

Translation

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Summary of Non-Consolidated Financial Results for the Year Ended December 31, 2023 (Based on Japanese GAAP)

February 14, 2024

Company name: DAIWA INDUSTRIES LTD.
 Stock exchange listing: Tokyo
 Stock code: 6459 URL <https://www.drk.co.jp>
 Representative: President and Representative Director Atsushi Ozaki
 Inquiries: General Manager of Accounting Division Teranishi Takashi TEL 06-6767-8171
 Scheduled date of ordinary general meeting of shareholders: March 28, 2024
 Scheduled date to file Securities Report: March 29, 2024
 Scheduled date to commence dividend payments: March 29, 2024
 Preparation of supplementary material on financial results: No
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Non-consolidated financial results for the year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2023	45,969	4.6	8,137	16.5	7,989	16.3	5,537	24.5
Year ended December 31, 2022	43,942	(0.1)	6,985	11.5	6,866	12.1	4,446	23.1

	Earnings per share	Diluted earnings per share	Profit/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2023	112.17	–	8.9	9.0	17.7
Year ended December 31, 2022	87.90	–	6.8	8.1	15.9

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2023	92,203	64,278	69.7	1,302.13
As of December 31, 2022	86,071	60,196	69.9	1,219.43

(3) Non-consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2023	8,891	(1,217)	(1,475)	59,866
Year ended December 31, 2022	4,293	(1,141)	(3,386)	53,667

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Non-consolidated)	Ratio of dividends to net assets (Non-consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended December 31, 2022	–	15.00	–	15.00	30.00	1,506	34.1	2.3
Year ended December 31, 2023	–	15.00	–	15.00	30.00	1,480	26.7	2.3
Year ending December 31, 2024 (Forecast)	–	15.00	–	15.00	30.00		26.3	

3. Forecast of non-consolidated financial results for the 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		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending June 30, 2024	23,100	1.9	4,130	1.8	4,060	1.8	2,740	1.6	55.51
Full year	46,800	1.8	8,300	2.0	8,140	1.9	5,640	1.9	114.25

4. Notes

(1) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(2) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2023	51,717,215 shares	As of December 31, 2022	51,717,215 shares
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Number of treasury shares at the end of the period

As of December 31, 2023	2,353,107 shares	As of December 31, 2022	2,352,591 shares
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Average number of shares during the period

Year ended December 31, 2023	49,364,345 shares	Year ended December 31, 2022	50,582,232 shares
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Non-consolidated financial statements
Non-consolidated balance sheets

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	53,867,822	60,066,688
Notes receivable - trade	1,339,050	1,135,903
Accounts receivable - trade	3,063,216	2,769,410
Merchandise and finished goods	1,519,989	2,545,567
Work in process	444,206	405,243
Raw materials and supplies	830,721	983,330
Service parts	197,258	206,212
Prepaid expenses	242,324	247,105
Other	651,474	177,626
Allowance for doubtful accounts	(901)	(802)
Total current assets	62,155,162	68,536,287
Non-current assets		
Property, plant and equipment		
Buildings	10,534,992	10,609,485
Accumulated depreciation	(7,284,278)	(7,458,467)
Buildings, net	3,250,713	3,151,018
Structures	822,129	823,309
Accumulated depreciation	(711,031)	(728,755)
Structures, net	111,098	94,554
Machinery and equipment	6,516,422	6,812,207
Accumulated depreciation	(5,686,865)	(5,907,422)
Machinery and equipment, net	829,557	904,785
Vehicles	73,225	74,895
Accumulated depreciation	(69,369)	(71,495)
Vehicles, net	3,856	3,400
Tools, furniture and fixtures	3,570,180	3,960,946
Accumulated depreciation	(3,416,405)	(3,546,623)
Tools, furniture and fixtures, net	153,775	414,323
Land	5,926,210	5,982,007
Construction in progress	215,986	643,600
Total property, plant and equipment	10,491,198	11,193,691
Intangible assets		
Software	118,625	152,214
Telephone subscription right	8,726	8,726
Total intangible assets	127,352	160,941

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Investments and other assets		
Investment securities	447,335	483,143
Distressed receivables	61,250	58,911
Long-term prepaid expenses	63,423	67,492
Deferred tax assets	3,528,259	2,494,301
Leasehold and guarantee deposits	255,945	265,580
Long-term time deposits	9,000,000	9,000,000
Other	4,521	4,511
Allowance for doubtful accounts	(63,047)	(61,308)
Total investments and other assets	13,297,687	12,312,632
Total non-current assets	23,916,238	23,667,264
Total assets	86,071,401	92,203,552
Liabilities		
Current liabilities		
Notes payable - trade	3,281,914	3,204,027
Accounts payable - trade	3,018,725	2,893,127
Accounts payable - other	1,052,686	1,374,660
Accrued expenses	26,264	29,272
Income taxes payable	–	1,340,598
Deposits received	658,469	540,636
Contract liabilities	17,008,688	17,077,448
Provision for bonuses	174,166	192,422
Provision for bonuses for directors (and other officers)	29,950	30,450
Provision for product warranties	163,422	199,926
Other	47,883	625,019
Total current liabilities	25,462,172	27,507,589
Non-current liabilities		
Provision for retirement benefits	6,416	4,833
Provision for retirement benefits for directors (and other officers)	394,023	404,431
Other	12,049	8,062
Total non-current liabilities	412,489	417,326
Total liabilities	25,874,662	27,924,916

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Net assets		
Shareholders' equity		
Share capital	9,907,039	9,907,039
Capital surplus		
Legal capital surplus	9,867,880	9,867,880
Total capital surplus	9,867,880	9,867,880
Retained earnings		
Legal retained earnings	578,170	578,170
Other retained earnings		
General reserve	14,170,382	14,170,382
Retained earnings brought forward	28,033,807	32,089,911
Total retained earnings	42,782,360	46,838,464
Treasury shares	(2,437,233)	(2,437,929)
Total shareholders' equity	60,120,046	64,175,454
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	76,691	103,181
Total valuation and translation adjustments	76,691	103,181
Total net assets	60,196,738	64,278,636
Total liabilities and net assets	86,071,401	92,203,552

Non-consolidated statements of income

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net sales		
Net sales of finished goods	22,697,400	24,816,591
Net sales of goods	11,706,487	11,318,492
Sales of service parts	9,355,756	9,675,062
Other sales	183,212	159,097
Total net sales	43,942,856	45,969,244
Cost of sales		
Cost of finished goods sold		
Beginning finished goods inventory	1,059,293	1,428,291
Cost of products manufactured	10,502,154	11,390,209
Total	11,561,448	12,818,501
Transfer to other account	2,517	4,433
Ending finished goods inventory	1,428,291	2,498,925
Cost of finished goods sold	10,130,639	10,315,142
Cost of goods sold		
Beginning merchandise inventory	35,750	91,697
Cost of purchased goods	6,751,031	6,626,536
Total	6,786,781	6,718,234
Ending merchandise inventory	91,697	46,642
Cost of goods sold	6,695,083	6,671,592
Cost of service parts sold	2,611,780	2,767,029
Other costs	54,584	81,375
Total cost of sales	19,492,087	19,835,139
Gross profit	24,450,768	26,134,105
Selling, general and administrative expenses		
Advertising expenses	119,357	118,492
Transportation and storage costs	2,107,009	2,134,086
Product warranty expenses	183,885	273,604
Provision for product warranties	163,422	199,926
Remuneration, salaries and allowances	8,462,424	8,710,666
Provision for bonuses	134,502	147,879
Provision for bonuses for directors (and other officers)	29,950	30,450
Provision for retirement benefits for directors (and other officers)	25,870	21,777
Welfare expenses	1,450,941	1,490,614
Travel and communication expenses	953,071	1,007,497
Supplies expenses	213,375	208,248
Rent expenses	907,230	942,757
Vehicle expenses	373,463	346,354
Depreciation	245,814	243,018
Other	2,095,030	2,121,097
Total selling, general and administrative expenses	17,465,348	17,996,470
Operating profit	6,985,420	8,137,635

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Non-operating income		
Interest income	13,980	15,040
Interest on securities	189	–
Dividend income	13,875	14,249
Compensation income	47,725	42,649
Gain on sale of scraps	28,759	26,226
Rental income from real estate	17,968	18,018
Miscellaneous income	27,670	32,056
Total non-operating income	150,170	148,240
Non-operating expenses		
Compensation expenses	28,800	32,636
Loss on scrap sales	218,491	244,084
Miscellaneous losses	21,409	19,652
Total non-operating expenses	268,701	296,372
Ordinary profit	6,866,889	7,989,503
Extraordinary income		
Gain on sale of non-current assets	558	–
Total extraordinary income	558	–
Extraordinary losses		
Loss on retirement of non-current assets	304	84
Total extraordinary losses	304	84
Profit before income taxes	6,867,144	7,989,419
Income taxes - current	488,196	1,430,103
Income taxes - deferred	1,932,798	1,022,278
Total income taxes	2,420,995	2,452,381
Profit	4,446,148	5,537,038

Non-consolidated statements of changes in equity

Fiscal year ended December 31, 2022

(Thousands of yen)

	Shareholders' equity						
	Share capital	Capital surplus	Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Legal retained earnings	Other retained earnings			
				General reserve	Retained earnings brought forward		
Balance at beginning of period	9,907,039	9,867,880	578,170	14,170,382	35,800,793	(578,678)	69,745,587
Cumulative effects of changes in accounting policies					(10,681,693)		(10,681,693)
Restated balance	9,907,039	9,867,880	578,170	14,170,382	25,119,099	(578,678)	59,063,893
Changes during period							
Dividends of surplus					(1,531,440)		(1,531,440)
Profit					4,446,148		4,446,148
Purchase of treasury shares						(1,858,554)	(1,858,554)
Net changes in items other than shareholders' equity							
Total changes during period	–	–	–	–	2,914,707	(1,858,554)	1,056,153
Balance at end of period	9,907,039	9,867,880	578,170	14,170,382	28,033,807	(2,437,233)	60,120,046

	Valuation and translation adjustments	Total net assets
	Valuation difference on available-for-sale securities	
Balance at beginning of period	44,009	69,789,596
Cumulative effects of changes in accounting policies		(10,681,693)
Restated balance	44,009	59,107,903
Changes during period		
Dividends of surplus		(1,531,440)
Profit		4,446,148
Purchase of treasury shares		(1,858,554)
Net changes in items other than shareholders' equity	32,682	32,682
Total changes during period	32,682	1,088,835
Balance at end of period	76,691	60,196,738

Fiscal year ended December 31, 2023

(Thousands of yen)

	Shareholders' equity						
	Share capital	Capital surplus	Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Legal retained earnings	Other retained earnings			
				General reserve	Retained earnings brought forward		
Balance at beginning of period	9,907,039	9,867,880	578,170	14,170,382	28,033,807	(2,437,233)	60,120,046
Cumulative effects of changes in accounting policies					–		–
Restated balance	9,907,039	9,867,880	578,170	14,170,382	28,033,807	(2,437,233)	60,120,046
Changes during period							
Dividends of surplus					(1,480,934)		(1,480,934)
Profit					5,537,038		5,537,038
Purchase of treasury shares						(696)	(696)
Net changes in items other than shareholders' equity							
Total changes during period					4,056,103	(696)	4,055,407
Balance at end of period	9,907,039	9,867,880	578,170	14,170,382	32,089,911	(2,437,929)	64,175,454

	Valuation and translation adjustments	Total net assets
	Valuation difference on available-for-sale securities	
Balance at beginning of period	76,691	60,196,738
Cumulative effects of changes in accounting policies		–
Restated balance	76,691	60,196,738
Changes during period		
Dividends of surplus		(1,480,934)
Profit		5,537,038
Purchase of treasury shares		(696)
Net changes in items other than shareholders' equity	26,489	26,489
Total changes during period	26,489	4,081,897
Balance at end of period	103,181	64,278,636

Non-consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	6,867,144	7,989,419
Depreciation	690,555	692,159
Increase (decrease) in allowance for doubtful accounts	(1,450)	(1,838)
Increase (decrease) in provision for bonuses	4,472	18,255
Increase (decrease) in provision for bonuses for directors (and other officers)	(800)	500
Increase (decrease) in provision for product warranties	(45,447)	36,504
Increase (decrease) in provision for retirement benefits	(7,000)	(1,583)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(984,333)	10,407
Interest and dividend income	(28,045)	(29,289)
Loss (gain) on sale of property, plant and equipment	(558)	–
Loss on retirement of property, plant and equipment	304	84
Decrease (increase) in trade receivables	870,329	496,702
Decrease (increase) in inventories	(692,388)	(1,148,178)
Increase (decrease) in trade payables	480,348	(203,485)
Other, net	(782,914)	782,019
Subtotal	6,370,214	8,641,675
Interest and dividends received	29,164	29,299
Income taxes paid	(2,105,975)	(246,396)
Income taxes refund	–	467,229
Net cash provided by (used in) operating activities	4,293,403	8,891,807
Cash flows from investing activities		
Payments into time deposits	(1,700,000)	(200,000)
Proceeds from withdrawal of time deposits	1,200,000	200,000
Purchase of property, plant and equipment	(559,132)	(1,167,887)
Proceeds from sale of property, plant and equipment	559	–
Purchase of intangible assets	(41,642)	(15,733)
Purchase of investment securities	(121,298)	–
Proceeds from sale and redemption of securities	100,000	–
Proceeds from sale and redemption of investment securities	2,872	2,361
Other, net	(22,892)	(35,896)
Net cash provided by (used in) investing activities	(1,141,534)	(1,217,156)
Cash flows from financing activities		
Purchase of treasury shares	(1,858,554)	(696)
Dividends paid	(1,528,142)	(1,475,219)
Net cash provided by (used in) financing activities	(3,386,697)	(1,475,915)
Effect of exchange rate change on cash and cash equivalents	64	130
Net increase (decrease) in cash and cash equivalents	(234,763)	6,198,866
Cash and cash equivalents at beginning of period	53,902,585	53,667,822
Cash and cash equivalents at end of period	53,667,822	59,866,688