

Consolidated Financial Results for the Nine Months Ended December 31, 2021 [Japanese GAAP]



February 2, 2022

Company name: DAIHEN Corporation
 Stock exchange listing: Tokyo Stock Exchange, Fukuoka Stock Exchange
 Stock exchange code: 6622
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 Scheduled date of filing quarterly securities report: February 3, 2022
 Scheduled date of commencing dividend payments: –
 Availability of supplementary explanatory materials on quarterly financial results: No
 Schedule of quarterly financial results briefing session: No

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2021 (April 1, 2021 - December 31, 2021)

(1) Consolidated Operating Results (cumulative) (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended								
December 31, 2021	110,931	14.0	9,918	60.4	11,027	48.8	7,886	63.1
December 31, 2020	97,321	(2.9)	6,184	36.1	7,409	51.8	4,836	40.5

(Note) Comprehensive income: Nine months ended December 31, 2021: 9,069 million yen [49.1%]

Nine months ended December 31, 2020: 6,084 million yen [73.6%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2021	319.48	–
December 31, 2020	195.93	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2021	186,061	102,928	52.2
As of March 31, 2021	175,132	96,921	52.1

(Reference) Equity: As of December 31, 2021: 97,051 million yen

As of March 31, 2021: 91,174 million yen

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2021	–	42.50	–	47.50	90.00
Fiscal year ending March 31, 2022	–	50.00	–		
Fiscal year ending March 31, 2022 (Forecast)				50.00	100.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 - March 31, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	160,000	10.2	14,000	14.9	14,800	7.5	10,500	11.6	425.34

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

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation):
Newly included: – (), Excluded: – ()
- (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: Yes
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None
(Note) For details, please see “2. Quarterly Consolidated Financial Statements and Principal Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)” on pages 8 and 9 of the attachments.
- (4) Total number of issued shares (common shares)
- 1) Total number of issued shares at the end of the period (including treasury shares):
- | | |
|--------------------|-------------------|
| December 31, 2021: | 27,103,291 shares |
| March 31, 2021: | 27,103,291 shares |
- 2) Total number of treasury shares at the end of the period:
- | | |
|--------------------|------------------|
| December 31, 2021: | 2,416,933 shares |
| March 31, 2021: | 2,419,521 shares |
- 3) Average number of shares during the period:
- | | |
|--------------------------------------|-------------------|
| Nine months ended December 31, 2021: | 24,685,599 shares |
| Nine months ended December 31, 2020: | 24,683,554 shares |

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

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

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

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The DAIHEN Group's performance for the nine months ended December 31, 2021 was net sales of 110,931 million yen (up 14.0% year-on-year), due to strong investment in production automation in addition to the expansion of demand for semiconductor manufacturing equipment. In income results, although there was an impact of soaring prices of materials and electronic components, etc., the increase in net sales and the effectiveness of cost reductions resulted in operating profit of 9,918 million yen (up 3,733 million yen year-on-year), ordinary profit of 11,027 million yen (up 3,618 million yen year-on-year), and profit attributable to owners of parent of 7,886 million yen (up 3,050 million yen year-on-year).

The performance of each segment is as follows.

1) Power Products Business

As a result of strong investment in the replacement of power distribution products, net sales were 46,850 million yen (up 6.3% year-on-year) and operating profit was 3,894 million yen (up 154 million yen year-on-year).

2) Welding & Mechatronics Business

Owing to strong investment in production automation in China, Europe and the United States amid the containment of COVID-19, net sales were 32,162 million yen (up 18.3% year-on-year) and operating profit was 2,942 million yen (up 1,332 million yen year-on-year).

3) Semiconductor & FPD Related Business

As aggressive capital investment continued in order to accommodate a broader range of semiconductor applications driven by the wider adoption of 5G, IoT, and other information communications technologies and to resolve a global shortage of semiconductors, net sales were 31,801 million yen (up 22.7% year-on-year) and operating profit was 5,895 million yen (up 1,699 million yen year-on-year).

4) Other

Net sales were 140 million yen and operating profit was 48 million yen. There were no significant changes from the corresponding period of the previous year.

(Reference) Performance by Segment

(Million yen)

Segment	Orders Received		Net Sales		Operating Profit	
	Amount	% change	Amount	% change	Amount	% change
Power Products Business	52,007	+9.0%	46,850	+6.3%	3,894	+4.1%
Welding & Mechatronics Business	34,406	+17.7%	32,162	+18.3%	2,942	+82.8%
Semiconductor & FPD Related Business	44,253	+63.9%	31,801	+22.7%	5,895	+40.5%
Other	140	-5.7%	140	-5.7%	48	-10.1%
Company Total	130,807	+25.7%	110,931	+14.0%	9,918	+60.4%

(2) Explanation of Financial Position

Total assets at the end of the nine months ended December 31, 2021 increased by 10,928 million yen from the end of the previous fiscal year to 186,061 million yen. This is attributable to an increase in inventories, despite a decrease in notes and accounts receivable - trade.

Total liabilities at the end of the nine months ended December 31, 2021 increased by 4,921 million yen from the end of the previous fiscal year to 83,133 million yen. This is attributable to an increase in notes and accounts payable - trade.

Total net assets at the end of the nine months ended December 31, 2021 increased by 6,007 million yen from the end of the previous fiscal year to 102,928 million yen. This is attributable to an increase in retained earnings. The equity ratio increased by 0.1 percentage points from 52.1% to 52.2%.

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

No revision has been made to the consolidated financial results forecast for the full year ending March 31, 2022 announced on November 2, 2021. Should revision of the consolidated financial results forecast become necessary, the Company will promptly disclose it.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	19,261	22,227
Notes and accounts receivable - trade	40,949	29,095
Merchandise and finished goods	15,673	22,958
Work in process	9,912	13,503
Raw materials and supplies	16,196	24,253
Other	3,872	5,905
Allowance for doubtful accounts	(574)	(456)
Total current assets	105,290	117,487
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,092	19,649
Machinery, equipment and vehicles, net	6,478	6,378
Tools, furniture and fixtures, net	1,855	1,918
Land	8,802	8,796
Leased assets, net	392	347
Construction in progress	1,148	929
Total property, plant and equipment	38,771	38,021
Intangible assets		
Software	1,621	1,672
Leased assets	30	21
Other	232	225
Total intangible assets	1,883	1,918
Investments and other assets		
Investment securities	17,651	16,826
Investments in capital	921	915
Long-term prepaid expenses	107	118
Retirement benefit asset	8,879	9,026
Deferred tax assets	1,115	1,216
Other	592	594
Allowance for doubtful accounts	(81)	(64)
Total investments and other assets	29,186	28,634
Total non-current assets	69,841	68,574
Total assets	175,132	186,061

(Million yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	29,632	37,461
Short-term borrowings	6,085	5,647
Current portion of long-term borrowings	4,084	4,384
Lease obligations	141	131
Income taxes payable	2,736	1,005
Provision for bonuses	3,601	1,483
Provision for bonuses for directors (and other officers)	100	25
Provision for loss on construction contracts	79	75
Other	6,121	9,043
Total current liabilities	52,583	59,257
Non-current liabilities		
Long-term borrowings	19,170	17,528
Lease obligations	195	163
Deferred tax liabilities	2,340	1,871
Provision for retirement benefits for directors (and other officers)	62	55
Provision for loss on guarantees	—	432
Provision for construction expenses related to earthquake resistance renovation	669	633
Provision for product safety measures	18	14
Retirement benefit liability	1,950	1,948
Asset retirement obligations	74	74
Other	1,147	1,153
Total non-current liabilities	25,628	23,875
Total liabilities	78,211	83,133
Net assets		
Shareholders' equity		
Share capital	10,596	10,596
Capital surplus	10,023	10,034
Retained earnings	66,995	71,882
Treasury shares	(4,195)	(4,194)
Total shareholders' equity	83,420	88,318
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,255	4,904
Deferred gains or losses on hedges	(12)	(0)
Foreign currency translation adjustment	1,146	2,344
Remeasurements of defined benefit plans	1,364	1,484
Total accumulated other comprehensive income	7,753	8,733
Non-controlling interests	5,747	5,876
Total net assets	96,921	102,928
Total liabilities and net assets	175,132	186,061

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2021
Net sales	97,321	110,931
Cost of sales	66,179	76,345
Gross profit	31,141	34,585
Selling, general and administrative expenses	24,957	24,666
Operating profit	6,184	9,918
Non-operating income		
Interest and dividend income	269	373
Share of profit of entities accounted for using equity method	774	141
Foreign exchange gains	67	378
Other	574	713
Total non-operating income	1,686	1,607
Non-operating expenses		
Interest expenses	139	216
Sales discounts	101	—
Other	220	282
Total non-operating expenses	462	498
Ordinary profit	7,409	11,027
Extraordinary income		
Reversal of allowance for doubtful accounts	—	134
Gain on extinguishment of tie-in shares	—	72
Total extraordinary income	—	206
Extraordinary losses		
Provision for loss on guarantees	—	432
Provision of allowance for doubtful accounts	464	—
Loss on product accident measures	120	—
Total extraordinary losses	584	432
Profit before income taxes	6,824	10,802
Income taxes	1,893	2,714
Profit	4,931	8,088
Profit attributable to non-controlling interests	94	201
Profit attributable to owners of parent	4,836	7,886

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2020	For the nine months ended December 31, 2021
Profit	4,931	8,088
Other comprehensive income		
Valuation difference on available-for-sale securities	1,974	(353)
Deferred gains or losses on hedges	(6)	11
Foreign currency translation adjustment	(1,039)	1,211
Remeasurements of defined benefit plans, net of tax	246	114
Share of other comprehensive income of entities accounted for using equity method	(21)	(3)
Total other comprehensive income	1,152	981
Comprehensive income	6,084	9,069
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,965	8,865
Comprehensive income attributable to non-controlling interests	118	203

(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.

(Changes in accounting policies)

(Application of the accounting standard for revenue recognition, etc.)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Standard") since the beginning of the first quarter ended June 30, 2021, under which the amount expected to be received for promised goods or services is recognized as revenue at the point when control of the goods or services transfers to the customer.

For some merchandise or finished goods involving on-site installation and adjustment by the Company or a subsidiary of the Company, revenue was previously recognized upon shipment of the merchandise or products, but this has now changed to a method of recognizing revenue at the point when confirmation of performance is completed after completion of on-site installation and adjustment. The costs of on-site installation and adjustment works were previously recorded as selling, general and administrative expenses, but this has now changed to a method of recording such costs in cost of sales.

In addition, regarding works contracts, previously, in cases where the certainty of outcomes could be recognized for the portion of progressed work, the percentage-of-completion method was applied, and for other works, the completed-contract method was applied, but after consideration of the contracts and actual state of transactions, this has now changed to a method of recognizing revenue at the point when confirmation of performance is completed after completion of on-site installation and adjustment.

The Company applies the alternative treatment set forth in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021), and for sales of merchandise or finished goods within Japan, if the period from shipment until control of the merchandise or finished goods transfers to the customer is a normal one, the Company continues to recognize revenue upon shipment.

Sales rebates were previously treated as selling, general and administrative expenses, but this has now changed to a method of subtracting them from the transaction price.

In addition, regarding buy-and-sell transactions, previously, extinguishment had been recognized for the supplied products, but in cases where there is an obligation to purchase back the supplied products, this has changed to a method of not recognizing extinguishment of those supplied products.

Regarding the application of the Revenue Recognition Standards, etc., the Company is complying with the transitional treatment set forth in the proviso to Paragraph 84 of the Revenue Recognition Standard. The

cumulative effect of the retrospective application of the new accounting policy prior to the beginning of the first quarter ended June 30, 2021 has been added to or subtracted from retained earnings at the beginning of the quarter, and the new accounting policy has been applied from the balance at the beginning of the quarter.

As a result, net sales for this nine-month period ended December 31, 2021 decreased by 517 million yen, cost of sales increased by 518 million yen, selling, general and administrative expenses decreased by 1,005 million yen, and operating profit, ordinary profit, and profit before income taxes each decreased by 31 million yen. In addition, the beginning balance of retained earnings decreased by 585 million yen, and the beginning balance of non-controlling interests decreased by 25 million yen. Further, raw materials and supplies and other under current liabilities each increased by 1,602 million yen.

In accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, the Company has not conducted reclassification using the new presentation methods for the previous consolidated fiscal year.

(Application of the accounting standard for fair value measurement, etc.)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) since the beginning of the first quarter ended June 30, 2021 and, in accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), will apply a new accounting policy set forth in the Fair Value Measurement Standard, etc. into the future. There is no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

I. For the nine months ended December 31, 2020

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

(Million yen)

	Reportable segment				Other (Note)	Total
	Power Products Business	Welding & Mechanics Business	Semiconductor & FPD Related Business	Total		
Net sales						
Net sales to outside customers	44,081	27,182	25,907	97,172	149	97,321
Inter-segment net sales or transfers	-	14	-	14	-	14
Total	44,081	27,196	25,907	97,186	149	97,335
Segment profit	3,739	1,609	4,195	9,544	54	9,598

(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	9,544
Profit in “Other” category	54
Elimination of inter-segment transactions	0
Company-wide expenses (Note)	(3,413)
Operating profit in Quarterly Consolidated Statements of Income	6,184

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

II. For the nine months ended December 31, 2021

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

(Million yen)

	Reportable segment				Other (Note)	Total
	Power Products Business	Welding & Mechanics Business	Semiconductor & FPD Related Business	Total		
Net sales						
Net sales to outside customers	46,850	32,139	31,801	110,790	140	110,931
Inter-segment net sales or transfers	-	23	-	23	-	23
Total	46,850	32,162	31,801	110,813	140	110,954
Segment profit	3,894	2,942	5,895	12,731	48	12,780

(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	12,731
Profit in “Other” category	48
Elimination of inter-segment transactions	0
Company-wide expenses (Note)	(2,861)
Operating profit in Quarterly Consolidated Statements of Income	9,918

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

3. Information on changes in reportable segments, etc.

As described in Changes in accounting policies, due to the application of the Revenue Recognition Standard, etc. since the beginning of the first quarter ended June 30, 2021 and the change in accounting methods concerning revenue recognition, the method of calculation of business segment profit or loss has similarly been changed.

Due to these changes, compared with the previous method, in the Power Products Business segment, net sales for the nine-month period ended December 31, 2021 decreased by 420 million yen and segment profit decreased by 69 million yen, in the Welding & Mechatronics Business segment, net sales decreased by 110 million yen and segment profit increased by 28 million yen, and in the Semiconductor & FPD Related Business, net sales increased by 13 million yen and segment profit increased by 10 million yen. There was no effect on net sales or segment profit in the “Other” segment.