

Translation

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Summary of Non-Consolidated Financial Results for the Year Ended December 31, 2022 (Based on Japanese GAAP)

February 14, 2023

Company name: DAIWA INDUSTRIES LTD.
 Stock exchange listing: Tokyo
 Stock code: 6459 URL <http://www.drk.co.jp>
 Representative: President and Representative Director Atsushi Ozaki
 Inquiries: General Manager of Accounting Division Kiichiro Sokooshi TEL 06-6767-8171
 Scheduled date of ordinary general meeting of shareholders: March 30, 2023
 Scheduled date to file Securities Report: March 31, 2023
 Scheduled date to commence dividend payments: March 31, 2023
 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, 2022 (from January 1, 2022 to December 31, 2022)

(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, 2022	43,942	(0.1)	6,985	11.5	6,866	12.1	4,446	23.1
Year ended December 31, 2021	43,979	10.5	6,266	24.3	6,128	25.8	3,610	15.2

	Earnings per share	Diluted earnings per share	Profit/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2022	87.90	–	6.8	8.1	15.9
Year ended December 31, 2021	70.63	–	5.2	7.5	14.2

(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, 2022	86,071	60,196	69.9	1,219.43
As of December 31, 2021	82,719	69,789	84.4	1,367.13

(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, 2022	4,293	(1,141)	(3,386)	53,667
Year ended December 31, 2021	6,431	(3,137)	(1,658)	53,902

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, 2021	–	15.00	–	15.00	30.00	1,532	42.5	2.2
Year ended December 31, 2022	–	15.00	–	15.00	30.00	1,506	34.1	2.3
Year ending December 31, 2023 (Forecast)	–	15.00	–	15.00	30.00		33.5	

3. Forecast of non-consolidated financial results for the year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending June 30, 2023	21,500	1.9	3,390	1.9	3,330	1.7	2,010	1.6	39.74
Full year	44,800	2.0	7,120	1.9	7,000	1.9	4,530	1.9	89.56

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, 2022	51,717,215 shares	As of December 31, 2021	51,717,215 shares
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Number of treasury shares at the end of the period

As of December 31, 2022	2,352,591 shares	As of December 31, 2021	669,136 shares
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Average number of shares during the period

Year ended December 31, 2022	50,582,232 shares	Year ended December 31, 2021	51,123,030 shares
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Non-consolidated financial statements
Non-consolidated balance sheets

(Thousands of yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	55,102,585	53,867,822
Notes receivable - trade	2,113,143	1,339,050
Accounts receivable - trade	3,160,394	3,063,216
Securities	100,009	–
Merchandise and finished goods	1,095,044	1,519,989
Work in process	291,446	444,206
Raw materials and supplies	723,179	830,721
Service parts	190,117	197,258
Prepaid expenses	241,084	242,324
Other	127,951	651,474
Allowance for doubtful accounts	(1,078)	(901)
Total current assets	63,143,876	62,155,162
Non-current assets		
Property, plant and equipment		
Buildings	10,525,790	10,534,992
Accumulated depreciation	(7,111,454)	(7,284,278)
Buildings, net	3,414,336	3,250,713
Structures	819,229	822,129
Accumulated depreciation	(692,540)	(711,031)
Structures, net	126,689	111,098
Machinery and equipment	6,360,322	6,516,422
Accumulated depreciation	(5,534,486)	(5,686,865)
Machinery and equipment, net	825,835	829,557
Vehicles	71,731	73,225
Accumulated depreciation	(66,446)	(69,369)
Vehicles, net	5,284	3,856
Tools, furniture and fixtures	3,531,098	3,570,180
Accumulated depreciation	(3,285,566)	(3,416,405)
Tools, furniture and fixtures, net	245,532	153,775
Land	5,862,840	5,926,210
Construction in progress	81,150	215,986
Total property, plant and equipment	10,561,670	10,491,198
Intangible assets		
Software	128,184	118,625
Telephone subscription right	8,726	8,726
Total intangible assets	136,911	127,352

(Thousands of yen)

	As of December 31, 2021	As of December 31, 2022
Investments and other assets		
Investment securities	281,816	447,335
Distressed receivables	63,124	61,250
Long-term prepaid expenses	75,952	63,423
Deferred tax assets	765,673	3,528,259
Leasehold and guarantee deposits	250,249	255,945
Long-term time deposits	7,500,000	9,000,000
Other	4,521	4,521
Allowance for doubtful accounts	(64,321)	(63,047)
Total investments and other assets	8,877,015	13,297,687
Total non-current assets	19,575,597	23,916,238
Total assets	82,719,473	86,071,401
Liabilities		
Current liabilities		
Notes payable - trade	3,189,611	3,281,914
Accounts payable - trade	2,630,680	3,018,725
Accounts payable - other	1,009,966	1,052,686
Accrued expenses	25,785	26,264
Income taxes payable	1,306,720	–
Advances received	426,760	–
Deposits received	552,064	658,469
Unearned revenue	1,380,955	–
Contract liabilities	–	17,008,688
Provision for bonuses	169,694	174,166
Provision for bonuses for directors (and other officers)	30,750	29,950
Provision for product warranties	208,869	163,422
Other	597,077	47,883
Total current liabilities	11,528,936	25,462,172
Non-current liabilities		
Provision for retirement benefits	13,416	6,416
Provision for retirement benefits for directors (and other officers)	1,378,356	394,023
Other	9,166	12,049
Total non-current liabilities	1,400,940	412,489
Total liabilities	12,929,876	25,874,662

(Thousands of yen)

	As of December 31, 2021	As of December 31, 2022
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	35,800,793	28,033,807
Total retained earnings	50,549,346	42,782,360
Treasury shares	(578,678)	(2,437,233)
Total shareholders' equity	69,745,587	60,120,046
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	44,009	76,691
Total valuation and translation adjustments	44,009	76,691
Total net assets	69,789,596	60,196,738
Total liabilities and net assets	82,719,473	86,071,401

Non-consolidated statements of income

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net sales		
Net sales of finished goods	29,009,669	22,697,400
Net sales of goods	10,556,726	11,706,487
Sales of service parts	4,240,420	9,355,756
Other sales	172,568	183,212
Total net sales	43,979,385	43,942,856
Cost of sales		
Cost of finished goods sold		
Beginning finished goods inventory	1,504,566	1,059,293
Cost of products manufactured	11,288,674	10,502,154
Total	12,793,241	11,561,448
Transfer to other account	5,136	2,517
Ending finished goods inventory	1,059,293	1,428,291
Cost of finished goods sold	11,728,811	10,130,639
Cost of goods sold		
Beginning merchandise inventory	13,542	35,750
Cost of purchased goods	5,583,657	6,751,031
Total	5,597,199	6,786,781
Ending merchandise inventory	35,750	91,697
Cost of goods sold	5,561,449	6,695,083
Cost of service parts sold	1,786,184	2,611,780
Other costs	59,691	54,584
Total cost of sales	19,136,135	19,492,087
Gross profit	24,843,250	24,450,768
Selling, general and administrative expenses		
Advertising expenses	128,527	119,357
Transportation and storage costs	2,189,511	2,107,009
Product warranty expenses	251,087	183,885
Provision of allowance for doubtful accounts	100	–
Provision for product warranties	208,869	163,422
Remuneration, salaries and allowances	9,165,220	8,462,424
Provision for bonuses	141,325	134,502
Provision for bonuses for directors (and other officers)	30,750	29,950
Provision for retirement benefits for directors (and other officers)	37,455	25,870
Welfare expenses	1,533,465	1,450,941
Travel and communication expenses	910,258	953,071
Supplies expenses	230,416	213,375
Rent expenses	901,451	907,230
Vehicle expenses	371,230	373,463
Depreciation	259,746	245,814
Other	2,217,731	2,095,030
Total selling, general and administrative expenses	18,577,147	17,465,348
Operating profit	6,266,102	6,985,420

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Non-operating income		
Interest income	12,512	13,980
Interest on securities	6,382	189
Dividend income	12,961	13,875
Compensation income	64,805	47,725
Gain on sale of scraps	22,971	28,759
Rental income from real estate	17,448	17,968
Miscellaneous income	57,878	27,670
Total non-operating income	194,960	150,170
Non-operating expenses		
Compensation expenses	36,105	28,800
Loss on scrap sales	276,440	218,491
Miscellaneous losses	20,215	21,409
Total non-operating expenses	332,761	268,701
Ordinary profit	6,128,302	6,866,889
Extraordinary income		
Gain on sale of non-current assets	199	558
Gain on sale of investment securities	56,420	–
Total extraordinary income	56,619	558
Extraordinary losses		
Loss on retirement of non-current assets	4,015	304
Loss on revision of retirement benefit plan	935,647	–
Total extraordinary losses	939,662	304
Profit before income taxes	5,245,259	6,867,144
Income taxes - current	1,907,317	488,196
Income taxes - deferred	(273,049)	1,932,798
Total income taxes	1,634,267	2,420,995
Profit	3,610,991	4,446,148

Non-consolidated statements of changes in equity

Fiscal year ended December 31, 2021

(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				
				Reserve for special depreciation	General reserve	Retained earnings brought forward		
Balance at beginning of period	9,907,039	9,867,880	578,170	48,952	14,170,382	33,675,308	(450,582)	67,797,150
Cumulative effects of changes in accounting policies								
Restated balance	9,907,039	9,867,880	578,170	48,952	14,170,382	33,675,308	(450,582)	67,797,150
Changes during period								
Dividends of surplus						(1,534,459)		(1,534,459)
Reversal of reserve for special depreciation				(48,952)		48,952		–
Profit						3,610,991		3,610,991
Purchase of treasury shares							(128,095)	(128,095)
Net changes in items other than shareholders' equity								–
Total changes during period	–	–	–	(48,952)	–	2,125,484	(128,095)	1,948,436
Balance at end of period	9,907,039	9,867,880	578,170	–	14,170,382	35,800,793	(578,678)	69,745,587

	Valuation and translation adjustments	Total net assets
	Valuation difference on available-for-sale securities	
Balance at beginning of period	47,922	67,845,073
Cumulative effects of changes in accounting policies		
Restated balance	47,922	67,845,073
Changes during period		
Dividends of surplus		(1,534,459)
Reversal of reserve for special depreciation		–
Profit		3,610,991
Purchase of treasury shares		(128,095)
Net changes in items other than shareholders' equity	(3,913)	(3,913)
Total changes during period	(3,913)	1,944,523
Balance at end of period	44,009	69,789,596

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		Retained earnings brought forward		
				Reserve for special depreciation	General reserve			
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)
Reversal of reserve for special depreciation								–
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)
Reversal of reserve for special depreciation		–
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

Non-consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	5,245,259	6,867,144
Depreciation	801,339	690,555
Increase (decrease) in allowance for doubtful accounts	(81,291)	(1,450)
Increase (decrease) in provision for bonuses	10,985	4,472
Increase (decrease) in provision for bonuses for directors (and other officers)	(2,700)	(800)
Increase (decrease) in provision for product warranties	30,980	(45,447)
Increase (decrease) in provision for retirement benefits	19,734	(7,000)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	34,455	(984,333)
Decrease (increase) in prepaid pension costs	(169,791)	–
Interest and dividend income	(31,856)	(28,045)
Loss (gain) on sale of property, plant and equipment	(199)	(558)
Loss (gain) on sale of short-term and long-term investment securities	(56,420)	–
Loss on retirement of property, plant and equipment	4,015	304
Loss on revision of retirement benefit plan	935,647	–
Decrease (increase) in trade receivables	(120,092)	870,329
Decrease (increase) in inventories	345,833	(692,388)
Increase (decrease) in trade payables	348,176	480,348
Other, net	485,308	(782,914)
Subtotal	7,799,383	6,370,214
Interest and dividends received	33,642	29,164
Income taxes paid	(1,401,120)	(2,105,975)
Net cash provided by (used in) operating activities	6,431,905	4,293,403
Cash flows from investing activities		
Payments into time deposits	(2,700,000)	(1,700,000)
Proceeds from withdrawal of time deposits	200,000	1,200,000
Purchase of property, plant and equipment	(2,194,694)	(559,132)
Proceeds from sale of property, plant and equipment	200	559
Purchase of intangible assets	(15,890)	(41,642)
Purchase of investment securities	–	(121,298)
Proceeds from sale and redemption of securities	1,500,000	100,000
Proceeds from sale and redemption of investment securities	75,620	2,872
Other, net	(2,996)	(22,892)
Net cash provided by (used in) investing activities	(3,137,761)	(1,141,534)
Cash flows from financing activities		
Purchase of treasury shares	(128,095)	(1,858,554)
Dividends paid	(1,530,873)	(1,528,142)
Net cash provided by (used in) financing activities	(1,658,969)	(3,386,697)
Effect of exchange rate change on cash and cash equivalents	–	64
Net increase (decrease) in cash and cash equivalents	1,635,174	(234,763)
Cash and cash equivalents at beginning of period	52,267,410	53,902,585
Cash and cash equivalents at end of period	53,902,585	53,667,822