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## Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 [Japanese GAAP]



May 10, 2023

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

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Scheduled date of annual general meeting of shareholders: June 28, 2023

Scheduled date of commencing dividend payments: June 29, 2023

Scheduled date of filing securities report: June 28, 2023

Availability of supplementary explanatory materials on financial results: Available

Schedule of financial results briefing session: Scheduled (for institutional investors and analysts)

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

### 1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 -March 31, 2023)

(1) Consolidated Operating Results (% 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	%
Fiscal year ended March 31, 2023	185,288	15.4	16,568	16.7	17,660	11.8	13,193	20.1
March 31, 2022	160,618	10.7	14,191	16.5	15,790	14.7	10,985	16.7

(Note) Comprehensive income: Fiscal year ended March 31, 2023: 17,099 million yen [37.8 %]

Fiscal year ended March 31, 2022: 12,407 million yen [(9.5) %]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2023	537.67	—	12.4	8.7	8.9
March 31, 2022	445.29	—	11.5	8.5	8.8

(Reference) Share of profit (loss) of entities accounted for using equity method:

Fiscal year ended March 31, 2023: 182 million yen

Fiscal year ended March 31, 2022: 154 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	212,690	119,905	53.5	4,637.52
As of March 31, 2022	194,801	105,636	51.2	4,063.09

(Reference) Equity: As of March 31, 2023: 113,800 million yen

As of March 31, 2022: 99,693 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2023	(7,233)	(4,717)	1,895	14,853
March 31, 2022	12,950	(3,299)	(5,308)	24,409

## 2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2022	—	50.00	—	60.00	110.00	2,715	24.7	2.8
Fiscal year ended March 31, 2023	—	75.00	—	87.00	162.00	3,988	30.1	3.7
Fiscal year ending March 31, 2024 (Forecast)	—	82.50	—	82.50	165.00		30.0	

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(% 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	77,000	(7.4)	4,500	(38.8)	4,700	(42.8)	3,500	(42.7)	142.63
Full year	187,000	0.9	17,000	2.6	17,700	0.2	13,500	2.3	550.14

### \* Notes:

(1) Changes in significant subsidiaries during the period under review

(Changes in specified subsidiaries resulting in changes in scope of consolidation): None

(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 from the three months ended June 30, 2022 because it was dissolved as of April 1, 2022, due to an absorption-type merger, in which the Company was the surviving company.

(2) 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

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

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

March 31, 2023: 27,103,291 shares

March 31, 2022: 27,103,291 shares

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

March 31, 2023: 2,564,265 shares

March 31, 2022: 2,567,039 shares

3) Average number of shares during the period:

Fiscal year ended March 31, 2023: 24,538,646 shares

Fiscal year ended March 31, 2022: 24,669,523 shares

**(Reference) Summary of Non-consolidated Financial Results****1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 - March 31, 2023)****(1) Non-consolidated Operating Results** (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2023	140,506	19.0	11,164	18.5	13,120	6.8	10,487	17.3
March 31, 2022	118,028	11.7	9,420	37.0	12,281	34.6	8,941	33.0

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2023	426.02	—
March 31, 2022	361.31	—

**(2) Non-consolidated Financial Position**

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2023	132,791	60,164	45.3	2,444.03
March 31, 2022	124,039	53,057	42.8	2,155.54

(Reference) Equity: As of March 31, 2023: 60,164 million yen  
As of March 31, 2022: 53,057 million yen

<Reasons for the discrepancy between latest results and those of the previous fiscal year on a non-consolidated basis>

Net sales increased mainly due to expanded demand for semiconductor manufacturing equipment. As a result, operating profit, ordinary profit, and profit also increased year on year.

\* These consolidated financial results are outside the scope of audits 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. Overview of Operating Results, etc. (4) Future Outlook" on page 4 of the attachments.

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## 1. Overview of Operating Results, etc.

### (1) Overview of Operating Results for the Fiscal Year under Review

The performance of DAIHEN Corporation (the “Company”) and its subsidiaries (collectively, the “DAIHEN Group”) for the fiscal year ended March 31, 2023 (the “fiscal year under review”) was net sales of 185,288 million yen (up 15.4% year-on-year), due to expansion of investment in production automation and EV-related investment in addition to generally strong semiconductor-related investment. In income results, although there was an impact of soaring prices of materials and electronic components, etc., the increase in net sales and the achievements in cost reductions resulted in operating profit of 16,568 million yen (up 2,376 million yen year-on-year), ordinary profit of 17,660 million yen (up 1,870 million yen year-on-year), and profit attributable to owners of parent of 13,193 million yen (up 2,208 million yen year-on-year). Both net sales and income results reached an all-time high.

The performance of each segment is as follows.

#### 1) Power Products Business

Owing to an increase in investment related to renewable energy toward the achievement of a decarbonized society and an increase in demand for the replacement of power-receiving facilities in the private sector in addition to strong investment in the replacement of power distribution products, net sales were 75,371 million yen (up 9.4% year-on-year). Meanwhile, operating profit was 3,664 million yen (down 1,315 million yen year-on-year) due to the impact of soaring prices of materials, etc.

#### 2) Welding & Mechatronics Business

Owing to the recovery in investment in production automation and the expansion of demand associated with full-fledged EV-related investment, net sales were 50,810 million yen (up 10.4% year-on-year) and operating profit was 5,686 million yen (up 1,282 million yen year-on-year).

#### 3) Semiconductor & FPD Related Business

Amid restricted production due to shortages of electronic components and other parts, the Company strived to secure parts through design changes and adoption of substitute products, and to make company-wide efforts to increase production. As a result, net sales were 58,961 million yen (up 29.4% year-on-year) and operating profit was 11,008 million yen (up 2,223 million yen year-on-year).

#### 4) Other

Net sales were 180 million yen and operating profit was 55 million yen. There were no significant changes from the previous fiscal year.

### (Reference) Performance by Segment

Segment	Orders Received		Order Backlog		Net Sales		Operating Profit	
	Amount	% change	Amount	% change	Amount	% change	Amount	% change
Power Products Business	84,533	+16.2%	48,473	+24.2%	75,371	+9.4%	3,664	-26.4%
Welding & Mechatronics Business	51,612	+7.6%	6,482	+37.4%	50,810	+10.4%	5,686	+29.1%
Semiconductor & FPD Related Business	46,665	-23.6%	14,616	-45.1%	58,961	+29.4%	11,008	+25.3%
Other	180	-3.3%	—	—	180	-3.3%	55	-0.8%
Company Total	182,992	+0.6%	69,572	-1.2%	185,288	+15.4%	16,568	+16.7%

## (2) Overview of Financial Position for the Fiscal Year under Review

Total assets at the end of the fiscal year under review increased by 17,889 million yen from the end of the previous fiscal year to 212,690 million yen. This is primarily attributable to an increase in inventories due to supply shortages of parts.

Total liabilities at the end of the fiscal year under review increased by 3,619 million yen from the end of the previous fiscal year to 92,785 million yen. This is primarily attributable to increases in notes and accounts payable – trade and borrowings.

Total net assets at the end of the fiscal year under review increased by 14,269 million yen from the end of the previous fiscal year to 119,905 million yen. This is partly attributable to an increase in foreign currency translation adjustment in addition to an increase in retained earnings. The equity ratio increased by 2.3 percentage points from 51.2% to 53.5%.

## (3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents at the end of the fiscal year under review decreased by 9,555 million yen from the end of the previous fiscal year to 14,853 million yen.

### (Cash flows from operating activities)

Cash flows from operating activities resulted in a cash outflow of 7,233 million yen primarily due to an increase in inventories, a decrease of 20,183 million yen compared with the previous fiscal year primarily due to an increase in trade receivables.

### (Cash flows from investing activities)

Cash flows from investing activities resulted in a cash outflow of 4,717 million yen primarily due to purchase of property, plant and equipment, a decrease of 1,418 million yen compared with the previous fiscal year.

### (Cash flows from financing activities)

Cash flows from financing activities resulted in a cash inflow of 1,895 million yen primarily due to proceeds from long-term borrowings, an increase of 7,203 million yen compared with the previous fiscal year.

### (Reference) changes in cash flow-related indicators

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Equity ratio (%)	46.2	49.3	52.1	51.2	53.5
Equity ratio based on market value (%)	46.0	44.2	68.6	53.3	51.1
Ratio of interest- bearing liabilities to cash flows (year)	19.6	2.0	2.1	2.2	—
Interest coverage ratio (times)	11.2	68.2	71.4	45.9	—

(Note) Equity ratio: equity/total assets

Equity ratio based on market value: market capitalization/total assets

Ratio of interest-bearing liabilities to cash flows: interest-bearing liabilities/cash flows

Interest coverage ratio: cash flows/interest payments

\* Each indicator is calculated based on consolidated financial figures.

\* Market capitalization is calculated by multiplying the closing share price at the end of the fiscal year by the total number of issued shares at the end of the fiscal year (after excluding treasury shares).

- \* Cash flows are the cash flows from operating activities in the consolidated statements of cash flows. Interest-bearing liabilities are all liabilities on the consolidated balance sheets for which interest is being paid. For interest payments, the amount of interest paid in the consolidated statements of cash flows is used.
- \* The ratio of interest-bearing liabilities to cash flows and the interest coverage ratio are not shown for the fiscal year ended March 31, 2023, because the cash flows from operating activities were negative.

#### (4) Future Outlook

Concerning the outlook for the future, the semiconductor-related market has entered an adjustment phase, but investments in production automation and EV- and decarbonization-related investments are expected to be strong. Under these circumstances, the Company will be committed to strengthening each business and improving its performance by continuously promoting initiatives for cost reductions for the appropriation for investment in the development that contributes to solving social issues in a focused manner.

The consolidated financial results forecast for the fiscal year ending March 31, 2024 at this point is as follows.

	(Million yen)	(YoY change, %)
Net sales	187,000	+0.9
Operating profit	17,000	+2.6
Ordinary profit	17,700	+0.2
Profit attributable to owners of parent	13,500	+2.3

(Note) The Company assumes an average exchange rate of 130 yen per US dollar for the period from April 1, 2023 to March 31, 2024.

#### (5) Basic Policy on Profit Distribution and Dividends for Current and Next Fiscal Years

The Company has set a policy of returning profits to our stakeholders, with a dividend payout ratio of 30% or more as a basic policy.

Based on the above policy, the Company plans to pay an annual dividend of 162 yen per common share of the Company (year-end dividend of 87 yen per share) for the fiscal year under review.

Regarding the forecast for dividends for the next fiscal year, the Company plans to pay an annual dividend of 165 yen per share, including an interim dividend of 82.5 yen.

## 2. Basic Stance on the Selection of Accounting Standards

Taking into consideration the comparability of consolidated financial statements by term and the comparability among companies, the Group's policy is to prepare its consolidated financial statements in accordance with Japanese GAAP.

With regard to International Financial Reporting Standards (IFRS), the Group's policy is to respond appropriately based on consideration of the situation in Japan and overseas.

### 3. Consolidated Financial Statements and Principal Notes

#### (1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of March 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	24,822	15,265
Notes and accounts receivable - trade	36,970	44,801
Merchandise and finished goods	20,939	24,430
Work in process	12,390	14,840
Raw materials and supplies	27,119	39,364
Other	5,923	5,702
Allowance for doubtful accounts	(431)	(481)
Total current assets	127,735	143,924
Non-current assets		
Property, plant and equipment		
Buildings and structures	47,716	48,601
Accumulated depreciation	(28,227)	(29,466)
Buildings and structures, net	19,489	19,134
Machinery, equipment and vehicles	43,480	45,908
Accumulated depreciation	(37,236)	(39,473)
Machinery, equipment and vehicles, net	6,243	6,435
Tools, furniture and fixtures	14,135	14,728
Accumulated depreciation	(12,128)	(12,831)
Tools, furniture and fixtures, net	2,006	1,897
Land	8,791	8,921
Leased assets	1,341	1,469
Accumulated depreciation	(997)	(1,067)
Leased assets, net	343	402
Construction in progress	1,254	1,264
Total property, plant and equipment	38,128	38,055
Intangible assets		
Software	1,762	1,898
Leased assets	17	6
Other	224	213
Total intangible assets	2,005	2,118
Investments and other assets		
Investment securities	15,193	15,086
Investments in capital	215	419
Long-term prepaid expenses	98	82
Retirement benefit asset	9,665	11,155
Deferred tax assets	1,220	1,286
Other	611	612
Allowance for doubtful accounts	(72)	(50)
Total investments and other assets	26,932	28,592
Total non-current assets	67,066	68,766
<b>Total assets</b>	<b>194,801</b>	<b>212,690</b>



(Million yen)

	As of March 31, 2022	As of March 31, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	19,064	19,786
Electronically recorded obligations - operating	20,261	19,470
Short-term borrowings	5,657	8,103
Current portion of long-term borrowings	4,384	4,784
Lease liabilities	127	117
Income taxes payable	2,938	2,935
Provision for bonuses	3,628	3,928
Provision for bonuses for directors (and other officers)	106	124
Provision for loss on construction contracts	79	112
Other	10,016	7,739
Total current liabilities	66,264	67,102
Non-current liabilities		
Long-term borrowings	17,286	20,002
Lease liabilities	149	200
Deferred tax liabilities	1,112	941
Provision for retirement benefits for directors (and other officers)	58	60
Provision for loss on guarantees	517	652
Provision for construction expenses related to earthquake resistance renovation	624	622
Provision for product safety measures	14	5
Retirement benefit liability	1,904	1,875
Asset retirement obligations	74	72
Other	1,160	1,251
Total non-current liabilities	22,900	25,683
Total liabilities	89,165	92,785
<b>Net assets</b>		
Shareholders' equity		
Share capital	10,596	10,596
Capital surplus	10,034	10,042
Retained earnings	74,980	85,393
Treasury shares	(4,825)	(4,822)
Total shareholders' equity	90,786	101,208
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,876	3,820
Foreign currency translation adjustment	3,331	6,321
Remeasurements of defined benefit plans	1,698	2,448
Total accumulated other comprehensive income	8,906	12,591
Non-controlling interests	5,943	6,104
Total net assets	105,636	119,905
<b>Total liabilities and net assets</b>	<b>194,801</b>	<b>212,690</b>

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

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net sales	160,618	185,288
Cost of sales	111,939	132,101
Gross profit	48,679	53,187
Selling, general and administrative expenses		
Freight and packing costs	4,531	4,796
Travel, transportation and communication expenses	729	932
Salaries and allowances and welfare expenses	10,750	11,524
Provision for bonuses	1,928	2,111
Provision for bonuses for directors (and other officers)	106	124
Provision for retirement benefits for directors (and other officers)	10	10
Retirement benefit expenses	557	325
Depreciation	1,390	1,416
Research and development expenses	5,220	5,605
Other	9,260	9,772
Total selling, general and administrative expenses	34,487	36,619
Operating profit	14,191	16,568
Non-operating income		
Interest income	95	114
Dividend income	331	284
Share of profit of entities accounted for using equity method	154	182
Foreign exchange gains	610	209
Rental income from land and buildings	197	200
Gain on sale of scraps	206	256
Technical advisory fee income	36	51
Other	678	536
Total non-operating income	2,310	1,836
Non-operating expenses		
Interest expenses	280	313
Loss on retirement of non-current assets	56	79
Other	375	350
Total non-operating expenses	712	743
Ordinary profit	15,790	17,660

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Extraordinary income		
Gain on sale of investment securities	685	413
Reversal of allowance for doubtful accounts	134	–
Gain on extinguishment of tie-in shares	71	–
Total extraordinary income	892	413
Extraordinary losses		
Loss on valuation of investments in capital of subsidiaries and associates	700	–
Provision for loss on guarantees	517	135
Provision of allowance for doubtful accounts	–	48
Loss on valuation of investment securities	10	6
Total extraordinary losses	1,228	190
Profit before income taxes	15,454	17,884
Income taxes- current	4,915	5,043
Income taxes - deferred	(683)	(590)
Total income taxes	4,232	4,453
Profit	11,222	13,430
Profit attributable to non-controlling interests	237	237
Profit attributable to owners of parent	10,985	13,193

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit	11,222	13,430
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,375)	(48)
Deferred gains or losses on hedges	12	—
Foreign currency translation adjustment	2,202	2,993
Remeasurements of defined benefit plans, net of tax	358	730
Share of other comprehensive income of entities accounted for using equity method	(12)	(6)
Total other comprehensive income	1,184	3,668
Comprehensive income	12,407	17,099
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,138	16,878
Comprehensive income attributable to non-controlling interests	269	221

## (3) Consolidated Statements of Changes in Equity

For the fiscal year ended March 31, 2022

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,596	10,023	66,995	(4,195)	83,420
Cumulative effects of changes in accounting policies			(585)		(585)
Restated balance	10,596	10,023	66,410	(4,195)	82,834
Changes during period					
Dividends of surplus			(2,414)		(2,414)
Profit attributable to owners of parent			10,985		10,985
Adjustments due to change in the fiscal period of consolidated subsidiaries					—
Effect of fiscal year change of equity method					—
Purchase of treasury shares				(636)	(636)
Disposal of treasury shares		10		6	17
Additional purchase of shares of consolidated subsidiaries					—
Net changes in items other than shareholders' equity					
Total changes during period	—	10	8,570	(629)	7,951
Balance at end of period	10,596	10,034	74,980	(4,825)	90,786

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	5,255	(12)	1,146	1,364	7,753	5,747	96,921
Cumulative effects of changes in accounting policies						(25)	(610)
Restated balance	5,255	(12)	1,146	1,364	7,753	5,721	96,310
Changes during period							
Dividends of surplus							(2,414)
Profit attributable to owners of parent							10,985
Adjustments due to change in the fiscal period of consolidated subsidiaries							—
Effect of fiscal year change of equity method							—
Purchase of treasury shares							(636)
Disposal of treasury shares							17
Additional purchase of shares of consolidated subsidiaries							—
Net changes in items other than shareholders' equity	(1,379)	12	2,185	334	1,153	221	1,374
Total changes during period	(1,379)	12	2,185	334	1,153	221	9,325
Balance at end of period	3,876	—	3,331	1,698	8,906	5,943	105,636

For the fiscal year ended March 31, 2023

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,596	10,034	74,980	(4,825)	90,786
Cumulative effects of changes in accounting policies					—
Restated balance	10,596	10,034	74,980	(4,825)	90,786
Changes during period					
Dividends of surplus			(3,323)		(3,323)
Profit attributable to owners of parent			13,193		13,193
Adjustments due to change in the fiscal period of consolidated subsidiaries			541		541
Effect of fiscal year change of equity method			(0)		(0)
Purchase of treasury shares				(6)	(6)
Disposal of treasury shares		9		8	17
Additional purchase of shares of consolidated subsidiaries		(1)			(1)
Net changes in items other than shareholders' equity					
Total changes during period	—	8	10,412	2	10,422
Balance at end of period	10,596	10,042	85,393	(4,822)	101,208

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,876	—	3,331	1,698	8,906	5,943	105,636
Cumulative effects of changes in accounting policies							—
Restated balance	3,876	—	3,331	1,698	8,906	5,943	105,636
Changes during period							
Dividends of surplus							(3,323)
Profit attributable to owners of parent							13,193
Adjustments due to change in the fiscal period of consolidated subsidiaries							541
Effect of fiscal year change of equity method							(0)
Purchase of treasury shares							(6)
Disposal of treasury shares							17
Additional purchase of shares of consolidated subsidiaries							(1)
Net changes in items other than shareholders' equity	(55)	—	2,990	749	3,684	161	3,846
Total changes during period	(55)	—	2,990	749	3,684	161	14,269
Balance at end of period	3,820	—	6,321	2,448	12,591	6,104	119,905

## (4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	15,454	17,884
Depreciation	5,036	5,069
Increase (decrease) in allowance for doubtful accounts	(154)	26
Increase (decrease) in provision for bonuses	(4)	367
Increase (decrease) in provision for loss on construction contracts	0	32
Increase (decrease) in provision for loss on guarantees	517	135
Increase (decrease) in provision for construction expenses related to earthquake resistance renovation	(44)	(2)
Increase (decrease) in provision for product safety measures	(4)	(9)
Increase (decrease) in retirement benefit liability	(64)	(65)
Decrease (increase) in retirement benefit asset	(277)	(443)
Interest and dividend income	(426)	(399)
Interest expenses	280	313
Share of loss (profit) of entities accounted for using equity method	(154)	(182)
Loss (gain) on extinguishment of tie-in shares	(71)	–
Loss (gain) on valuation of investment securities	10	6
Loss (gain) on sale of investment securities	(685)	(413)
Loss on valuation of investments in capital of subsidiaries and associates	700	–
Decrease (increase) in trade receivables	4,884	(8,797)
Decrease (increase) in inventories	(16,482)	(14,359)
Increase (decrease) in trade payables	8,358	(203)
Other, net	321	(1,204)
<b>Subtotal</b>	<b>17,193</b>	<b>(2,246)</b>
Interest and dividends received	784	413
Interest paid	(281)	(318)
Income taxes paid	(4,745)	(5,081)
<b>Net cash provided by (used in) operating activities</b>	<b>12,950</b>	<b>(7,233)</b>
<b>Cash flows from investing activities</b>		
Net decrease (increase) in time deposits	(218)	–
Purchase of property, plant and equipment	(3,429)	(4,470)
Proceeds from sale of property, plant and equipment	109	43
Purchase of intangible assets	(575)	(723)
Purchase of investment securities	(6)	(16)
Proceeds from sale of investment securities	860	618
Purchase of investments in capital of subsidiaries	–	(213)
Proceeds from divestments	25	9
Other, net	(64)	35
<b>Net cash provided by (used in) investing activities</b>	<b>(3,299)</b>	<b>(4,717)</b>

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(468)	2,307
Proceeds from long-term borrowings	2,500	7,500
Repayments of long-term borrowings	(4,084)	(4,384)
Repayments of lease liabilities	(176)	(133)
Purchase of treasury shares	(636)	(6)
Dividends paid	(2,411)	(3,327)
Other, net	(31)	(61)
Net cash provided by (used in) financing activities	(5,308)	1,895
Effect of exchange rate change on cash and cash equivalents	929	297
Net increase (decrease) in cash and cash equivalents	5,272	(9,757)
Cash and cash equivalents at beginning of period	19,071	24,409
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	65	–
Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries	–	201
Cash and cash equivalents at end of period	24,409	14,853



## (5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(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, namely, 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, namely, 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, and reflected in "Adjustments due to change in the fiscal period of consolidated subsidiaries" and "Effect of fiscal year change of equity method" in the Consolidated Statements of Changes in Equity. Changes in cash and cash equivalents are presented as "Increase (decrease) in cash and cash equivalents resulting from change in accounting period of subsidiaries" in the Consolidated Statements of Cash Flows.

(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, lightning 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.

(Segment information, etc.)

(Segment information)

1. Outline of reportable segments

The reportable segments of the Company are determined from those which can provide separate financial information, and are regularly reviewed by the Board of Directors to determine the allocation of management resources and to evaluate performance among the constituent units of the Company.

The Company has employed a business division system and each business division formulates comprehensive domestic and overseas strategies for the products and services it handles and conducts business activities.

As a result, the Company consists of segments organized by product and service based on business divisions, aggregates these business segments by taking into consideration similarities in the type and nature of products, manufacturing methods, sales markets, etc., and reportable segments comprise “Power Products Business,” “Welding & Mechatronics Business,” and “Semiconductor & FPD Related Business.”

Power Products Business is engaged in the manufacture and sale of a variety of transformers, power distribution equipment, switches, control and telecommunications equipment, dispersed power equipment, charging systems, etc. Welding & Mechatronics Business is engaged in the manufacture and sales of a variety of welding machines, plasma cutting machines, industrial robots, etc. Semiconductor & FPD Related Business is engaged in the manufacture and sale of RF generator for plasma generators, clean transfer robots, etc.

2. Method of calculating net sales, profit (loss), assets, and other by reportable segment

Accounting methods for business segments reported are generally the same as those stated in “Important Matters Forming the Basis for Preparing Consolidated Financial Statements.”

Reportable segment profit figures are based on operating profit. Inter-segment income and transfers are based on market prices.

3. Information on net sales, profit (loss), assets, and other by reportable segment

**For the fiscal year ended March 31, 2022**

(Million yen)

	Reportable segment				Other (Note 1)	Total
	Power Products Business	Welding & Mechatronics Business	Semiconductor & FPD Related Business	Total		
Net sales						
Net sales to outside customers	68,872	45,978	45,580	160,431	187	160,618
Inter-segment net sales or transfers	—	32	—	32	—	32
Total	68,872	46,011	45,580	160,464	187	160,651
Segment profit	4,979	4,403	8,785	18,169	56	18,225
Segment assets	70,642	58,416	33,948	163,007	1,270	164,278
Other						
Depreciation (Note 2)	2,126	1,329	760	4,215	24	4,240
Increase in property, plant and equipment and intangible assets (Note 3)	2,125	947	717	3,790	12	3,803

- (Notes) 1. “Other” refers to business segments not included in the reportable segments and includes the real estate leasing business, etc.  
2. “Depreciation” includes amortization of long-term prepaid expenses.  
3. “Increase in property, plant and equipment and intangible assets” includes an increase in long-term prepaid expenses.

**For the fiscal year ended March 31, 2023**

(Million yen)

	Reportable segment				Other (Note 1)	Total
	Power Products Business	Welding & Mechatronics Business	Semiconductor & FPD Related Business	Total		
Net sales						
Net sales to outside customers	75,371	50,774	58,961	185,107	180	185,288
Inter-segment net sales or transfers	—	35	—	35	—	35
Total	75,371	50,810	58,961	185,142	180	185,323
Segment profit	3,664	5,686	11,008	20,359	55	20,415
Segment assets	78,035	63,935	47,971	189,942	1,253	191,196
Other						
Depreciation (Note 2)	2,295	1,180	820	4,296	23	4,319
Increase in property, plant and equipment, and intangible assets (Note 3)	1,620	1,469	973	4,063	5	4,068

- (Notes) 1. “Other” refers to business segments not included in the reportable segments and includes the real estate leasing business, etc.  
2. “Depreciation” includes amortization of long-term prepaid expenses.  
3. “Increase in property, plant and equipment and intangible assets” includes an increase in long-term prepaid expenses.

4. Information on the difference between total amounts of reportable segments and the amounts recorded in the Consolidated Financial Statements and the main contents of the difference (matters concerning variation adjustment)

(Million yen)

Net sales	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Reportable Segment Total	160,464	185,142
Net sales in “Other” category	187	180
Elimination of inter-segment transactions	(32)	(35)
Net sales in consolidated financial statements	160,618	185,288

(Million yen)

Profit	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Reportable Segment Total	18,169	20,359
Profit in “Other” category	56	55
Elimination of inter-segment transactions	0	(0)
Company-wide expenses (Note)	(4,033)	(3,847)
Operating profit in consolidated financial statements	14,191	16,568

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

(Million yen)

Assets	As of March 31, 2022	As of March 31, 2023
Reportable Segment Total	163,007	189,942
Assets in “Other” category	1,270	1,253
Company-wide assets (Note)	30,889	21,887
Other adjustments	(366)	(393)
Total assets in consolidated financial statements	194,801	212,690

(Note) “Company-wide assets” are mainly land and buildings of the head office and long-term investment funds (investment securities) of the filing company, etc. that do not belong to the reportable segments.

(Million yen)

Other	Reportable Segment Total		Other		Adjustments (Note)		Amounts recorded in the Consolidated Financial Statements	
	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year	Previous fiscal year	Current fiscal year
Depreciation	4,215	4,296	24	23	795	749	5,036	5,069
Increase in property, plant and equipment, and intangible assets	3,790	4,063	12	5	617	803	4,420	4,872

(Note) Adjustments of increase in property, plant and equipment, and intangible assets are investments in company-wide seismic retrofitting and information systems, etc.

(Related information)

**For the fiscal year ended March 31, 2022**

## 1. Information by product and service

This is omitted as the product and service categories are the same as the reportable segment categories.

## 2. Information by geographical area

## (1) Net sales

(Million yen)

Japan	North America	Asia	Other	Total
123,560	4,090	28,717	4,250	160,618

(Note) Net sales are based on the location of customers and are categorized by country or region.

## (2) Property, plant and equipment

(Million yen)

Japan	North America	Asia		Other	Total
			Thailand		
32,541	232	4,408	2,327	945	38,128

## 3. Information by major customer

(Million yen)

Name of customer	Net sales	Related segment
Tokyo Electron Miyagi Ltd.	32,462	Semiconductor & FPD Related Business
The Kansai Electric Power Company, Incorporated (Note)	20,873	Power Products Business

(Note) Net sales to Kansai Transmission and Distribution, Inc., which belongs to the same corporate group of The Kansai Electric Power Company, Incorporated, are aggregated.

**For the fiscal year ended March 31, 2023**

## 1. Information by product and service

This is omitted as the product and service categories are the same as the reportable segment categories.

## 2. Information by geographical area

## (1) Net sales

(Million yen)

Japan	North America	Asia	Other	Total
146,707	6,186	26,895	5,497	185,288

(Note) Net sales are based on the location of customers and are categorized by country or region.

## (2) Property, plant and equipment

(Million yen)

Japan	North America	Asia		Other	Total
			Thailand		
31,694	314	4,687	2,495	1,359	38,055

## 3. Information by major customer

(Million yen)

Name of customer	Net sales	Related segment
Tokyo Electron Miyagi Ltd.	44,272	Semiconductor & FPD Related Business
The Kansai Electric Power Company, Incorporated (Note)	21,271	Power Products Business

(Note) Net sales to Kansai Transmission and Distribution, Inc., which belongs to the same corporate group of The Kansai Electric Power Company, Incorporated, are aggregated.

(Information on impairment loss on non-current assets by reportable segment)

**For the fiscal year ended March 31, 2022**

Not applicable.

**For the fiscal year ended March 31, 2023**

Not applicable.

(Information on amortization and unamortized balance of goodwill by reportable segment)

**For the fiscal year ended March 31, 2022**

Not applicable.

**For the fiscal year ended March 31, 2023**

Not applicable.

(Information on gain on bargain purchase by reportable segment)

**For the fiscal year ended March 31, 2022**

Not applicable.

**For the fiscal year ended March 31, 2023**

Not applicable.

(Per share information)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net assets per share	4,063.09 yen	4,637.52 yen
Basic earnings per share	445.29 yen	537.67 yen

(Notes) 1. Diluted earnings per share are not presented as there is no share outstanding with dilutive effect.

2. The basis for the calculation of basic earnings per share is as follows.

Category	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit attributable to owners of parent (Million yen)	10,985	13,193
Amount not attributable to shareholders of common shares (Million yen)	—	—
Profit attributable to owners of parent relating to common shares (Million yen)	10,985	13,193
Average number of common shares (Shares)	24,669,523	24,538,646

4. The basis for calculation of net assets per share is as follows.

Category	As of March 31, 2022	As of March 31, 2023
Total net assets (Million yen)	105,636	119,905
Amount deducted from total net assets (Million yen)	5,943	6,104
[of which, non-controlling interests (Million yen)]	(5,943)	(6,104)
Year-end net assets related to common shares (Million yen)	99,693	113,800
Number of common shares at year-end used to calculate net assets per share (Shares)	24,536,252	24,539,026



(Significant subsequent events)

1. Transaction under common control

Absorption-type merger of consolidated subsidiary

The Company resolved to merge with DAIHEN Techno Support Corporation, a wholly-owned consolidated subsidiary of the Company, at the Board of Directors meeting held on February 3, 2023, and entered into a merger agreement with the company on the same date. The merger took place on April 1, 2023.

(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 Techno Support Corporation
Description of business	Sale, maintenance, and inspection of welding machines, cutting machines, industrial robots, etc.

2) Date of the business combination

April 1, 2023

3) Legal format of the business combination

An absorption-type merger with the Company as the surviving company, and DAIHEN Techno Support 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 Techno Support Corporation, a domestic sales subsidiary for the Welding & Mechatronics Business, and integrate its sales function into the Company for the purpose of strengthening the business.

(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.

2. Acquisition of company, etc. by share acquisition

The Company resolved at the Board of Directors meeting held on May 10, 2023, to enter into a share transfer agreement to acquire a 70% stake in Tohoku Electric Manufacturing Co., Ltd., which is a joint venture of Tohoku Electric Power Co., Inc. and Hitachi, Ltd.

(1) Purpose of the share acquisition

The Company will acquire the shares for the purpose of expanding sales in the Tohoku region and strengthening the production system through synergies with Tohoku Electric Manufacturing Co., Ltd. by making Tohoku Electric Manufacturing Co., Ltd. a subsidiary.

(2) Counterparty of share acquisition

Tohoku Electric Power Co., Inc., Hitachi, Ltd.

(3) Name, line of business, and size of the company to be acquired

(Fiscal year ended March 31, 2023)

Name	Tohoku Electric Manufacturing Co., Ltd.
Location	2-1 Miyauchi 2-chome, Tagajo, Miyagi Prefecture
Line of business	Manufacture, repair, sales, and installation of transformers for power distribution, distribution panels, etc.
Net assets	9,500 million yen
Total assets	11,548 million yen
Net sales	8,327 million yen
Operating profit	142 million yen
Ordinary profit	196 million yen
Net profit	126 million yen

(4) Date of share acquisition

October 2, 2023 (planned)

(5) Number of shares to be acquired, acquisition cost, and ownership ratio after acquisition

1) Number of shares to be acquired: 249,480 shares

2) Acquisition cost: Undisclosed based on confidentiality agreement between the parties

3) Ownership ratio after acquisition: 70%

### 3. Change in reportable segments

The Company set “Energy Management,” “Factory Automation,” and “Material Processing” as new technology domains in its medium-term plan drafted in FY2015 and has focused on development in each of these, with the aim of becoming a development-focused company that helps solve social issues.

As a result, the Company has expanded its business to domains such as EMS products that contribute to the achievement of a decarbonized society, production automation systems that are useful in solving labor shortages, line of products that help in the high precision processing of various metallic materials, which will be needed in the future. The Company has realized a certain level of success, which has been recognized by stakeholders.

Therefore, we have decided to realign the reportable segments from the previous “Power Products Business,” “Welding & Mechatronics Business”, and “Semiconductor & FPD Related Business” to technology domains.

The main products comprising each reportable segment are as follows.

Old segments	Main products		New segments	Main products
Power Products Business	Transformers	⇒	Energy Management	Transformers
	Power receiving and distribution systems			Power receiving and distribution systems
	Control and telecommunications equipment			Control and telecommunications equipment
	Charging systems			Charging systems
	Dispersed power equipment, etc.			Dispersed power equipment, etc.
Welding & Mechatronics Business	Welding machines	Factory Automation	Industrial robots	
	Plasma cutting machines		Clean transfer robots	
	Industrial robots	Material Processing	Welding machines	
RF generators for plasma applications	Plasma cutting machines			
Clean transfer robots	RF generators for plasma applications			

The Company will shift to the new reportable segments from the next fiscal year.

Segment information for the fiscal year under review after the change in reportable segments is as follows.

(Million yen)

	Reportable segment				Other (Note 1)	Total
	Energy Management	Factory Automation	Material Processing	Total		
Net sales						
Net sales to outside customers	75,371	33,579	76,157	185,107	180	185,288
Inter-segment net sales or transfers	—	33	2	35	—	35
Total	75,371	33,612	76,159	185,142	180	185,323
Segment profit	3,664	4,322	12,372	20,359	55	20,415
Segment assets	78,035	37,779	74,127	189,942	1,253	191,196
Other						
Depreciation (Note 2)	2,295	771	1,229	4,296	23	4,319
Increase in property, plant and equipment and intangible assets (Note 3)	1,620	1,151	1,291	4,063	5	4,068

(Notes) 1. “Other” refers to business segments not included in the reportable segments and includes the real estate leasing business, etc.

2. “Depreciation” includes amortization of long-term prepaid expenses.

3. “Increase in property, plant and equipment and intangible assets” includes an increase in long-term prepaid expenses.