

Consolidated Financial Results for the Three Months Ended June 30, 2023 [Japanese GAAP]



August 2, 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

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

Phone: +81-6-6390-5506

Scheduled date of filing quarterly securities report: August 3, 2023

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, 2023 (April 1, 2023 - June 30, 2023)

(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, 2023	35,290	(3.8)	772	(57.6)	1,334	(43.6)	688	(57.8)
June 30, 2022	36,666	6.2	1,819	(41.5)	2,368	(33.6)	1,632	(32.2)

(Note) Comprehensive income: Three months ended June 30, 2023: 3,210 million yen [(40.6)%]

Three months ended June 30, 2022: 5,407 million yen [33.6%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2023	28.05	–
June 30, 2022	66.53	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2023	211,341	120,910	54.4
As of March 31, 2023	212,690	119,905	53.5

(Reference) Equity: As of June 30, 2023: 114,869 million yen

As of March 31, 2023: 113,800 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, 2023	–	75.00	–	87.00	162.00
Fiscal year ending March 31, 2024	–				
Fiscal year ending March 31, 2024 (Forecast)		82.50	–	82.50	165.00

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

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

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

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review: Yes
(Changes in specified subsidiaries resulting in changes in scope of consolidation):
Newly included: – (), Excluded: 1 (DAIHEN Techno Support Corporation)
(Note) DAIHEN Techno Support Corporation, which used to be a consolidated subsidiary, was excluded from the scope of consolidation from the three months ended June 30, 2023 because it was dissolved as of April 1, 2023, 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 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: 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, 2023: 27,103,291 shares
March 31, 2023: 27,103,291 shares
2) Total number of treasury shares at the end of the period:
June 30, 2023: 2,564,646 shares
March 31, 2023: 2,564,265 shares
3) Average number of shares during the period:
Three months ended June 30, 2023: 24,538,757 shares
Three months ended June 30, 2022: 24,536,111 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 4 of the attachments.

Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	4
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	4
2. Quarterly Consolidated Financial Statements and Principal Notes	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
(3) Notes to Quarterly Consolidated Financial Statements	9
(Notes on going concern assumption)	9
(Notes in case of significant changes in shareholders' equity)	9
(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)	9
(Segment information, etc.)	10
(Business combination)	13
(Significant subsequent events)	14

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, 2023 was orders received of 43,869 million yen (down 20.0% year-on-year) and net sales of 35,290 million yen (down 3.8% year-on-year) due to the significant impact of a decrease in demand for RF generators for semiconductor manufacturing as semiconductor manufacturers postponed their investment. In income results, the impact of a decrease in net sales resulted in operating profit of 772 million yen (down 1,047 million yen year-on-year), ordinary profit of 1,334 million yen (down 1,033 million yen year-on-year), and profit attributable to owners of parent of 688 million yen (down 944 million yen year-on-year).

The performance of each segment is as follows.

Effective from the three months ended June 30, 2023, business segments to be stated as reportable segments have been changed, and comparison and analysis of performance of each segment for the three months ended June 30, 2023 are based on the new categories.

1) Energy Management

Owing to strong sales of large-class power transformers and power-receiving facilities for plants in Japan, among others, net sales were 16,532 million yen (up 10.4% year-on-year). Meanwhile, operating profit was 226 million yen (down 65.5% year-on-year) partly due to an increase in the advanced investment in the development in the decarbonization-related business in addition to the impact of soaring prices of materials.

2) Factory Automation

Owing to sluggish domestic demand-related investment in China and a decrease in small projects associated with rising interest rates in Southeast Asia, net sales were 6,043 million yen (down 14.3% year-on-year) and operating profit was 99 million yen (down 74.6% year-on-year).

3) Material Processing

Although sales of welding and joining machines remained strong mainly for construction in Japan, the impact of a decrease in demand for RF generators for semiconductor manufacturing due to the postponement of investment by semiconductor manufacturers was significant against a backdrop of declining demand for smartphones and PCs. As a result, net sales were 12,670 million yen (down 13.1% year-on-year) and operating profit was 1,532 million yen (down 16.9% year-on-year).

4) Other

Net sales were 46 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
Energy Management	23,392	+10.6%	16,532	+10.4%	226	-65.5%
Factory Automation	7,479	-14.6%	6,043	-14.3%	99	-74.6%
Material Processing	12,950	-48.0%	12,670	-13.1%	1,532	-16.9%
Other	46	+6.2%	46	+6.2%	14	-1.7%
Company Total	43,869	-20.0%	35,290	-3.8%	772	-57.6%

(2) Explanation of Financial Position

Total assets at the end of the three months ended June 30, 2023 decreased by 1,349 million yen from the end of the previous fiscal year to 211,341 million yen. This is primarily attributable to a decrease in notes and accounts receivable - trade, despite increases in inventories and investment securities.

Total liabilities at the end of the three months ended June 30, 2023 decreased by 2,354 million yen from the end of the previous fiscal year to 90,430 million yen. This is primarily attributable to decreases in notes and accounts payable - trade, electronically recorded obligations - operating, and income taxes payable, despite an increase in short-term borrowings.

Total net assets at the end of the three months ended June 30, 2023 increased by 1,005 million yen from the end of the previous fiscal year to 120,910 million yen. This is primarily attributable to increases in valuation difference on available-for-sale securities and foreign currency translation adjustment. The equity ratio increased by 0.9 percentage points from 53.5% to 54.4%.

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

Although the performance for the three months ended June 30, 2023 was sluggish, it was largely in line with the plan at the beginning of the year, and it is expected to improve as initiatives for cost reduction through production automation, operational efficiency improvement, and module design are underway, in addition to the current increases in capital investment by the private sector in Japan and EV-related investment in Europe, the U.S, and Asia.

In light of these circumstances, no revisions have been made to the consolidated financial results forecast for the six months ending September 30, 2023 and the full year ending March 31, 2024 announced on May 10, 2023. Should a 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, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	15,265	15,926
Notes and accounts receivable - trade	44,801	31,182
Merchandise and finished goods	24,430	27,931
Work in process	14,840	16,727
Raw materials and supplies	39,364	43,976
Other	5,702	5,640
Allowance for doubtful accounts	(481)	(700)
Total current assets	143,924	140,685
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,134	19,105
Machinery, equipment and vehicles, net	6,435	6,569
Tools, furniture and fixtures, net	1,897	1,892
Land	8,921	8,962
Leased assets, net	402	386
Construction in progress	1,264	2,050
Total property, plant and equipment	38,055	38,967
Intangible assets		
Software	1,898	1,851
Leased assets	6	4
Other	213	242
Total intangible assets	2,118	2,098
Investments and other assets		
Investment securities	15,086	16,540
Investments in capital	419	419
Long-term prepaid expenses	82	79
Retirement benefit asset	11,155	10,952
Deferred tax assets	1,286	1,039
Other	612	606
Allowance for doubtful accounts	(50)	(50)
Total investments and other assets	28,592	29,588
Total non-current assets	68,766	70,655
Total assets	212,690	211,341

(Million yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,786	15,992
Electronically recorded obligations - operating	19,470	16,813
Short-term borrowings	8,103	15,588
Current portion of long-term borrowings	4,784	4,784
Lease liabilities	117	99
Income taxes payable	2,935	815
Provision for bonuses	3,928	2,754
Provision for bonuses for directors (and other officers)	124	14
Provision for loss on construction contracts	112	68
Other	7,739	8,075
Total current liabilities	67,102	65,005
Non-current liabilities		
Long-term borrowings	20,002	19,802
Lease liabilities	200	218
Deferred tax liabilities	941	929
Provision for retirement benefits for directors (and other officers)	60	62
Provision for loss on guarantees	652	542
Provision for construction expenses related to earthquake resistance renovation	622	621
Provision for product safety measures	5	4
Retirement benefit liability	1,875	1,759
Asset retirement obligations	72	72
Other	1,251	1,410
Total non-current liabilities	25,683	25,424
Total liabilities	92,785	90,430
Net assets		
Shareholders' equity		
Share capital	10,596	10,596
Capital surplus	10,042	10,042
Retained earnings	85,393	83,939
Treasury shares	(4,822)	(4,824)
Total shareholders' equity	101,208	99,753
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,820	4,769
Foreign currency translation adjustment	6,321	7,957
Remeasurements of defined benefit plans	2,448	2,388
Total accumulated other comprehensive income	12,591	15,115
Non-controlling interests	6,104	6,041
Total net assets	119,905	120,910
Total liabilities and net assets	212,690	211,341

(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, 2022	For the three months ended June 30, 2023
Net sales	36,666	35,290
Cost of sales	26,141	25,418
Gross profit	10,524	9,872
Selling, general and administrative expenses	8,705	9,100
Operating profit	1,819	772
Non-operating income		
Interest and dividend income	180	186
Share of profit of entities accounted for using equity method	41	102
Foreign exchange gains	280	303
Other	207	188
Total non-operating income	709	781
Non-operating expenses		
Interest expenses	70	93
Other	89	124
Total non-operating expenses	160	218
Ordinary profit	2,368	1,334
Extraordinary income		
Reversal of provision for loss on guarantees	—	109
Total extraordinary income	—	109
Extraordinary losses		
Provision of allowance for doubtful accounts	—	217
Provision for loss on guarantees	81	—
Total extraordinary losses	81	217
Profit before income taxes	2,287	1,227
Income taxes	709	551
Profit	1,578	676
Loss attributable to non-controlling interests	(54)	(12)
Profit attributable to owners of parent	1,632	688

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Profit	1,578	676
Other comprehensive income		
Valuation difference on available-for-sale securities	(306)	908
Foreign currency translation adjustment	4,142	1,637
Remeasurements of defined benefit plans, net of tax	(13)	(62)
Share of other comprehensive income of entities accounted for using equity method	6	50
Total other comprehensive income	3,829	2,534
Comprehensive income	5,407	3,210
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,440	3,212
Comprehensive income attributable to non-controlling interests	(32)	(2)

(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.

(Segment information, etc.)

I. 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
	Energy Management	Factory Automation	Material Processing	Total		
Net sales						
Net sales to outside customers	14,980	7,055	14,587	36,622	43	36,666
Inter-segment net sales or transfers	-	0	0	1	-	1
Total	14,980	7,055	14,588	36,624	43	36,668
Segment profit	655	392	1,843	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.

II. For the three months ended June 30, 2023

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

(Million yen)

	Reportable segment				Other (Note)	Total
	Energy Management	Factory Automation	Material Processing	Total		
Net sales						
Net sales to outside customers	16,532	6,041	12,669	35,243	46	35,290
Inter-segment net sales or transfers	-	1	0	2	-	2
Total	16,532	6,043	12,670	35,246	46	35,292
Segment profit	226	99	1,532	1,858	14	1,872

(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	1,858
Profit in “Other” category	14
Elimination of inter-segment transactions	(0)
Company-wide expenses (Note)	(1,100)
Operating profit in Quarterly Consolidated Statements of Income	772

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

3. Matters regarding change in reportable segments, etc.

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 has shifted to the new reportable segments from the first quarter ended June 30, 2023.

Segment information for the three months ended June 30, 2022 is based on the new categories.

(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 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.

(Significant subsequent events)

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., and entered into the share transfer agreement with Tohoku Electric Power Co., Inc. and Hitachi, Ltd. on May 19, 2023.

(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

(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%