

# Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]



August 2, 2022

Company name: DAIHEN Corporation

Stock exchange listing: Tokyo Stock Exchange, Fukuoka Stock Exchange

Stock exchange code: 6622

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

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Scheduled date of filing quarterly securities report: August 3, 2022

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, 2022 (April 1, 2022 - June 30, 2022)

(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, 2022	36,666	6.2	1,819	(41.5)	2,368	(33.6)	1,632	(32.2)
June 30, 2021	34,527	13.0	3,107	170.0	3,565	70.7	2,406	64.1

(Note) Comprehensive income: Three months ended June 30, 2022: 5,407 million yen [33.6%]

Three months ended June 30, 2021: 4,047 million yen [320.4%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2022	66.53	—
June 30, 2021	97.50	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2022	194,950	110,082	53.5
As of March 31, 2022	194,801	105,636	51.2

(Reference) Equity: As of June 30, 2022: 104,225 million yen

As of March 31, 2022: 99,693 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, 2022	–	50.00	–	60.00	110.00
Fiscal year ending March 31, 2023	–				
Fiscal year ending March 31, 2023 (Forecast)		75.00	–	75.00	150.00

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

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	80,000	11.3	7,000	9.7	7,500	5.1	5,500	6.3	224.16
Full year	180,000	12.1	16,500	16.3	17,000	7.7	12,000	9.2	489.07

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

**\* 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: – ( )

(Note) Even though there are no changes in specified subsidiaries resulting in changes in scope of consolidation, DAIHEN System Corporation, which used to be a consolidated subsidiary, was excluded from the scope of consolidation because it was dissolved as of April 1, 2022, due to an absorption-type merger, in which the Company was the surviving company.

(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 (3) Notes to Quarterly Consolidated Financial Statements (Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)” on page 8 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: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

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

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

June 30, 2022: 27,103,291 shares

March 31, 2022: 27,103,291 shares

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

June 30, 2022: 2,567,284 shares

March 31, 2022: 2,567,039 shares

3) Average number of shares during the period:

Three months ended June 30, 2022: 24,536,111 shares

Three months ended June 30, 2021: 24,683,494 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 performance of DAIHEN Corporation (the “Company”) and its subsidiaries (collectively, the “DAIHEN Group”) for the three months ended June 30, 2022 was order received of 54,829 million yen (up 34.0% year-on-year) and net sales of 36,666 million yen (up 6.2% year-on-year) due to recovery in capital investment with normalization of economic activities from the stagnation caused by COVID-19 in addition to strong investment in semiconductor manufacturing equipment. However, temporary deterioration of profit margin due to soaring prices of parts and an impact of advanced investment to meet an increase in demand resulted in operating profit of 1,819 million yen (down 1,288 million yen year-on-year), ordinary profit of 2,368 million yen (down 1,196 million yen year-on-year), and profit attributable to owners of parent of 1,632 million yen (down 774 million yen year-on-year).

The performance of each segment is as follows.

#### 1) Power Products Business

Owing to an increase in demand for increasing power-receiving facilities for plants, etc. in Japan in addition to strong investment in the replacement of power distribution products, net sales were 14,956 million yen (up 5.2% year-on-year) while operating profit was 824 million yen (down 12.0% year-on-year) due to an impact of soaring prices of materials, etc.

#### 2) Welding & Mechatronics Business

Owing to recovery in investment in production automation in Japan with normalization of economic activities, etc., net sales were 10,683 million yen (up 9.1% year-on-year), while operating profit was 313 million yen (down 67.3% year-on-year) due to decline in profitability caused by the lockdown in China, etc.

#### 3) Semiconductor & FPD Related Business

Owing to the growing demand for semiconductors with the progress of digitalization and the expansion of investment to resolve a global shortage of semiconductors, net sales were 10,984 million yen (up 4.9% year-on-year), while operating profit was 1,753 million yen (down 16.7% year-on-year) due to soaring prices of parts and increase in expenses with building a system to increase production, etc.

#### 4) Other

Net sales were 43 million yen and operating profit was 14 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	20,965	+29.9%	14,956	+5.2%	824	-12.0%
Welding & Mechatronics Business	12,163	+9.4%	10,683	+9.1%	313	-67.3%
Semiconductor & FPD Related Business	21,656	+58.9%	10,984	+4.9%	1,753	-16.7%
Other	43	-7.6%	43	-7.6%	14	-19.1%
Company Total	54,829	+34.0%	36,666	+6.2%	1,819	-41.5%

(2) Explanation of Financial Position

Total assets at the end of the three months ended June 30, 2022 increased by 148 million yen from the end of the previous fiscal year to 194,950 million yen. This is primarily attributable to an increase in property, plant and equipment in addition to an increase in inventories due to supply shortages of parts, despite decreases in cash and deposits and notes and accounts receivable - trade.

Total liabilities at the end of the three months ended June 30, 2022 decreased by 4,297 million yen from the end of the previous fiscal year to 84,868 million yen. This is partly attributable to decreases in provision for bonuses and income taxes payable in addition to a decrease in notes and accounts payable-trade.

Total net assets at the end of the three months ended June 30, 2022 increased by 4,446 million yen from the end of the previous fiscal year to 110,082 million yen. This is primarily attributable to increases in retained earnings and foreign currency translation adjustment. The equity ratio increased by 2.3 percentage points from 51.2% to 53.5%.

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

The business environment surrounding the DAIHEN Group is expected to remain generally strong in the six months ending September 30, 2022 and beyond.

In the three months ended in June 30, 2022, profit margin dropped temporarily, however, it is expected to improve due to further increase in net sales by reflecting the impact of soaring prices of parts in selling prices and by strengthening efforts to secure parts.

In light of these circumstances, no revisions have been made to the consolidated financial results forecast for the six months ending September 30, 2022 and the full year ending March 31, 2023 announced on May 12, 2022. Should revision of the consolidated financial results forecast become necessary, the Company will promptly disclose it.

## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of June 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	24,822	19,286
Notes and accounts receivable - trade	36,970	30,403
Merchandise and finished goods	20,939	24,202
Work in process	12,390	16,835
Raw materials and supplies	27,119	30,828
Other	5,923	6,165
Allowance for doubtful accounts	(431)	(428)
Total current assets	127,735	127,293
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,489	19,587
Machinery, equipment and vehicles, net	6,243	6,537
Tools, furniture and fixtures, net	2,006	2,010
Land	8,791	8,904
Leased assets, net	343	350
Construction in progress	1,254	1,244
Total property, plant and equipment	38,128	38,634
Intangible assets		
Software	1,762	1,814
Leased assets	17	14
Other	224	233
Total intangible assets	2,005	2,063
Investments and other assets		
Investment securities	15,193	14,767
Investments in capital	215	419
Long-term prepaid expenses	98	97
Retirement benefit asset	9,665	9,698
Deferred tax assets	1,220	1,419
Other	611	625
Allowance for doubtful accounts	(72)	(68)
Total investments and other assets	26,932	26,959
Total non-current assets	67,066	67,656
<b>Total assets</b>	<b>194,801</b>	<b>194,950</b>

(Million yen)

	As of March 31, 2022	As of June 30, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	19,064	18,516
Electronically recorded obligations - operating	20,261	19,519
Short-term borrowings	5,657	5,745
Current portion of long-term borrowings	4,384	4,384
Lease liabilities	127	124
Income taxes payable	2,938	1,041
Provision for bonuses	3,628	2,387
Provision for bonuses for directors (and other officers)	106	12
Provision for loss on construction contracts	79	81
Other	10,016	10,271
Total current liabilities	66,264	62,085
Non-current liabilities		
Long-term borrowings	17,286	17,086
Lease liabilities	149	148
Deferred tax liabilities	1,112	1,067
Provision for retirement benefits for directors (and other officers)	58	52
Provision for loss on guarantees	517	598
Provision for construction expenses related to earthquake resistance renovation	624	624
Provision for product safety measures	14	13
Retirement benefit liability	1,904	1,950
Asset retirement obligations	74	74
Other	1,160	1,166
Total non-current liabilities	22,900	22,782
Total liabilities	89,165	84,868
<b>Net assets</b>		
Shareholders' equity		
Share capital	10,596	10,596
Capital surplus	10,034	10,034
Retained earnings	74,980	75,706
Treasury shares	(4,825)	(4,826)
Total shareholders' equity	90,786	91,510
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,876	3,568
Foreign currency translation adjustment	3,331	7,458
Remeasurements of defined benefit plans	1,698	1,688
Total accumulated other comprehensive income	8,906	12,714
Non-controlling interests	5,943	5,856
Total net assets	105,636	110,082
<b>Total liabilities and net assets</b>	<b>194,801</b>	<b>194,950</b>



(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, 2021	For the three months ended June 30, 2022
Net sales	34,527	36,666
Cost of sales	23,466	26,141
Gross profit	11,061	10,524
Selling, general and administrative expenses	7,953	8,705
Operating profit	3,107	1,819
Non-operating income		
Interest and dividend income	238	180
Share of profit of entities accounted for using equity method	65	41
Foreign exchange gains	122	280
Other	218	207
Total non-operating income	645	709
Non-operating expenses		
Interest expenses	85	70
Other	102	89
Total non-operating expenses	187	160
Ordinary profit	3,565	2,368
Extraordinary losses		
Provision for loss on guarantees	—	81
Provision of allowance for doubtful accounts	57	—
Total extraordinary losses	57	81
Profit before income taxes	3,508	2,287
Income taxes	1,038	709
Profit	2,470	1,578
Profit (loss) attributable to non-controlling interests	63	(54)
Profit attributable to owners of parent	2,406	1,632

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Profit	2,470	1,578
Other comprehensive income		
Valuation difference on available-for-sale securities	(133)	(306)
Deferred gains or losses on hedges	11	—
Foreign currency translation adjustment	1,676	4,142
Remeasurements of defined benefit plans, net of tax	38	(13)
Share of other comprehensive income of entities accounted for using equity method	(15)	6
Total other comprehensive income	1,577	3,829
Comprehensive income	4,047	5,407
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,989	5,440
Comprehensive income attributable to non-controlling interests	58	(32)

### (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.

(Additional information)

- Changes in matters related to fiscal year-ends, etc. of consolidated subsidiaries and affiliated companies accounted for by equity method

Of consolidated subsidiaries and affiliated companies accounted for by equity method, the fiscal closing date of 14 consolidated subsidiaries of DAIHEN, Inc., OTC DAIHEN EUROPE GmbH, OTC DAIHEN Asia Co., Ltd., DAIHEN ELECTRIC Co., Ltd., DAIHEN Advanced Component, Inc., Mudanjiang OTC Welding Machines Co., Ltd., OTC (Taiwan) Co., Ltd., OTC Industrial (Shanghai) Co., Ltd., DAIHEN Korea Co., Ltd., OTC Industrial (Qingdao) Co., Ltd., DAIHEN OTC (Beijing) Co., Ltd., DAIHEN Advanced Machinery (Changshu) Co., Ltd., PT. OTC DAIHEN INDONESIA, and DAIHEN VARSTROJ welding cutting and robotics d.d., and an affiliated company accounted for by equity method of OTC DAIHEN Bangkok Co., Ltd. is December 31. Accordingly, the Company previously used their financial statements as of that date, making any adjustments as necessary to account for significant transactions occurring between those companies' closing date and the consolidated closing date.

In order to ensure more appropriate disclosure of the consolidated financial statements, from the three months ended June 30, 2022, the closing date of OTC (Taiwan) Co., Ltd. has been changed from December 31 to March 31. For the other 13 consolidated subsidiaries and an affiliated company accounted for by equity method, the method of preparing consolidated financial statements has been changed to a method of consolidation by using their provisional financial results as of the consolidated closing date.

The profit and loss of such consolidated subsidiaries and affiliated company accounted for by equity method for the three months from January 1, 2022 to March 31, 2022 are adjusted as changes in retained earnings.

(Segment information, etc.)

I. For the three months ended June 30, 2021

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

(Million yen)

	Reportable segment			Total	Other (Note)	Total
	Power Products Business	Welding & Mechatronics Business	Semiconductor & FPD Related Business			
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.

II. For the three months ended June 30, 2022

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	14,956	10,681	10,984	36,622	43	36,666
Inter-segment net sales or transfers	-	1	-	1	-	1
Total	14,956	10,683	10,984	36,624	43	36,668
Segment profit	824	313	1,753	2,891	14	2,905

(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	2,891
Profit in “Other” category	14
Elimination of inter-segment transactions	(0)
Company-wide expenses (Note)	(1,086)
Operating profit in Quarterly Consolidated Statements of Income	1,819

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

(Business combination)

Transaction under common control

Absorption-type merger of consolidated subsidiary

(1) Outline of the transaction

1) Name of the parties to the combination and description of their business

Name of surviving company

DAIHEN Corporation

Description of business

Manufacture and sale of a variety of transformer, power distribution equipment, control and telecommunications equipment, dispersed power equipment, welding machines, cutting machines, industrial robots, RF generator for plasma applications, etc.

Name of merged company

DAIHEN System Corporation

Description of business

Sale of industrial transformer, power distribution equipment, dispersed power equipment, lightening protection equipment, etc.

2) Date of the business combination

April 1, 2022

3) Legal format of the business combination

An absorption-type merger with the Company as the surviving company, and DAIHEN System Corporation has been dissolved

4) Name of the combined enterprise

DAIHEN Corporation

5) Other matters related to the outline of the transaction

The Company determined to merge with DAIHEN System Corporation, a domestic sales subsidiary for electric equipment, and integrate its functions into the Company for the purpose of strengthening and improving the efficiency of the Company's sales structure, in response to market changes toward the achievement of a decarbonized society.

(2) Outline of the implemented accounting methods

The Company has treated the transaction as a transaction under common control in accordance with the Accounting Standards for Business Combinations and Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.