

Consolidated Financial Results for the Six Months Ended September 30, 2021 [Japanese GAAP]



November 2, 2021

Company name: DAIHEN Corporation

Stock exchange listing: Tokyo Stock Exchange, Fukuoka Stock Exchange

Stock exchange code: 6622

URL: <https://www.daihen.co.jp/>

Representative: Shoichiro Minomo, President and Chief Executive Officer

Contact: Shigeo Ozawa, General Manager, Finance & Accounting Department, Planning Division

Phone: +81-6-6390-5506

Scheduled date of filing quarterly securities report: November 4, 2021

Scheduled date of commencing dividend payments: December 3, 2021

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 Six Months Ended September 30, 2021 (April 1, 2021 - September 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	%
Six months ended								
September 30, 2021	71,892	14.1	6,379	73.2	7,133	47.6	5,172	65.3
September 30, 2020	63,031	(3.5)	3,682	20.8	4,833	48.3	3,130	36.1

(Note) Comprehensive income: Six months ended September 30, 2021: 6,802 million yen [90.1%]

Six months ended September 30, 2020: 3,578 million yen [74.0%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2021	209.54	—
September 30, 2020	126.81	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2021	180,595	101,902	53.2
As of March 31, 2021	175,132	96,921	52.1

(Reference) Equity: As of September 30, 2021: 96,140 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	–	50.00			
Fiscal year ending March 31, 2022 (Forecast)			–	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
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	160,000	10.2	14,000	14.9	14,800	7.5	10,500	11.6	425.34

(Note) Revision to the financial results forecast announced most recently: Yes

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation):
Newly included: – (), Excluded: – ()
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: Yes
(Note) For details, please see “2. Quarterly Consolidated Financial Statements and Principal Notes (4) Notes to Quarterly Consolidated Financial Statements (Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)” on page 9 of the attachments.
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (Note) For details, please see “2. Quarterly Consolidated Financial Statements and Principal Notes (4) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)” on pages 9 and 10 of the attachments.
- (4) Total number of issued shares (common shares)
- 1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2021:	27,103,291 shares
March 31, 2021:	27,103,291 shares
 - 2) Total number of treasury shares at the end of the period:

September 30, 2021:	2,416,564 shares
March 31, 2021:	2,419,521 shares
 - 3) Average number of shares during the period:

Six months ended September 30, 2021:	24,685,131 shares
Six months ended September 30, 2020:	24,683,131 shares

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

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

The earnings forecasts and other forward-looking statements contained in this report are based on information available to the Company on the date of this report’s release and certain premises that the Company deems to be reasonable. Actual financial results, etc. may differ significantly due to a wide range of factors. For details on the earnings forecasts of the Company, please see “1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the attachments.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The DAIHEN Group's performance for the six months ended September 30, 2021 was net sales of 71,892 million yen (up 14.1% year-on-year), due to strong investment in production automation in addition to the expansion of demand for semiconductor manufacturing equipment. In income results, although there was an impact of soaring prices of materials and electronic components, etc., the increase in net sales and the effectiveness of cost reductions resulted in operating profit of 6,379 million yen (up 2,697 million yen year-on-year), ordinary profit of 7,133 million yen (up 2,300 million yen year-on-year), and profit attributable to owners of parent of 5,172 million yen (up 2,042 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 were 28,343 million yen (up 2.5% year-on-year) and operating profit was 1,961 million yen (up 24 million yen year-on-year).

2) Welding & Mechatronics Business

In addition to an increase in EV-related investment in China, investment in production automation was on a recovery trend in Taiwan, Europe and the United States, resulting in net sales of 22,214 million yen (up 27.8% year-on-year), and operating profit was 2,117 million yen (up 1,205 million yen year-on-year).

3) Semiconductor & FPD Related Business

Due to the aggressive expansion of capital investment in preparation for the full-scale dissemination of 5G and a resolution of the global shortage of semiconductors, net sales were 21,257 million yen (up 18.7% year-on-year), and operating profit was 4,080 million yen (up 1,105 million yen year-on-year).

4) Other

Net sales were 95 million yen and operating profit was 33 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	33,441	+3.1%	28,343	+2.5%	1,961	+1.3%
Welding & Mechatronics Business	23,093	+23.7%	22,214	+27.8%	2,117	+132.2%
Semiconductor & FPD Related Business	27,905	+84.9%	21,257	+18.7%	4,080	+37.1%
Other	95	-6.2%	95	-6.2%	33	-8.8%
Company Total	84,534	+27.5%	71,892	+14.1%	6,379	+73.2%

(2) Explanation of Financial Position

Total assets at the end of the six months ended September 30, 2021 increased by 5,463 million yen from the end of the previous fiscal year to 180,595 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 six months ended September 30, 2021 increased by 481 million yen from the end of the previous fiscal year to 78,692 million yen. This is mainly attributable to an increase in notes and accounts payable - trade, despite a decrease in borrowings.

Total net assets at the end of the six months ended September 30, 2021 increased by 4,981 million yen from the end of the previous fiscal year to 101,902 million yen. This is mainly attributable to increases in retained earnings and foreign currency translation adjustment. The equity ratio increased by 1.1 percentage points from 52.1% to 53.2%.

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

Demand for semiconductor equipment is expected to increase due to the expansion of investment in preparation for the full-scale dissemination of 5G and a resolution of the shortage of semiconductors. Although there are concerns about soaring prices and supply shortages of parts, the increase in profit due to the increase in net sales is expected to more than offset the negatives, and the Company has revised upward the consolidated financial results forecast announced on May 11, 2021.

Revision to the consolidated financial results forecast for the full year ending March 31, 2022 (April 1, 2021 - March 31, 2022)

	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
Previous forecast (A)	155,000	13,200	13,800	9,500	384.87
New forecast (B)	160,000	14,000	14,800	10,500	425.34
Change (B – A)	5,000	800	1,000	1,000	–
Percentage change (%)	3.2	6.1	7.2	10.5	–
(Reference) Results for the previous fiscal year (ended March 31, 2021)	145,144	12,183	13,762	9,411	381.28

(Note) The consolidated financial results forecast above has been prepared based on information available to the Company on the date of this report's release. Actual financial results may differ from the forecast due to a wide range of factors in the future.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	19,261	23,874
Notes and accounts receivable - trade	40,949	29,240
Merchandise and finished goods	15,673	21,553
Work in process	9,912	12,278
Raw materials and supplies	16,196	19,944
Other	3,872	4,898
Allowance for doubtful accounts	(574)	(687)
Total current assets	105,290	111,103
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,092	19,954
Machinery, equipment and vehicles, net	6,478	6,293
Tools, furniture and fixtures, net	1,855	1,939
Land	8,802	8,818
Leased assets, net	392	384
Construction in progress	1,148	1,051
Total property, plant and equipment	38,771	38,441
Intangible assets		
Software	1,621	1,700
Leased assets	30	24
Other	232	229
Total intangible assets	1,883	1,954
Investments and other assets		
Investment securities	17,651	17,366
Investments in capital	921	934
Long-term prepaid expenses	107	135
Retirement benefit asset	8,879	8,954
Deferred tax assets	1,115	1,188
Other	592	597
Allowance for doubtful accounts	(81)	(79)
Total investments and other assets	29,186	29,096
Total non-current assets	69,841	69,492
Total assets	175,132	180,595

(Million yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	29,632	31,799
Short-term borrowings	6,085	6,042
Current portion of long-term borrowings	4,084	5,484
Lease obligations	141	134
Income taxes payable	2,736	1,957
Provision for bonuses	3,601	2,536
Provision for bonuses for directors (and other officers)	100	17
Provision for loss on construction contracts	79	87
Other	6,121	7,858
Total current liabilities	52,583	55,917
Non-current liabilities		
Long-term borrowings	19,170	16,728
Lease obligations	195	178
Deferred tax liabilities	2,340	1,971
Provision for retirement benefits for directors (and other officers)	62	51
Provision for construction expenses related to earthquake resistance renovation	669	641
Provision for product safety measures	18	15
Retirement benefit liability	1,950	1,960
Asset retirement obligations	74	74
Other	1,147	1,154
Total non-current liabilities	25,628	22,775
Total liabilities	78,211	78,692
Net assets		
Shareholders' equity		
Share capital	10,596	10,596
Capital surplus	10,023	10,034
Retained earnings	66,995	70,406
Treasury shares	(4,195)	(4,192)
Total shareholders' equity	83,420	86,844
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,255	5,290
Deferred gains or losses on hedges	(12)	(3)
Foreign currency translation adjustment	1,146	2,564
Remeasurements of defined benefit plans	1,364	1,444
Total accumulated other comprehensive income	7,753	9,295
Non-controlling interests	5,747	5,762
Total net assets	96,921	101,902
Total liabilities and net assets	175,132	180,595

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Net sales	63,031	71,892
Cost of sales	42,899	49,425
Gross profit	20,131	22,467
Selling, general and administrative expenses	16,449	16,087
Operating profit	3,682	6,379
Non-operating income		
Interest and dividend income	196	277
Share of profit of entities accounted for using equity method	734	121
Foreign exchange gains	78	171
Other	391	538
Total non-operating income	1,400	1,108
Non-operating expenses		
Interest expenses	97	147
Sales discounts	65	—
Other	86	208
Total non-operating expenses	249	355
Ordinary profit	4,833	7,133
Extraordinary income		
Gain on extinguishment of tie-in shares	—	71
Total extraordinary income	—	71
Extraordinary losses		
Provision of allowance for doubtful accounts	389	97
Loss on product accident measures	120	—
Total extraordinary losses	509	97
Profit before income taxes	4,323	7,107
Income taxes	1,212	1,848
Profit	3,111	5,259
Profit (loss) attributable to non-controlling interests	(18)	86
Profit attributable to owners of parent	3,130	5,172

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Million yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Profit	3,111	5,259
Other comprehensive income		
Valuation difference on available-for-sale securities	1,198	39
Deferred gains or losses on hedges	(6)	9
Foreign currency translation adjustment	(884)	1,428
Remeasurements of defined benefit plans, net of tax	164	76
Share of other comprehensive income of entities accounted for using equity method	(4)	(10)
Total other comprehensive income	467	1,543
Comprehensive income	3,578	6,802
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,585	6,714
Comprehensive income attributable to non-controlling interests	(6)	87

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Cash flows from operating activities		
Profit before income taxes	4,323	7,107
Depreciation	2,444	2,368
Increase (decrease) in allowance for doubtful accounts	390	109
Increase (decrease) in provision for bonuses	(353)	(1,088)
Increase (decrease) in provision for construction expenses related to earthquake resistance renovation	(36)	(27)
Increase (decrease) in retirement benefit liability	8	(12)
Decrease (increase) in retirement benefit asset	27	32
Interest and dividend income	(196)	(277)
Interest expenses	97	147
Share of loss (profit) of entities accounted for using equity method	(734)	(121)
Loss (gain) on extinguishment of tie-in shares	—	(71)
Decrease (increase) in trade receivables	9,199	11,835
Decrease (increase) in inventories	(4,190)	(8,797)
Increase (decrease) in trade payables	(1,988)	872
Other, net	(2,008)	(1,801)
Subtotal	6,985	10,275
Interest and dividends received	199	637
Interest paid	(98)	(148)
Income taxes paid	(1,710)	(2,779)
Net cash provided by (used in) operating activities	5,375	7,985
Cash flows from investing activities		
Short-term loan advances	(372)	—
Purchase of property, plant and equipment	(1,638)	(1,407)
Proceeds from sale of property, plant and equipment	23	35
Purchase of intangible assets	(153)	(274)
Other, net	(1)	(9)
Net cash provided by (used in) investing activities	(2,142)	(1,655)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(184)	(95)
Proceeds from long-term borrowings	1,000	500
Repayments of long-term borrowings	(2,442)	(1,542)
Purchase of treasury shares	(75)	(3)
Dividends paid	(990)	(1,175)
Other, net	(16)	(47)
Net cash provided by (used in) financing activities	(2,708)	(2,363)
Effect of exchange rate change on cash and cash equivalents	(249)	576
Net increase (decrease) in cash and cash equivalents	274	4,542
Cash and cash equivalents at beginning of period	14,830	19,071
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	65
Cash and cash equivalents at end of period	15,105	23,679

(4) 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 the first 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 the 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 six-month period ended September 30, 2021 decreased by 458 million yen, cost of sales increased by 179 million yen, selling, general and administrative expenses decreased by 680 million yen, and operating profit, ordinary profit, and profit before income taxes each increased by 42 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 1,297 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 the first 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 six months ended September 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	27,650	17,366	17,913	62,930	101	63,031
Inter-segment net sales or transfers	-	9	-	9	-	9
Total	27,650	17,376	17,913	62,940	101	63,041
Segment profit	1,937	911	2,975	5,824	36	5,861

(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	5,824
Profit in “Other” category	36
Elimination of inter-segment transactions	0
Company-wide expenses (Note)	(2,178)
Operating profit in Quarterly Consolidated Statements of Income	3,682

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

II. For the six months ended September 30, 2021

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	28,343	22,195	21,257	71,797	95	71,892
Inter-segment net sales or transfers	-	18	-	18	-	18
Total	28,343	22,214	21,257	71,815	95	71,911
Segment profit	1,961	2,117	4,080	8,160	33	8,193

(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	8,160
Profit in "Other" category	33
Elimination of inter-segment transactions	0
Company-wide expenses (Note)	(1,813)
Operating profit in Quarterly Consolidated Statements of Income	6,379

(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 the first 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 six-month period ended September 30, 2021 decreased by 460 million yen and segment profit increased by 4 million yen, in the Welding & Mechatronics Business segment, net sales decreased by 10 million yen and segment profit increased by 28 million yen, and in the Semiconductor & FPD Related Business, net sales increased by 13 million yen and segment profit increased by 10 million yen. There was no effect on net sales or segment profit in the "Other" segment.