

Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 [Japanese GAAP]



February 10, 2023

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 Securities Code: 6789
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 Scheduled date of Ordinary General Meeting of Shareholders: March 24, 2023
 Scheduled date of filing annual securities report: March 24, 2023
 Scheduled date of commencing dividend payments: March 27, 2023
 Availability of supplementary briefing material on consolidated financial results: Available
 Schedule of consolidated financial results briefing session: Scheduled (for institutional investors and analysts)

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal year ended December 31, 2022	50,459	—	6,083	—	6,126	—	4,327	—
Fiscal year ended December 31, 2021	45,095	29.7	6,056	—	6,082	—	3,733	—

(Note) Comprehensive income: Fiscal year ended December 31, 2022: 5,321 million yen [−%]
 Fiscal year ended December 31, 2021: 4,562 million yen [−%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended December 31, 2022	347.69	—	14.2	13.8	12.1
Fiscal year ended December 31, 2021	299.88	—	13.9	15.3	13.4

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal Year Ended December 31, 2022: - million yen
 Fiscal Year Ended December 31, 2021: - million yen

(Note) The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. have been adopted from the beginning of the fiscal year ended December 31, 2022. As a result, each figure for the fiscal year ended December 31, 2022 is based on the application of the said standard, etc., and the year-on-year percentage change is not presented.

(2) 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	46,027	32,290	70.2	2,622.20
As of December 31, 2021	42,969	28,797	67.0	2,311.49

(Reference) Equity: As of December 31, 2022: 32,290 million yen
As of December 31, 2021: 28,797 million yen

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Fiscal year ended December 31, 2022	2,679	(2,724)	(2,214)	11,341
Fiscal year ended December 31, 2021	5,364	(1,302)	(2,423)	13,966

2. Dividends

	Annual dividends				
	1st quarter end	2nd quarter end	3rd quarter end	Year end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2021	—	40.00	—	60.00	100.00
Fiscal year ended December 31, 2022	—	50.00	—	80.00	130.00
Fiscal year ending December 31, 2023 (Forecast)	—	55.00	—	80.00	135.00

	Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	Millions of Yen	%	%
Fiscal year ended December 31, 2021	1,265	33.3	4.6
Fiscal year ended December 31, 2022	1,633	37.4	5.3
Fiscal year ending December 31, 2023 (Forecast)		30.8	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023 (From January 1, 2023 to December 31, 2023)

(% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
First half	28,000	16.3	3,000	11.6	3,000	4.4	2,200	13.7	178.66
Full year	58,100	15.1	7,000	15.1	7,000	14.3	5,400	24.8	438.52

*** Notes**

(1) Significant changes of subsidiaries during the fiscal year ended December 31, 2022 (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes
Newly included: –, Excluded: 1 (Company name: Roland DG Europe Holdings B.V.)

(2) Changes in accounting policies, changes in accounting estimates and corrections of errors

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Any changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Corrections of errors: No

(3) Total number of issued shares (common shares)

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

Fiscal year ended December 31, 2022	12,656,311 shares
Fiscal year ended December 31, 2021	12,656,311 shares

2) Total number of treasury shares at the end of the period:

Fiscal year ended December 31, 2022	342,208 shares
Fiscal year ended December 31, 2021	198,108 shares

3) Average number of shares during the period:

Fiscal year ended December 31, 2022	12,445,153 shares
Fiscal year ended December 31, 2021	12,449,951 shares

(Note) The total number of treasury shares at the end of the period includes shares of the Company held by the Director Stock Benefit Trust and J-ESOP Trust (192,100 shares at the end of the fiscal year ended December 31, 2022 and 197,700 shares at the end of the fiscal year ended December 31, 2021). The number of treasury shares excluded from calculation of the average number of shares during the period includes shares of the Company held by said Trusts (193,767 shares at the end of the fiscal year ended December 31, 2022 and 206,025 shares at the end of the fiscal year ended December 31, 2021).

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Fiscal year ended December 31, 2022	27,798	–	2,634	–	5,388	–	4,568	–
Fiscal year ended December 31, 2021	29,568	33.3	3,780	–	4,004	–	1,892	–

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended December 31, 2022	367.08	–
Fiscal year ended December 31, 2021	152.01	–

(Note) The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. have been adopted from the beginning of the fiscal year ended December 31, 2022. As a result, each figure for the fiscal year ended December 31, 2022 is based on the application of the said standard, etc., and the year-on-year percentage change is not presented.

(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	33,361	24,710	74.1	2,006.66
As of December 31, 2021	30,064	21,970	73.1	1,763.54

(Reference) Equity: As of December 31, 2022: 24,710 million yen
As of December 31, 2021: 21,970 million yen

* These consolidated financial results are outside the scope of audit.

* Explanation of the proper use of financial results forecast and other notes

1. Financial results forecast was prepared based on available information at the time of the release of this document, and the Company does not in any way guarantee the achievement of the projections. Actual results may be different from the projections due to various factors. For the notes concerning the use of financial results forecast, please refer to “Future Outlook” on page 15.
2. The Company plans to hold a briefing session for institutional investors and analysts on Friday, February 10, 2023. Materials to be distributed at the session will be posted on the Company’s website.

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1. Overview of Results of Operations, etc.



(1) Overview of Results of Operations

During the fiscal year ended December 31, 2022, the world economy showed the progress in the prevention of a further COVID-19 pandemic and the normalization of economic activities. However, with factors such as the prolonged invasion of Ukraine by Russia, the zero corona policy in China, and soaring energy costs, the sense of economic slowdown has intensified.

Under these circumstances, the group is engaged in a three-year medium-term business plan (FY2021 – FY2023) based on the core strategies of transforming the company into a lean organization and transforming the business portfolio. In the first year of the plan, fiscal year 2021, we have mainly been working on structural reforms, and have made great strides towards the transformation into a lean business organization, while at the same time, in terms of business, we have been able to respond to the changing needs of the market caused by the impact of COVID-19. As a result, as we were able to achieve our consolidated operating profit target set for fiscal year 2023, the final year of the medium-term business plan, two-years ahead of schedule, we have redefined our consolidated performance targets. Accordingly, as there are expected growth markets within existing businesses and new areas with growth potential, we have revised our strategic categories to Visual Communication, Digital Fabrication, Dental, and Service, Software & Others. By categorizing based on business area rather than by product, we will be able to visualize trends in each area while also working on transitioning from the business model that relies on eco-solvent printer for production of traditional signboards (advertising, etc.). Further, we created new categories to be used for disclosure of sales.

Strategic Categories

Category Name	Application/Main Product Category	Overview of Strategy
<p data-bbox="153 1059 579 1095">Visual Communication (VC)</p> 	<p data-bbox="603 1059 1010 1155">Large format printers and ink for use with advertising boards and decorative displays</p>	<p data-bbox="1034 1059 1439 1496">Although there is a maturing trend in the area of advertising boards, there has been increasing demand for Visual Communication aimed at consumers such as, interior/exterior decorative displays or interior displays in stores. Our aim is to maintain and expand our customer base while expanding the range of suitable applications enabled through increasing the range of solutions available through an increased diversity of ink types.</p>
<p data-bbox="153 1507 579 1543">Digital Fabrication (DF)</p> 	<p data-bbox="603 1507 1010 1570">Product that enables on-demand personalization and customization</p>	<p data-bbox="1034 1507 1439 1980">A field in which we can bring to life the concept behind our company’s products: “Wide Variety with Low Volumes, Small and Compact, On-Demand, Simple Operation, and High Quality.” We will provide printers, cutting machines and 3D products to small businesses, online vendors, and retailers to enable on-demand production of a wide variety of products at low volumes, including for personalized requests or customized requests for meeting niche demand.</p>

<p>Dental</p> 	<p>Dental milling machines for the fabrication of dental prostheses (crowns and fillings)</p>	<p>Since the launch of our first dental milling machines in 2010, we have been promoting market expansion, mainly in developed countries such as Europe and North America and Japan. Moving forward, we expect for the digitization of the workflow for fabricated dental prostheses in growth market regions such as ASEAN, Latin America, Eastern Europe, the Middle East, and Africa to advance. Furthermore, we have also set our sights on expanding into not only dental labs, but also into dental clinics, and we are growing this as a pillar of our company's business, regardless of whether in developed or growth markets.</p>
<p>Service, Software & Others (SSO)</p> 	<p>Service parts, maintenance fee, and connected services related</p>	<p>In addition to supplying service parts and maintenance services, we are also aiming to establish an SaaS business through the provision of connected services through software.</p>

During the fiscal year ended December 31, 2022, demand for capital investment in printers and output demand remained strong owing to the recommencement of face-to-face exhibitions and events and the further relaxation of restrictions on the number of attendees at such events resulting from the further relaxation of the impact of COVID-19 infections and normalization of economic activities. Meanwhile, in terms of supply, procurement difficulties with parts continued. In addition to making adjustments to our production processes, including flexibly reviewing production plans, we have also taken measures such as supplementing parts, so as to reduce the impact on production and supply. Also, during the third quarter of the fiscal year ended December 31, 2022, we revised the price of some products so as to optimize sales prices and secure revenue.

As a result of these initiatives, net sales for the fiscal year ended December 31, 2022 increased by 11.9% compared with the previous term to 50,459 million yen. The ratio of cost of sales increased by 1.4 percentage points from the previous term mainly due to the impact of procurement difficulties with parts on production and soaring parts prices and marine transportation costs despite the consolidation effect of manufacturing bases to Thailand. Selling, general and administrative expenses were higher than the previous term due to an increase in advertising expenses, travel and transportation expenses, and personnel expenses, however, the ratio of selling, general and administrative expenses against net sales was in line with the previous term. As a result, operating profit increased by 0.5% compared with the previous term to 6,083 million yen, and ordinary profit increased by 0.7% to 6,126 million yen. Profit attributable to owners of parent increased by 15.9% compared with the previous term to 4,327 million yen (expenses associated with calls for early voluntary retirement of 1,237 million yen were recorded as extraordinary losses in the previous term).

Further, the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020) has been applied from the beginning of the current consolidated fiscal year. For details, please refer to “(5) Notes on Consolidated Financial Statements (Changes in Accounting Policies)” in “3. Consolidated Financial Statements and Primary Notes.”

The exchange rates for major currencies during the fiscal year ended December 31, 2022 (average rate during the period from January 2022 to December 2022) were 131.46 yen to the U.S. dollar (109.81 yen for the previous term) and 138.11 yen to the euro (129.93 yen for the previous term).

As the business of the Company and its consolidated subsidiaries is the manufacture and sale of computer peripheral devices and there are no other segments, it is represented as a single segment.

From this fiscal year, we changed the existing categories for disclosure of sales by product to new categories by market and by product, as shown below. With regard to year-on-year comparisons, the figures for the previous fiscal year have been reclassified to match the categorization of the figures for sales by market and sales by product. No changes have been made to the categories for disclosure of sales by region.

<New Category> Net Sales by Market

(Millions of Yen)

Market	Fiscal year ended December 31, 2021		Fiscal year ended December 31, 2022		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Visual Communication	20,238	44.9	23,846	47.3	3,607	2.4	117.8
Digital Fabrication	10,008	22.2	10,926	21.6	918	(0.6)	109.2
Dental	6,601	14.6	6,969	13.8	367	(0.8)	105.6
Service, Software & Others	8,247	18.3	8,716	17.3	469	(1.0)	105.7
Total	45,095	100.0	50,459	100.0	5,363	–	111.9

<New Category> Net Sales by Product

(Millions of Yen)

Product	Fiscal year ended December 31, 2021		Fiscal year ended December 31, 2022		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Hardware	22,668	50.3	25,694	50.9	3,026	0.6	113.4
Supplies	14,437	32.0	16,319	32.4	1,881	0.4	113.0
Service Parts & Other	7,989	17.7	8,444	16.7	455	(1.0)	105.7
Total	45,095	100.0	50,459	100.0	5,363	–	111.9

[Visual Communication (VC)]

VC comprises our traditional eco-solvent printers (VC-Solvent) and non-solvent printers (VC-Other) such as UV printers and textile printers, and our aim in this area is to secure revenue by developing new markets and bolstering our customer base by offering an increased variety of inks and expanding the range of solutions we offer. For VC-Solvent, in the fiscal year ended December 31, 2022, sales of eco-solvent printers and eco-solvent inks

were strong partly attributable to the effects of new products in the mainstay TrueVIS Series launched in March for use in production of signboards, which achieves prints of the highest quality. For VC-Other, sales of LEC2 Series UV printers and UV ink increased significantly. As a result, VC sales were 23,846 million yen, or 117.8% of the previous fiscal year, exceeding the level of the previous fiscal year.

[Digital Fabrication (DF)]

For DF, our goal is to create new markets and applications by proposing to small businesses, online vendors, and retailers the product categories that can meet the demand for personalization geared towards specific customer needs that are rapidly expanding in recent years as well as for customization for meeting specific niche applications. In the fiscal year ended December 31, 2022, despite a reduction in sales of desktop UV printers and engravers, sales of the BN-20A desktop eco-solvent printer that was launched in October 2021 grew, particularly in North America. Also, expanding the sales area for the LEC2 S Series flatbed type UV printer, a co-creation model in collaboration with an external partner developed primarily for the European market for use in customization type applications, has made a significant contribution to sales. As a result, DF sales were 10,926 million yen, or 109.2% of the previous fiscal year, exceeding the level of the previous fiscal year.

[Dental]

For Dental, we have separately categorized sales to the dental market, which previously was included under the “3D products” category in the categorization by product system used heretofore. Despite a decrease in sales of the mainstay model DWX-52D/52DCi in the fiscal year ended December 31, 2022, in September, we launched the mainstay model DWX-53DC dental milling machine with disc changer balancing high processing quality and improved productivity. In growth markets with the rising move towards the digitizing of the workflow for fabricating dental technical materials, our successful efforts to expand sales channels have increased sales of the DWX-52Di, primarily in the Middle East, Latin America, Asia, and Eastern Europe. As a result, Dental sales were 6,969 million yen, or 105.6% of the previous fiscal year, exceeding the level of the previous fiscal year.

[Service, Software & Others (SSO)]

Sales of service parts were in line with the previous fiscal year, however, owing to an increase in delivery charges and other maintenance sales that are included in net sales, SSO sales were 8,716 million yen, or 105.7% of the previous fiscal year.

(Reference)

With regard to the year-on-year comparisons below, the figures for this fiscal year have been reclassified to match the categorization of figures for sales by product under the previously used categories.

<Old Categories> Net Sales by Product

(Millions of Yen)

Product	Fiscal year ended December 31, 2021		Fiscal year ended December 31, 2022		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Printers	14,411	32.0	17,418	34.5	3,006	2.5	120.9
Plotters	1,209	2.7	1,041	2.1	(167)	(0.6)	86.1
3D products	7,047	15.6	7,234	14.3	187	(1.3)	102.7
Supplies	14,437	32.0	16,319	32.4	1,881	0.4	113.0
Others	7,989	17.7	8,444	16.7	455	(1.0)	105.7
Total	45,095	100.0	50,459	100.0	5,363	–	111.9

Sales by region are as follows.

Net sales by region

(Millions of Yen)

Region	Fiscal year ended December 31, 2021		Fiscal year ended December 31, 2022		Changes	Changes in composition ratio (%)	Year-on year change (%)
	Amount	Composition ratio (%)	Amount	Composition ratio (%)			
Japan	4,533	10.0	4,786	9.5	252	(0.5)	105.6
North America	14,015	31.1	18,452	36.6	4,436	5.5	131.7
Europe	17,168	38.1	17,444	34.6	276	(3.5)	101.6
Asia	3,230	7.2	2,890	5.7	(339)	(1.5)	89.5
Others	6,148	13.6	6,885	13.6	736	0.0	112.0
Total	45,095	100.0	50,459	100.0	5,363	–	111.9

[Japan]

For VC, sales increased, primarily of new eco-solvent printers for the sign market and of the LEC2 Series. Further, for DF, sales of MDX Series 3D milling machines increased. For Dental, sales of the DWX-4 dental milling machine increased with the expansion of insurance coverage for CAD/CAM crowns (dental fillings and crowns made using dental data) in April. As a result, net sales in Japan were 4,786 million yen, or 105.6% of the previous fiscal year.

[North America]

For VC, sales of UV printers increased significantly, primarily of new eco-solvent printers for the sign market and ink supplies, and the LEC2 Series. Against a backdrop of growth in the e-commerce market for DF, sales of the BN-20A desktop eco-solvent printer increased significantly, and sales of LEC2 S Series flatbed type UV printer, a co-creation model, were strong. For Dental, sales exceeded the level of the previous fiscal year, partly due to the launch of the DWX-53DC in September. As a result, net sales in North America were 18,452 million yen, or 131.7% of the previous fiscal year, exceeding the level of the previous fiscal year, an increase partly attributable to the effects of a weaker yen against the dollar.

[Europe]

For VC, despite the launch of new products in VC-Solvent, sales in Europe reduced compared to the previous fiscal year. In VC-Other, sales were strong, primarily of LEC2 Series. For Dental, sales for the current fiscal year fell compared to the previous fiscal year during which revenue had grown owing to a recovery in demand for capital investment following a resumption of economic activities. For DF, sales of the LEC2 S Series flatbed type UV printer, a co-creation model, increased. As a result, net sales in Europe were 17,444 million yen, or 101.6% of the previous fiscal year, an increase partly attributable to the effects of a weaker yen against the euro.

[Asia]

For Dental, in India, where the digitization of the manufacturing flow for dental technical materials is underway, sales of dental milling machines have increased significantly due to the development and expansion of sales channels. In ASEAN regions, particularly in Vietnam, sales have increased, primarily of DWX-52Di, a dental milling machine for growth markets. However, due to the sharp drop in sales in China where the zero corona policy had been continued, compared with the previous fiscal year, net sales in Asia were 2,890 million yen, or 89.5% of the previous fiscal year, falling below the level of the previous fiscal year.

[Other]

In Australia, the Middle East region, and South Africa, despite an increase in sales of dental milling machines, sales of eco-solvent printers for the sign market decreased. However, net sales in these regions were 6,885 million yen, or 112.0% of the previous fiscal year, an increase partly attributable to sales in Latin America, including Brazil, exceeding the level of the previous fiscal year, along with the effect of a weaker yen.

Basic Policy on Earnings Distributions and Dividend for Current and Next Fiscal Years

We believe in prioritizing profit returns for shareholders, and therefore we will work to maintain the stability of those returns in light of our performance. At the same time, from a mid-to-long term standpoint, since we must allocate funds for future investments in equipment, R&D and sales, we are working to bolster our internal reserves, prepare the required capital, and strengthen the constitution of our business.

In terms of actual policy, while also accounting for future business needs, we set 30% payout ratio to consolidated net income and 2% dividend on equity (DOE) as our metrics and pay the higher of the two amounts in order to provide stable dividends to our shareholders.

As for dividends in the current term, term end dividends will be 80 yen, which makes the annual payout 130 yen, 30 yen higher than the previous term, resulting in the annual payout ratio of 37.4% of consolidated profit. In addition to these dividends, the Company repurchased treasury stock during this fiscal year, resulting in a total return ratio of 48.3%.

In terms of dividends in the following term, interim and year-end payouts are set to be 55 yen and 80 yen per share, respectively, based on the above basic policy, resulting in the annual payout of 135 yen. In addition, the Company will consider flexible shareholder return and result in a total return ratio of 50%.

(2) Overview of Financial Position

[Assets]

Total assets as of the end of the fiscal year under review increased by 3,058 million yen compared with end-of-term consolidated totals last year to a total of 46,027 million yen (107.1% of the previous fiscal year). Current assets increased by 1,126 million yen to 32,438 million yen (103.6% of the previous fiscal year), and non-current assets increased by 1,931 million yen to 13,588 million yen (116.6% of the previous fiscal year). With regard to current assets, cash and deposits decreased by 2,713 million yen while inventories increased by 2,327 million yen. In non-current assets, construction in progress increased by 833 million yen due to the construction of a new building of headquarters and other factors and buildings and structures increased by 579 million yen due to the renovation of the Miyakoda Plant and other factors. In addition, leased assets-use rights increased by 306 million yen due to application of ASU No. 2016-02 “Lease” and other factors.

[Liabilities]

Liabilities as of the end of the fiscal year under review decreased by 434 million yen to a total of 13,737 million yen (96.9% of previous fiscal year). With regard to current liabilities, in addition to notes and accounts payable - trade increasing by 602 million yen and accounts payable - other decreasing by 767 million yen as a result of the extra retirement payments associated with the implementation of an early voluntary retirement program and other factors, income taxes payable also decreased by 1,217 million yen. In non-current liabilities, retirement benefit liability increased by 308 million yen and lease liabilities increased by 181 million yen due to application of ASU No. 2016-02 “Lease” and other factors.

[Net assets]

Net assets as of the end of the fiscal year under review increased by 3,493 million yen to a total of 32,290 million yen (112.1% of the previous fiscal year). Although treasury shares increased by 436 million yen compared with the end of the previous fiscal year due to the acquisition of treasury shares and other factors, retained earnings increased by 2,934 million yen, mainly due to the financial results for the fiscal year under review, and foreign current translation adjustment increased by 1,239 million yen mainly due to the effects of a weaker yen.

(3) Overview of Cash Flows

Summary of Consolidated Statements of Cash Flows

(Millions of Yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022	Changes
Net cash provided by (used in) operating activities	5,364	2,679	(2,685)
Net cash provided by (used in) investing activities	(1,302)	(2,724)	(1,422)
Net cash provided by (used in) financing activities	(2,423)	(2,214)	208
Effect of exchange rate change on cash and cash equivalents	(106)	(364)	(257)
Net increase (decrease) in cash and cash equivalents	1,532	(2,624)	(4,156)
Cash and cash equivalents at end of period	13,966	11,341	(2,624)

[Net cash provided by (used in) operating activities]

Net cash provided by operating activities for the fiscal year under review was 2,679 million yen, a decrease of 2,685 million yen from the previous fiscal year. Main positive factors for the cash flows include an increase in profit before income taxes and a smaller increase in inventories. Main negative factors included an increase in trade receivables, a decrease in accounts payable - other, a smaller increase in trade payables and an increase in income taxes paid. Further, the extra retirement payments associated with the implementation of an early voluntary retirement program in the previous fiscal year are also included in the negative factors.

[Net cash provided by (used in) investing activities]

Net cash used in investing activities for the fiscal year under review was 2,724 million yen, an increase in outflow of 1,422 million yen from the previous fiscal year's outflow of 1,302 million yen. The main factor was the increase in outflow due to the purchase of property, plant and equipment, as well as due to the purchase of intangible assets.

[Net cash provided by (used in) financing activities]

Net cash used in financing activities for the fiscal year under review was 2,214 million yen, a decrease of 208 million yen from an outflow of 2,423 million yen in the previous fiscal year. Although a decrease in repayments of long-term payable, the main factors were expenditure on the acquisition of treasury shares and the increase in dividends paid compared to the previous fiscal year.

(4) Future Outlook

Regarding the outlook for the next fiscal year, we expect a continuation of both procurement difficulties and soaring parts prices, and anticipate that the severe situation with regard to production and supply will also persist. In terms of sales, we expect an increase in revenue as we proactively launch new products into growth areas whose launch had heretofore been delayed due to COVID-19 and in anticipation of future growth of sales channels in growth market regions. Despite the impacts of soaring parts prices, we expect profits to increase due to the increase in sales. Going forward, we will continue to strive to enhance corporate value both by securing profitability and by increasing capital efficiency, based on the basic policy of our medium-term business plan.

(Millions of Yen)

	Fiscal year ended December 31, 2022	Fiscal year ending December 31, 2023	Change (%)
Net sales	50,459	58,100	115.1
Operating profit	6,083	7,000	115.1
Ordinary profit	6,126	7,000	114.3
Profit attributable to owners of parent	4,327	5,400	124.8
ROE (%)	14.2%	15.8%	-

Estimated exchange rates of major currencies for the fiscal year ending December 31, 2023

1USD = 125 yen, 1EUR = 135 yen

2. Basic Policy on Selection of Accounting Standards

The group applies the Japanese Accounting Standards.

Concerning the future adoption of the International Financial Reporting Standards (IFRS), the group will consider its application while taking into consideration factors such as global business development and domestic trends.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of Yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	14,075,701	11,362,258
Notes and accounts receivable - trade	4,627,044	5,796,564
Merchandise and finished goods	7,309,375	8,471,192
Work in process	35,939	146,623
Raw materials and supplies	3,529,463	4,584,100
Other	1,782,398	2,132,408
Allowance for doubtful accounts	(48,355)	(54,724)
Total current assets	31,311,567	32,438,423
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,218,003	7,541,328
Accumulated depreciation	(4,972,964)	(4,716,767)
Buildings and structures, net	2,245,039	2,824,560
Machinery, equipment and vehicles	961,561	1,055,159
Accumulated depreciation	(709,363)	(741,000)
Machinery, equipment and vehicles, net	252,198	314,158
Tools, furniture and fixtures	4,050,425	4,439,330
Accumulated depreciation	(3,433,568)	(3,639,943)
Tools, furniture and fixtures, net	616,856	799,386
Land	3,121,218	3,158,234
Leased asset-use rights	1,342,745	1,649,201
Construction in progress	307,913	1,141,326
Total property, plant and equipment	7,885,972	9,886,868
Intangible assets		
Goodwill	40,302	—
Software	680,730	894,722
Telephone subscription right	7,616	7,406
Total intangible assets	728,648	902,128
Investments and other assets		
Investment securities	200	200
Deferred tax assets	2,166,891	1,933,132
Other	875,935	867,580
Allowance for doubtful accounts	—	(1,051)
Total investments and other assets	3,043,026	2,799,861
Total non-current assets	11,657,648	13,588,858
Total assets	42,969,215	46,027,282

(Thousands of Yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,320,694	3,923,387
Short-term borrowings	—	5,104
Accounts payable - other	2,275,852	1,508,569
Lease liabilities	329,490	484,350
Income taxes payable	1,464,790	247,111
Provision for bonuses	670,298	652,466
Provision for bonuses for directors (and other officers)	4,000	67,631
Provision for product warranties	576,245	680,335
Other	2,237,366	2,087,047
Total current liabilities	10,878,740	9,656,004
Non-current liabilities		
Lease liabilities	1,051,742	1,232,934
Provision for employee stock ownership plan trust	132,686	143,943
Provision for share awards for directors (and other officers)	106,228	152,132
Retirement benefit liability	559,494	867,632
Long-term accounts payable - other	63,728	93,899
Other	1,379,411	1,590,531
Total non-current liabilities	3,293,293	4,081,074
Total liabilities	14,172,033	13,737,079
Net assets		
Shareholders' equity		
Share capital	3,668,700	3,668,700
Capital surplus	3,700,608	3,700,608
Retained earnings	22,233,208	25,168,080
Treasury shares	(516,151)	(952,632)
Total shareholders' equity	29,086,365	31,584,756
Accumulated other comprehensive income		
Foreign currency translation adjustment	(335,055)	904,524
Remeasurements of defined benefit plans	45,757	(199,230)
Total accumulated other comprehensive income	(289,297)	705,294
Non-controlling interests	113	151
Total net assets	28,797,181	32,290,202
Total liabilities and net assets	42,969,215	46,027,282

(2) Consolidated Statements of Operations and Comprehensive Income
Consolidated Statements of Operations

(Thousands of Yen)

	For the fiscal year ended December 31, 2021 (From January 1, 2021 to December 31, 2021)	For the fiscal year ended December 31, 2022 (From January 1, 2022 to December 31, 2022)
Net sales	45,095,845	50,459,277
Cost of sales	22,032,172	25,399,417
Gross profit	23,063,673	25,059,860
Selling, general and administrative expenses		
Transportation and storage costs	973,295	1,153,015
Advertising and promotion expenses	768,851	1,159,309
Provision of allowance for doubtful accounts	15,629	23,060
Provision for product warranties	68,252	5,563
Salaries and bonuses	7,098,799	7,780,224
Provision for bonuses	394,346	398,174
Provision for bonuses for directors (and other officers)	4,000	67,631
Provision for employee stock ownership plan trust	14,719	6,504
Provision for share awards for directors (and other officers)	50,956	65,182
Retirement benefit expenses	291,920	245,613
Travel and transportation expenses	180,029	462,344
Depreciation	828,012	903,814
Commission expenses	1,407,176	1,590,042
Research and development expenses	3,106,757	3,134,608
Other	1,804,591	1,980,772
Total selling, general and administrative expenses	17,007,337	18,975,861
Operating profit	6,056,336	6,083,998
Non-operating income		
Interest income	12,279	13,646
Dividend income	3,462	3,304
Gain on valuation of investments in money held in trust	54,217	—
Foreign exchange gains	72,416	39,434
Other	86,339	79,193
Total non-operating income	228,715	135,577
Non-operating expenses		
Interest expenses	30,602	39,310
Sales discounts	119,671	—
Loss on valuation of investments in money held in trust	—	47,635
Other	52,712	6,000
Total non-operating expenses	202,986	92,947
Ordinary profit	6,082,064	6,126,629

(Thousands of Yen)

	For the fiscal year ended December 31, 2021 (From January 1, 2021 to December 31, 2021)	For the fiscal year ended December 31, 2022 (From January 1, 2022 to December 31, 2022)
Extraordinary income		
Gain on sale of non-current assets	109,934	19,340
Gain on sale of investment securities	750	—
Total extraordinary income	110,684	19,340
Extraordinary losses		
Loss on sale and retirement of non-current assets	43,034	60,260
Impairment losses	315,651	—
Extra retirement payments	1,237,736	—
Total extraordinary losses	1,596,423	60,260
Profit before income taxes	4,596,325	6,085,709
Income taxes - current	1,757,621	1,350,747
Income taxes - deferred	(894,825)	407,921
Total income taxes	862,795	1,758,669
Profit	3,733,530	4,327,039
Profit attributable to non-controlling interests	10	18
Profit attributable to owners of parent	3,733,519	4,327,021

(Consolidated Statements of Comprehensive Income)

(Thousands of Yen)

	For the fiscal year ended December 31, 2021 (From January 1, 2021 to December 31, 2021)	For the fiscal year ended December 31, 2022 (From January 1, 2022 to December 31, 2022)
Profit	3,733,530	4,327,039
Other comprehensive income		
Valuation difference on available-for-sale securities	249	—
Foreign currency translation adjustment	530,340	1,239,599
Remeasurements of defined benefit plans, net of tax	298,765	(244,987)
Total other comprehensive income	829,355	994,611
Comprehensive income	4,562,885	5,321,651
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,562,875	5,321,613
Comprehensive income attributable to non-controlling interests	10	37

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended December 31, 2021 (From January 1, 2021 to December 31, 2021)

(Thousands of Yen)

	Shareholder's equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,668,700	3,700,608	19,132,487	(644,762)	25,857,034
Changes during period					
Dividends of surplus			(632,798)		(632,798)
Profit attributable to owners of parent			3,733,519		3,733,519
Purchase of treasury shares				(284)	(284)
Treasury stock transfer of stock ownership plan trust				128,895	128,895
Net changes in items other than shareholders' equity					—
Total changes during period	—	—	3,100,720	128,611	3,229,331
Balance at end of period	3,668,700	3,700,608	22,233,208	(516,151)	29,086,365

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	(249)	(865,396)	(253,007)	(1,118,653)	103	24,738,483
Changes during period						
Dividends of surplus				—		(632,798)
Profit attributable to owners of parent				—		3,733,519
Purchase of treasury shares				—		(284)
Treasury stock transfer of stock ownership plan trust				—		128,895
Net changes in items other than shareholders' equity	249	530,341	298,765	829,356	10	829,366
Total changes during period	249	530,341	298,765	829,356	10	4,058,698
Balance at end of period	—	(335,055)	45,757	(289,297)	113	28,797,181

For the fiscal year ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

(Thousands of Yen)

	Shareholder's equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,668,700	3,700,608	22,233,208	(516,151)	29,086,365
Changes during period					
Dividends of surplus			(1,392,149)		(1,392,149)
Profit attributable to owners of parent			4,327,021		4,327,021
Purchase of treasury shares				(455,572)	(455,572)
Treasury stock transfer of stock ownership plan trust				19,091	19,091
Net changes in items other than shareholders' equity					—
Total changes during period	—	—	2,934,872	(436,481)	2,498,390
Balance at end of period	3,668,700	3,700,608	25,168,080	(952,632)	31,584,756

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	(335,055)	45,757	(289,297)	113	28,797,181
Changes during period					
Dividends of surplus			—		(1,392,149)
Profit attributable to owners of parent			—		4,327,021
Purchase of treasury shares			—		(455,572)
Treasury stock transfer of stock ownership plan trust			—		19,091
Net changes in items other than shareholders' equity	1,239,579	(244,987)	994,592	37	994,630
Total changes during period	1,239,579	(244,987)	994,592	37	3,493,020
Balance at end of period	904,524	(199,230)	705,294	151	32,290,202

(4) Consolidated Statements of Cash Flow

(Thousands of Yen)

	For the fiscal year ended December 31, 2021 (From January 1, 2021 to December 31, 2021)	For the fiscal year ended December 31, 2022 (From January 1, 2022 to December 31, 2022)
Cash flows from operating activities		
Profit before income taxes	4,596,325	6,085,709
Depreciation	1,245,830	1,320,966
Impairment losses	315,651	—
Amortization of goodwill	80,234	42,642
Increase (decrease) in allowance for doubtful accounts	(32,159)	1,866
Increase (decrease) in provision for bonuses	88,225	(21,533)
Increase (decrease) in provision for bonuses for directors (and other officers)	4,000	63,631
Increase (decrease) in provision for product warranties	93,478	29,380
Increase (decrease) in provision for employee stock ownership plan trust	17,614	12,131
Increase (decrease) in provision for share awards for directors (and other officers)	56,204	64,120
Increase (decrease) in retirement benefit liability	74,773	(41,145)
Interest and dividend income	(15,741)	(16,950)
Interest expenses	30,602	39,310
Loss (gain) on sale and retirement of intangible assets	343	9,131
Loss (gain) on sale of property, plant and equipment	(67,243)	31,789
Extra retirement payments	1,237,736	—
Loss (gain) on sale of investment securities	(750)	—
Decrease (increase) in trade receivables	(36,170)	(723,951)
Decrease (increase) in inventories	(2,277,009)	(1,133,932)
Decrease (increase) in other current assets	(223,177)	(218,388)
Decrease (increase) in other non-current assets	(33,269)	69,818
Increase (decrease) in trade payables	898,186	484,158
Increase (decrease) in accounts payable - other	376,054	(416,971)
Increase (decrease) in other current liabilities	206,051	(136,661)
Increase (decrease) in other non-current liabilities	51,507	140,713
Other, net	38,087	1,011
Subtotal	6,725,386	5,686,847
Interest and dividends received	26,166	38,056
Interest paid	(32,097)	(40,393)
Extra retirement payments	(780,632)	(455,104)
Income taxes paid	(574,235)	(2,549,878)
Net cash provided by (used in) operating activities	5,364,587	2,679,527

(Thousands of Yen)

	For the fiscal year ended December 31, 2021 (From January 1, 2021 to December 31, 2021)	For the fiscal year ended December 31, 2022 (From January 1, 2022 to December 31, 2022)
Cash flows from investing activities		
Payments into time deposits	(85,150)	—
Proceeds from withdrawal of time deposits	—	97,450
Purchase of property, plant and equipment	(1,016,896)	(2,256,532)
Proceeds from sale of property, plant and equipment	144,417	36,978
Payments for retirement of property, plant and equipment	(5,037)	(140,846)
Purchase of intangible assets	(344,436)	(449,147)
Purchase of investment securities	—	(12,254)
Proceeds from sale of investment securities	4,710	—
Other, net	—	(635)
Net cash provided by (used in) investing activities	(1,302,391)	(2,724,987)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	5,713
Repayments of long-term borrowings	(1,440,000)	—
Repayments of lease liabilities	(350,445)	(372,769)
Purchase of treasury shares	(284)	(456,347)
Dividends paid	(632,342)	(1,391,192)
Net cash provided by (used in) financing activities	(2,423,072)	(2,214,596)
Effect of exchange rate change on cash and cash equivalents	(106,753)	(364,470)
Net increase (decrease) in cash and cash equivalents	1,532,369	(2,624,527)
Cash and cash equivalents at beginning of period	12,434,024	13,966,394
Cash and cash equivalents at end of period	13,966,394	11,341,867

4. Other

Changes to Officers

(Scheduled on March 24, 2023)

(1) Changes to Representative Director

Not applicable.

(2) Changes to Other Officers

1) Candidate for new Director

Outside Director: Yasuhiro Kasahara (Currently Attorney-at-law)

Note: Yasuhiro Kasahara is a candidate for an Outside Director stipulated in Article 2, Item 15 of the Companies Act.

2) Candidate for new Audit and Supervisory Board Member

Audit and Supervisory Board Member (part-time): Megumi Ikuma (Currently Certified Public Accountant)

Note: Megumi Ikuma is a candidate for an Outside Audit and Supervisory Board Member stipulated in Article 2, Item 16 of the Companies Act.

3) Auditor scheduled for retirement

Audit and Supervisory Board Member (part-time): Shigeeki Matsuda