary losses	543	84
Profit (loss) before income taxes	(633)	1,066
Income taxes - current	106	304
Income taxes - deferred	(241)	(182)
Total income taxes	(134)	121
Profit (loss)	(498)	944
Profit (loss) attributable to non-controlling interests	(1)	(1)
Profit (loss) attributable to owners of parent	(497)	946

Summary of Financial Statements for the First Quarter of the Year Ending December 31, 2025

(Quarterly Consolidated Statements of Comprehensive Income)

(Consolidated cumulative first quarter)

(million yen)

	1Q FY ended December. 31, 2024 (from January 1, 2024 to March 31, 2024)	1Q FY ending December. 31, 2025 (from January 1, 2025 to March 31, 2025)
Profit (loss)	(498)	944
Other comprehensive income		
Valuation difference on available-for-sale securities	386	92
Foreign currency translation adjustment	1,979	(2,695)
Remeasurements of defined benefit plans, net of tax	0	48
Share of other comprehensive income of entities accounted for using equity method	70	(72)
Total other comprehensive income	2,436	(2,627)
Comprehensive income	1,937	(1,682)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,936	(1,678)
Comprehensive income attributable to non-controlling interests	0	(4)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes 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

(Notes on Quarterly Consolidated Statements of Cash Flows)

Quarterly consolidated statements of cash flows for the consolidated cumulative first quarter under review are not prepared.

Depreciation (including amortization of intangible assets excluding goodwill) and amortization of goodwill for the consolidated cumulative first quarter are as follows.

	1Q FY ended December. 31, 2024 (from January 1, 2024 to March 31, 2024)	1Q FY ending December. 31, 2025 (from January 1, 2025 to March 31, 2025)
	¥ Million	¥ Million
Depreciation	886	835
Amortization of goodwill	31	31

(Segment information, etc.)

[Segment information]

I. Previous consolidated cumulative first quarter (from January 1, 2024 to March 31, 2024)

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

(million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment amount (Note 2)	Amount stated on the quarterly consolidated statement of income (Note 3)
	Machine tools	Industrial machinery	Food machinery	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 profit (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 allocable to individual reportable segments. Group expenses consist 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 of non-current assets or goodwill, etc. by reportable segment

None

3. Matters concerning changes in reportable segments

None

II. Current consolidated cumulative first quarter (from January 1, 2025 to March 31, 2025)

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

(million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment amount (Note 2)	Amount stated on the quarterly consolidated statement of income (Note 3)
	Machine tools	Industrial machinery	Food machinery	Reportable segment total				
Net sales								
Sales to outside parties	13,489	2,355	1,535	17,379	1,440	18,819	—	18,819
Intersegment sales or transfers	34	10	0	44	430	475	(475)	—
Total	13,523	2,365	1,535	17,424	1,870	19,295	(475)	18,819
Segment profit	1,605	65	314	1,985	32	2,018	(736)	1,281

- 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 -¥736 million to segment income (loss) includes -¥38 million in eliminations of intersegment transactions and -¥698 million in group overhead not allocable to individual reportable segments. Group expenses consist mainly of the cost of head office functions not attributable to any particular reportable segment.
3. Segment income is stated on reconciliation with the operating profit stated in the quarterly consolidated statement of income.

2. Information on impairment losses of non-current assets or goodwill, etc. 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, 2024 to March 31, 2024)

1. Breakdown of goods and services by type

(million yen)

	Reportable segment			Others (Note 1)	Total
	Machine tools	Industrial machinery	Food machinery		
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

(million yen)

	Reportable segment			Others (Note 2)	Total
	Machine tools	Industrial machinery	Food machinery		
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	1,311	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.

Current consolidated cumulative first quarter (from January 1, 2025 to March 31, 2025)

1. Breakdown of goods and services by type

(million yen)

	Reportable segment			Others (Note 1)	Total
	Machine tools	Industrial machinery	Food machinery		
Machine sales	10,044	1,973	1,308	1,440	14,766
Maintenance services and consumables	3,444	381	227	—	4,053
Total	13,489	2,355	1,535	1,440	18,819

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

(million yen)

	Reportable segment			Others (Note 2)	Total
	Machine tools	Industrial machinery	Food machinery		
Japan	2,543	1,029	1,053	1,368	5,996
North and South America	2,657	387	11	0	3,057
Europe	1,645	—	—	—	1,645
Greater China	4,939	539	308	70	5,858
Asia	1,702	398	162	—	2,262
Total	13,489	2,355	1,535	1,440	18,819

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 18, 2025, 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

	Details of the resolution		
(1) Date of payment	May 16, 2025		
(2) The class and number of shares to be disposed of	82,900 shares of the Company’s common stock		
(3) Disposal value	¥711 per share		
(4) Total amount of disposal	¥58,941,900		
(5) Assignees of the disposal	Directors of the Company(*)	4 persons	14,600 shares
	Executive officers of the Company	9 persons	14,800 shares
	Employees of the Company	60 persons	47,700 shares
	Directors of subsidiaries	2 persons	2,100 shares
	Executive officers of subsidiaries	7 persons	3,700 shares
*Non-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 49th Ordinary General Meeting of Shareholders held on March 28, 2025, 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, 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 18, 2025, 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 82,900 shares of the Company’s common stock as specified shares with restriction on transfer to the 4 Eligible Directors, 9 executive officers and 60 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 49th Annual Meeting of Shareholders to the 50th Annual Meeting of Shareholders to be held in March 2026, by paying a total of ¥58,941,900 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 17, 2025), which is ¥711. 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.