

Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]



August 5, 2024

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 commencing dividend payments: –

Availability of supplementary explanatory materials on financial results: No

Schedule of 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, 2024 (April 1, 2024 – June 30, 2024)

(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, 2024	43,306	22.7	897	16.3	1,490	11.7	636	(7.5)
June 30, 2023	35,290	(3.8)	772	(57.6)	1,334	(43.6)	688	(57.8)

(Note) Comprehensive income: Three months ended June 30, 2024: 4,019 million yen [25.2%]

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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	26.17	–
June 30, 2023	28.05	–

(2) Consolidated Financial Position

	Total assets	Total net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2024	271,386	150,034	49.9
As of March 31, 2024	276,624	148,595	48.5

(Reference) Equity: As of June 30, 2024: 135,495 million yen

As of March 31, 2024: 134,136 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, 2024	–	82.50	–	82.50	165.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (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, 2025 (April 1, 2024 - March 31, 2025)

(% 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	90,000	14.0	4,500	(11.3)	5,000	(13.6)	3,500	(14.4)	143.35
Full year	205,000	8.7	16,000	5.6	16,800	4.5	12,000	(27.2)	491.47

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

*** Notes:**

- (1) Significant changes in the scope of consolidation during the period: Yes
Newly included: 1 (OTC DAIHEN INDIA Pvt. Ltd.), Excluded: – ()
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: Yes
(Note) For details, please see “2. Quarterly Consolidated Financial Statements and Principal Notes (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, 2024:	25,603,291 shares
March 31, 2024:	25,603,291 shares
 - 2) Total number of treasury shares at the end of the period:

June 30, 2024:	1,300,708 shares
March 31, 2024:	1,186,740 shares
 - 3) Average number of shares during the period:

Three months ended June 30, 2024:	24,340,550 shares
Three months ended June 30, 2023:	24,538,757 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

*** 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. (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the attachments.

Table of Contents - Attachments

1. Overview of Operating Results, etc.	2
(1) Explanation of Quarterly Consolidated Operating Results	2
(2) Explanation of Quarterly Consolidated Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	3
2. Quarterly Consolidated Financial Statements and Principal Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
(3) Notes to Quarterly Consolidated Financial Statements	8
(Notes on going concern assumption)	8
(Notes in case of significant changes in shareholders' equity)	8
(Changes in scope of consolidation or application of equity method)	8
(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)	8
(Additional information)	8
(Segment information, etc.)	9
(Notes to the statements of cash flows)	11

1. Overview of Operating Results, etc.

(1) Explanation of Quarterly Consolidated Operating Results

The performance of DAIHEN Corporation (the “Company”) and its subsidiaries (collectively, the “DAIHEN Group”) for the three months ended June 30, 2024 was orders received of 53,292 million yen (up 21.5% year-on-year) and net sales of 43,306 million yen (up 22.7% year-on-year) due to strong replacement demand for power distribution products and the impact of newly consolidated subsidiaries acquired after the third quarter of the previous fiscal year. As a result, operating profit was 897 million yen (up 125 million yen year-on-year), ordinary profit was 1,490 million yen (up 155 million yen year-on-year), while profit attributable to owners of parent was 636 million yen (down 51 million yen year-on-year) due to an increase in profit attributable to non-controlling interests.

The performance of each segment is as follows.

1) Energy Management

Investment in the replacement of power distribution products in Japan and large-class transformers abroad has been strong. In addition, as Tohoku Electric Manufacturing Co., Ltd. and SHIHEN TECHNICAL Corporation have been added to the scope of consolidation, net sales were 24,032 million yen (up 45.4% year-on-year) and operating profit was 1,313 million yen (up 480.8% year-on-year).

2) Factory Automation

Although demand for production automation remained firm, investments were postponed due to continued high interest rates in Europe and the U.S. and uncertainty over domestic and overseas economic trends. As a result, net sales were 5,542 million yen (down 8.3% year-on-year). Meanwhile operating loss was 497 million yen (operating profit of 99 million yen in the corresponding period of the previous year) partly due to the advanced expenses for business expansion.

3) Material Processing

Although investment in welding and joining machines for construction and automotive-related industries in Japan declined, net sales were 13,682 million yen (up 8.0% year-on-year) partly due to the addition of Lorch Schweißtechnik GmbH as a consolidated subsidiary. Operating profit was 1,174 million yen (down 23.4% year-on-year) due to the decrease in net sales in Japan and recording of the amortization of goodwill resulting from acquisitions. However, since demand for semiconductor manufacturing equipment has been recovering on the back of the expanded use of generative AI, orders received for the segment as a whole increased (up 33.9% year-on-year).

4) Other

Net sales were 50 million yen and operating profit was 12 million yen. There were no significant changes from the corresponding period of the previous year.

(Reference) Performance by Segment

Segment	Orders Received		Net Sales		Operating Profit	
	Amount	YoY change	Amount	YoY change	Amount	YoY change
Energy Management	27,517	+17.6%	24,032	+45.4%	1,313	+480.8%
Factory Automation	8,384	+12.1%	5,542	-8.3%	-497	—
Material Processing	17,339	+33.9%	13,682	+8.0%	1,174	-23.4%
Other	50	+7.2%	50	+7.2%	12	-14.0%
Company Total	53,292	+21.5%	43,306	+22.7%	897	+16.3%

(2) Explanation of Quarterly Consolidated Financial Position

Total assets at the end of the three months ended June 30, 2024 decreased by 5,238 million yen from the end of the previous fiscal year to 271,386 million yen. This is primarily attributable to a decrease in notes and accounts receivable - trade, while inventories and property, plant and equipment increased.

Total liabilities at the end of the three months ended June 30, 2024 decreased by 6,676 million yen from the end of the previous fiscal year to 121,351 million yen. This is primarily attributable to decreases in notes and accounts payable – trade and electronically recorded obligations - operating.

Total net assets at the end of the three months ended June 30, 2024 increased by 1,438 million yen from the end of the previous fiscal year to 150,034 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 1.4 percentage points from 48.5% to 49.9%.

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

Although the performance for the three months ended June 30, 2024 was sluggish, it was largely in line with the plan at the beginning of the year. Business performance is expected to improve due to firm replacement investment for electric power companies and an upward trend in semiconductor-related investment, although the outlook has been uncertain of late, such as trends in monetary policy in Europe and the U.S.

In light of these circumstances, no revisions have been made to the consolidated financial results forecast for the six months ending September 30, 2024 or the full year ending March 31, 2025 announced on May 9, 2024. 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, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	23,327	21,920
Notes and accounts receivable - trade	57,746	41,188
Merchandise and finished goods	30,679	34,127
Work in process	16,793	18,938
Raw materials and supplies	51,540	54,618
Other	7,666	7,385
Allowance for doubtful accounts	(785)	(787)
Total current assets	186,968	177,392
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,640	23,498
Machinery, equipment and vehicles, net	8,251	9,388
Tools, furniture and fixtures, net	2,049	2,141
Land	13,161	13,525
Leased assets, net	345	351
Construction in progress	4,437	1,954
Total property, plant and equipment	48,886	50,859
Intangible assets		
Goodwill	2,040	2,114
Software	2,055	2,040
Leased assets	0	0
Other	309	304
Total intangible assets	4,406	4,459
Investments and other assets		
Investment securities	14,536	15,539
Investments in capital	700	2,241
Long-term prepaid expenses	393	386
Retirement benefit asset	17,649	17,322
Deferred tax assets	1,370	1,437
Other	1,758	1,791
Allowance for doubtful accounts	(45)	(45)
Total investments and other assets	36,362	38,674
Total non-current assets	89,655	93,993
Total assets	276,624	271,386

(Million yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,040	18,617
Electronically recorded obligations - operating	15,410	14,260
Short-term borrowings	30,192	28,777
Current portion of long-term borrowings	5,121	6,773
Lease liabilities	90	87
Income taxes payable	2,184	908
Provision for bonuses	3,285	1,776
Provision for bonuses for directors (and other officers)	78	18
Provision for loss on construction contracts	122	83
Other	10,111	8,870
Total current liabilities	86,638	80,171
Non-current liabilities		
Long-term borrowings	30,850	30,373
Lease liabilities	197	213
Deferred tax liabilities	4,279	4,450
Provision for retirement benefits for directors (and other officers)	109	88
Provision for loss on guarantees	765	902
Provision for construction expenses related to earthquake resistance renovation	578	578
Provision for product safety measures	3	2
Retirement benefit liability	2,954	2,953
Asset retirement obligations	108	108
Other	1,542	1,508
Total non-current liabilities	41,389	41,180
Total liabilities	128,028	121,351
Net assets		
Shareholders' equity		
Share capital	10,596	10,596
Capital surplus	10,010	10,010
Retained earnings	94,767	93,769
Treasury shares	(2,349)	(3,378)
Total shareholders' equity	113,025	110,998
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,208	6,924
Deferred gains or losses on hedges	(0)	-
Foreign currency translation adjustment	9,104	11,899
Remeasurements of defined benefit plans	5,798	5,674
Total accumulated other comprehensive income	21,110	24,497
Non-controlling interests	14,459	14,539
Total net assets	148,595	150,034
Total liabilities and net assets	276,624	271,386

(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, 2023	For the three months ended June 30, 2024
Net sales	35,290	43,306
Cost of sales	25,418	30,839
Gross profit	9,872	12,466
Selling, general and administrative expenses	9,100	11,568
Operating profit	772	897
Non-operating income		
Interest and dividend income	186	469
Foreign exchange gains	303	264
Other	290	275
Total non-operating income	781	1,008
Non-operating expenses		
Interest expenses	93	203
Compensation expenses for damage	–	118
Other	124	94
Total non-operating expenses	218	416
Ordinary profit	1,334	1,490
Extraordinary income		
Reversal of provision for loss on guarantees	109	–
Total extraordinary income	109	–
Extraordinary losses		
Provision for loss on guarantees	–	137
Provision of allowance for doubtful accounts	217	–
Total extraordinary losses	217	137
Profit before income taxes	1,227	1,353
Income taxes	551	593
Profit	676	759
Profit (loss) attributable to non-controlling interests	(12)	122
Profit attributable to owners of parent	688	636

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	676	759
Other comprehensive income		
Valuation difference on available-for-sale securities	908	764
Deferred gains or losses on hedges	–	0
Foreign currency translation adjustment	1,637	2,626
Remeasurements of defined benefit plans, net of tax	(62)	(134)
Share of other comprehensive income of entities accounted for using equity method	50	2
Total other comprehensive income	2,534	3,259
Comprehensive income	3,210	4,019
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,212	3,848
Comprehensive income attributable to non-controlling interests	(2)	171

(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.

(Changes in scope of consolidation or application of equity method)

OTC DAIHEN INDIA Pvt. Ltd. has been included in the scope of consolidation from the three months ended June 30, 2024 due to its increased importance.

(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 profit before income taxes for the current fiscal year and multiplying quarterly profit before income taxes 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 differences that do not fall under temporary differences are added to or deducted from the quarterly profit before income taxes, and tax expenses are calculated by multiplying the resulting amount by the statutory effective tax rate.

(Additional information)

- Change in fiscal year of a consolidated subsidiary

For Lorch Schweißtechnik GmbH, a consolidated subsidiary that closes its accounts on December 31, its financial statements as of that date had been used in the consolidated financial statements upon adjustment for any material transactions arising thereafter up to the consolidated closing date.

To improve the adequacy of disclosing consolidated financial statements, the Company changed the method of consolidation for Lorch Schweißtechnik GmbH to implement a provisional account closing at the consolidated closing date from the three months ended June 30, 2024.

Profit/losses for Lorch Schweißtechnik GmbH for the three months from January 1, 2024 to March 31, 2024 are adjusted in retained earnings.

(Segment information, etc.)

I. 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.

II. For the three months ended June 30, 2024

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	24,032	5,541	13,682	43,256	50	43,306
Inter-segment net sales or transfers	-	1	0	1	-	1
Total	24,032	5,542	13,682	43,257	50	43,307
Segment profit (loss)	1,313	(497)	1,174	1,990	12	2,002

(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	1,990
Profit in “Other” category	12
Elimination of inter-segment transactions	(0)
Company-wide expenses (Note)	(1,104)
Operating profit in Quarterly Consolidated Statements of Income	897

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

(Notes to the statements of cash flows)

Quarterly consolidated statements of cash flows for the three months ended June 30, 2024 have not been prepared. Depreciation and amortization (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the three months ended June 30, 2024 are as follows.

(Million yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Depreciation and amortization	1,207	1,476
Amortization of goodwill	-	61