

# Consolidated Financial Results for the Three Months Ended June 30, 2021 [Japanese GAAP]



August 5, 2021

Company name: DAIHEN Corporation

Stock exchange listing: Tokyo Stock Exchange, Fukuoka Stock Exchange

Stock exchange code: 6622

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Scheduled date of filing quarterly securities report: August 6, 2021

Scheduled date of commencing dividend payments: —

Availability of supplementary explanatory materials on quarterly financial results: No

Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded down.)

## 1. Consolidated Financial Results for the Three Months Ended June 30, 2021 (April 1, 2021 - June 30, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended								
June 30, 2021	34,527	13.0	3,107	170.0	3,565	70.7	2,406	64.1
June 30, 2020	30,546	(0.3)	1,150	101.9	2,088	181.2	1,466	262.1

(Note) Comprehensive income: Three months ended June 30, 2021: 4,047 million yen [320.4%]

Three months ended June 30, 2020: 962 million yen [52.4%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2021	97.50	—
June 30, 2020	59.41	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2021	177,144	99,132	52.7
As of March 31, 2021	175,132	96,921	52.1

(Reference) Equity: As of June 30, 2021: 93,399 million yen

As of March 31, 2021: 91,174 million yen

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	–	42.50	–	47.50	90.00
Fiscal year ending March 31, 2022	–				
Fiscal year ending March 31, 2022 (Forecast)		50.00	–	50.00	100.00

(Note) Revision to the forecast for dividends announced most recently: None

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 - March 31, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	72,000	14.2	5,500	49.4	5,700	17.9	4,000	27.8	162.05
Full year	155,000	6.8	13,200	8.3	13,800	0.3	9,500	0.9	384.87

(Note) Revision to the financial results forecast announced most recently: None



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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

The DAIHEN Group's performance for the three months ended June 30, 2021 was net sales of 34,527 million yen (up 13.0% year-on-year), due to strong investment related to semi-conductors and automobiles. In income results, the increase in net sales and the effectiveness of cost reductions resulted in operating profit of 3,107 million yen (up 1,956 million yen year-on-year), ordinary profit of 3,565 million yen (up 1,476 million yen year-on-year), and profit attributable to owners of parent of ¥2,406 million yen (up 940 million yen year-on-year).

The performance of each segment is as follows.

#### 1) Power Products Business

As a result of strong investment in the replacement of power distribution products, net sales was 14,223 million yen (up 3.4% year-on-year) and operating profit was 936 million yen (up 18.0% year-on-year).

#### 2) Welding & Mechatronics Business

In addition to an increase in EV-related investment in China, investment in production automation recovered in Europe, resulting in net sales of 9,789 million yen (up 32.0% year-on-year), and operating profit was 956 million yen (year-on-year improvement of 1,114 million yen).

#### 3) Semiconductor & FPD Related Business

Due to the expansion of investment against the background of the full-scale dissemination of 5G and a global shortage of semiconductors, net sales was 10,469 million yen (up 12.2% year-on-year), and operating profit was 2,106 million yen (up 32.9% year-on-year).

#### 4) Other

Net sales was 47 million yen and operating profit was 18 million yen. There were no significant changes from the corresponding period of the previous year.

### (Reference) Performance by Segment

(Million yen)

Segment	Orders Received		Net Sales		Operating Profit	
	Amount	% change	Amount	% change	Amount	% change
Power Products Business	16,135	-3.5%	14,223	+3.4%	936	+18.0%
Welding & Mechatronics Business	11,117	+36.6%	9,789	+32.0%	956	-
Semiconductor & FPD Related Business	13,624	+54.5%	10,469	+12.2%	2,106	+32.9%
Other	47	-8.2%	47	-8.2%	18	+8.8%
Company Total	40,925	+21.3%	34,527	+13.0%	3,107	+170.0%

## (2) Explanation of Financial Position

Total assets at the end of the three months ended June 30, 2021 increased by 2,011 million yen from the end of the previous fiscal year to 177,144 million yen. This is mainly attributable to increases in cash and deposits and inventories, despite a decrease in notes and accounts receivable - trade.

Total liabilities at the end of the three months ended June 30, 2021 decreased by 199 million yen from the end of the previous fiscal year to 78,012 million yen. This is mainly attributable to decreases in provision for bonuses and income taxes payable, despite an increase in notes and accounts payable - trade.

Total net assets at the end of the three months ended June 30, 2021 increased by 2,211 million yen from the end of the previous fiscal year to 99,132 million yen. This is mainly attributable to increases in retained earnings and foreign currency translation adjustment. The equity ratio increased by 0.6 percentage points from 52.1% to 52.7%.

## (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

No revisions have been made to the consolidated financial results forecast for the six months ending September 30, 2021 and the full year ending March 31, 2022 announced on May 11, 2021. Should revision of the consolidated financial results forecast become necessary, the Company will promptly disclose these revisions.

## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of June 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	19,261	25,230
Notes and accounts receivable - trade	40,949	28,642
Merchandise and finished goods	15,673	20,176
Work in process	9,912	11,820
Raw materials and supplies	16,196	18,298
Other	3,872	4,255
Allowance for doubtful accounts	(574)	(637)
Total current assets	105,290	107,785
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,092	20,032
Machinery, equipment and vehicles, net	6,478	6,373
Tools, furniture and fixtures, net	1,855	1,880
Land	8,802	8,823
Leased assets, net	392	398
Construction in progress	1,148	1,239
Total property, plant and equipment	38,771	38,747
Intangible assets		
Software	1,621	1,597
Leased assets	30	27
Other	232	233
Total intangible assets	1,883	1,857
Investments and other assets		
Investment securities	17,651	17,108
Investments in capital	921	936
Long-term prepaid expenses	107	98
Retirement benefit asset	8,879	8,930
Deferred tax assets	1,115	1,162
Other	592	598
Allowance for doubtful accounts	(81)	(81)
Total investments and other assets	29,186	28,753
Total non-current assets	69,841	69,358
<b>Total assets</b>	<b>175,132</b>	<b>177,144</b>

(Million yen)

	As of March 31, 2021	As of June 30, 2021
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	29,632	30,343
Short-term borrowings	6,085	6,038
Current portion of long-term borrowings	4,084	3,984
Lease obligations	141	140
Income taxes payable	2,736	1,199
Provision for bonuses	3,601	2,255
Provision for bonuses for directors (and other officers)	100	12
Provision for loss on construction contracts	79	82
Other	6,121	8,925
Total current liabilities	52,583	52,982
Non-current liabilities		
Long-term borrowings	19,170	18,970
Lease obligations	195	189
Deferred tax liabilities	2,340	1,991
Provision for retirement benefits for directors (and other officers)	62	49
Provision for construction expenses related to earthquake resistance renovation	669	660
Provision for product safety measures	18	16
Retirement benefit liability	1,950	1,937
Asset retirement obligations	74	74
Other	1,147	1,140
Total non-current liabilities	25,628	25,029
Total liabilities	78,211	78,012
<b>Net assets</b>		
Shareholders' equity		
Share capital	10,596	10,596
Capital surplus	10,023	10,023
Retained earnings	66,995	67,640
Treasury shares	(4,195)	(4,197)
Total shareholders' equity	83,420	84,063
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,255	5,111
Deferred gains or losses on hedges	(12)	(0)
Foreign currency translation adjustment	1,146	2,821
Remeasurements of defined benefit plans	1,364	1,404
Total accumulated other comprehensive income	7,753	9,336
Non-controlling interests	5,747	5,732
Total net assets	96,921	99,132
Total liabilities and net assets	175,132	177,144



(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
Quarterly Consolidated Statements of Income  
Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2020	For the three months ended June 30, 2021
Net sales	30,546	34,527
Cost of sales	21,141	23,466
Gross profit	9,404	11,061
Selling, general and administrative expenses	8,253	7,953
Operating profit	1,150	3,107
Non-operating income		
Interest and dividend income	168	238
Share of profit of entities accounted for using equity method	730	65
Foreign exchange gains	—	122
Other	229	218
Total non-operating income	1,129	645
Non-operating expenses		
Interest expenses	43	85
Foreign exchange losses	57	—
Sales discounts	42	—
Other	46	102
Total non-operating expenses	191	187
Ordinary profit	2,088	3,565
Extraordinary losses		
Provision of allowance for doubtful accounts	—	57
Total extraordinary losses	—	57
Profit before income taxes	2,088	3,508
Income taxes	599	1,038
Profit	1,488	2,470
Profit attributable to non-controlling interests	22	63
Profit attributable to owners of parent	1,466	2,406

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2020	For the three months ended June 30, 2021
Profit	1,488	2,470
Other comprehensive income		
Valuation difference on available-for-sale securities	628	(133)
Deferred gains or losses on hedges	(6)	11
Foreign currency translation adjustment	(1,218)	1,676
Remeasurements of defined benefit plans, net of tax	82	38
Share of other comprehensive income of entities accounted for using equity method	(10)	(15)
Total other comprehensive income	(526)	1,577
Comprehensive income	962	4,047
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	933	3,989
Comprehensive income attributable to non-controlling interests	28	58

### (3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

- Calculation of tax expenses

The Company employs a method of making a reasonable estimation of the effective tax rate after application of tax effect accounting to net profit before tax for the current consolidated fiscal year before multiplying quarterly profit before tax by said effective tax rate.

However, if the use of said effective tax rate to calculate tax expenses leads to a markedly unreasonable result, material variations that do not fall under temporary variation are added to or deducted from the quarterly profit before tax, and tax expenses are calculated by multiplying the resulting amount by the statutory effective tax rate.

(Changes in accounting policies)

(Application of standards for revenue recognition, etc.)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") since the beginning of this quarter ended June 30, 2021, under which the amount expected to be received for promised goods or services is recognized as revenue at the point when control of the goods or services transfers to the customer.

For some merchandise or finished goods involving on-site installation and adjustment by the Company or a subsidiary of the Company, revenue was previously recognized upon shipment of the merchandise or products, but this has now changed to a method of recognizing revenue at the point when confirmation of performance is completed after completion of on-site installation and adjustment. The costs of on-site installation and adjustment works were previously recorded as selling, general and administrative expenses, but this has now changed to a method of recording such costs in cost of sales.

In addition, regarding works contracts, previously, in cases where the certainty of outcomes could be recognized for the portion of progressed work, the percentage-of-completion method was applied, and for other works, the completed-contract method was applied, but after consideration of the contracts and actual state of transactions, this has now changed to a method of recognizing revenue at the point when confirmation of performance is completed after completion of on-site installation and adjustment.

The Company applies the alternative treatment set forth in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021), and for sales of merchandise or finished goods within Japan, if the period from shipment until control of the merchandise or finished goods transfers to the customer is a normal one, the Company continues to recognize revenue upon shipment.

Sales rebates were previously treated as selling, general and administrative expenses, but this has now changed to a method of subtracting them from the transaction price.

In addition, regarding buy-and-sell transactions, previously, extinguishment had been recognized for the supplied products, but in cases where there is an obligation to purchase back the supplied products, this has changed to a method of not recognizing extinguishment of those supplied products.

Regarding the application of the Revenue Recognition Standards, etc., the Company is complying with the transitional treatment set forth in the proviso to Paragraph 84 of the Revenue Recognition Standard. The

cumulative effect of the retrospective application of the new accounting policy prior to the beginning of this first quarter ended June 30, 2021 has been added to or subtracted from retained earnings at the beginning of the quarter, and the new accounting policy has been applied from the balance at the beginning of the quarter.

As a result, net sales for this three-month period ended June 30, 2021 increased by 622 million yen, cost of sales increased by 662 million yen, selling, general and administrative expenses decreased by 180 million yen, and operating profit, ordinary profit, and profit before income taxes each increased by 140 million yen. In addition, the beginning balance of retained earnings decreased by 585 million yen, and the beginning balance of non-controlling interests decreased by 25 million yen. Further, raw materials and supplies and other under current liabilities each increased by 1,241 million yen.

In accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, the Company has not conducted reclassification using the new presentation methods for the previous consolidated fiscal year.

(Application of standards for fair value measurement, etc.)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) since the beginning of this quarter ended June 30, 2021 and, in accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), will apply a new accounting policy set forth in the Fair Value Measurement Standard, etc. into the future. There is no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

I. For the three months ended June 30, 2020

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

(Million yen)

	Reportable segment				Other (Note)	Total
	Power Products Business	Welding & Mechanics Business	Semiconductor & FPD Related Business	Total		
Net sales						
Net sales to outside customers	13,749	7,411	9,333	30,494	51	30,546
Inter-segment net sales or transfers	-	3	-	3	-	3
Total	13,749	7,414	9,333	30,497	51	30,549
Segment profit (loss)	793	(157)	1,585	2,221	16	2,237

(Note) “Other” refers to business segments not included in the reportable segments and includes the real estate leasing business, etc.

2. Information on the difference between total of the profit or loss amounts of reportable segments and the amounts recorded in the Quarterly Consolidated Statements of Income and the main contents of the difference (matters concerning variation adjustment).

(Million yen)

Profit	Amount
Reportable Segment Total	2,221
Profit in “Other” category	16
Elimination of inter-segment transactions	0
Company-wide expenses (Note)	(1,087)
Operating profit in Quarterly Consolidated Statements of Income	1,150

(Note) “Company-wide expenses” are mainly general and administrative expenses that do not belong to the reportable segments.

II. For the three months ended June 30, 2021

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

(Million yen)

	Reportable segment				Other (Note)	Total
	Power Products Business	Welding & Mechatronics Business	Semiconductor & FPD Related Business	Total		
Net sales						
Net sales to outside customers	14,223	9,786	10,469	34,479	47	34,527
Inter-segment net sales or transfers	-	2	-	2	-	2
Total	14,223	9,789	10,469	34,482	47	34,530
Segment profit	936	956	2,106	3,999	18	4,018

(Note) “Other” refers to business segments not included in the reportable segments and includes the real estate leasing business, etc.

2. Information on the difference between total of the profit or loss amounts of reportable segments and the amounts recorded in the Quarterly Consolidated Statements of Income and the main contents of the difference (matters concerning variation adjustment)

(Million yen)

Profit	Amount
Reportable Segment Total	3,999
Profit in “Other” category	18
Elimination of inter-segment transactions	0
Company-wide expenses (Note)	(910)
Operating profit in Quarterly Consolidated Statements of Income	3,107

(Note) “Company-wide expenses” are mainly general and administrative expenses that do not belong to the reportable segments.

3. Information on changes in reportable segments, etc.

As described in Changes in accounting policies, due to the application of the Revenue Recognition Standard, etc. since the beginning of this quarter ended June 30, 2021 and the change in accounting methods concerning revenue recognition, the method of calculation of business segment profit or loss has similarly been changed.

Due to these changes, compared with the previous method, in the Power Products Business segment, net sales for the three-month period ended June 30, 2021 increased by 474 million yen and segment profit increased by 65 million yen, in the Welding & Mechatronics Business segment, net sales increased by 154 million yen and segment profit increased by 68 million yen, and in the Semiconductor & FPD Related Business, net sales decreased by 6 million yen and segment profit increased by 6 million yen. There was no effect on net sales or segment profit in the “Other” segment.