

Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]



February 3, 2023

Company name: DAIHEN Corporation

Stock exchange listing: Tokyo Stock Exchange, Fukuoka Stock Exchange

Stock exchange code: 6622

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

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Scheduled date of filing quarterly securities report: February 6, 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 Nine Months Ended December 31, 2022 (April 1, 2022 - December 31, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended								
December 31, 2022	127,246	14.7	11,201	12.9	12,079	9.5	8,874	12.5
December 31, 2021	110,931	14.0	9,918	60.4	11,027	48.8	7,886	63.1

(Note) Comprehensive income: Nine months ended December 31, 2022: 10,970 million yen [21.0%]

Nine months ended December 31, 2021: 9,069 million yen [49.1%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	361.64	–
December 31, 2021	319.48	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2022	206,298	113,783	52.3
As of March 31, 2022	194,801	105,636	51.2

(Reference) Equity: As of December 31, 2022: 107,869 million yen

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

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	50.00	–	60.00	110.00
Fiscal year ending March 31, 2023	–	75.00	–		
Fiscal year ending March 31, 2023 (Forecast)				75.00	150.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	180,000	12.1	16,500	16.3	17,000	7.7	12,000	9.2	489.07

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

*** Notes:**

(1) Changes in significant subsidiaries during the period under review: None

(Changes in specified subsidiaries resulting in changes in scope of consolidation):

Newly included: – (), Excluded: – ()

(Note) Even though there are no changes in specified subsidiaries resulting in changes in scope of consolidation, DAIHEN System Corporation, which used to be a consolidated subsidiary, was excluded from the scope of consolidation 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) 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):

December 31, 2022: 27,103,291 shares

March 31, 2022: 27,103,291 shares

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

December 31, 2022: 2,563,945 shares

March 31, 2022: 2,567,039 shares

3) Average number of shares during the period:

Nine months ended December 31, 2022: 24,538,474 shares

Nine months ended December 31, 2021: 24,685,599 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.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The performance of DAIHEN Corporation (the “Company”) and its subsidiaries (collectively, the “DAIHEN Group”) for the nine months ended December 31, 2022 was net sales of 127,246 million yen (up 14.7% year-on-year), due to the expansion of investment in production automation and EV-related investment in addition to generally strong semiconductor-related investment. In income results, the increase in net sales and cost reduction efforts resulted in operating profit of 11,201 million yen (up 1,282 million yen year-on-year), ordinary profit of 12,079 million yen (up 1,051 million yen year-on-year), and profit attributable to owners of parent of 8,874 million yen (up 987 million yen year-on-year). Both net sales and income results reached an all-time high for the third quarter.

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 50,276 million yen (up 7.3% year-on-year). Meanwhile, operating profit was 2,841 million yen (down 1,052 million yen year-on-year) due to the impact of the soaring prices of materials.

2) Welding & Mechatronics Business

Owing to the recovery in investment in production automation in Japan and abroad and the expansion of demand associated with full-fledged EV-related investment, net sales were 36,717 million yen (up 14.2% year-on-year) and operating profit was 3,266 million yen (up 324 million yen year-on-year).

3) Semiconductor & FPD Related Business

Amid restricted production due to shortages of semiconductors and other parts, the Company met brisk demand by striving to secure parts through design changes and adoption of substitute products, as well as making company-wide efforts to increase production. As a result, net sales were 40,192 million yen (up 26.4% year-on-year) and operating profit was 7,879 million yen (up 1,984 million yen year-on-year).

4) Other

Net sales were 136 million yen and operating profit was 47 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		Order Backlog	
	Amount	YoY change	Amount	YoY change	Amount	YoY change	Amount	Change from March 31, 2022
Power Products Business	60,219	+15.8%	50,276	+7.3%	2,841	-27.0%	52,099	+23.6%
Welding & Mechatronics Business	40,563	+17.9%	36,717	+14.2%	3,266	+11.0%	12,201	+71.8%
Semiconductor & FPD Related Business	40,344	-8.8%	40,192	+26.4%	7,879	+33.7%	27,092	+1.7%
Other	136	-3.5%	136	-3.5%	47	-1.3%	-	-
Company Total	141,263	+8.0%	127,246	+14.7%	11,201	+12.9%	91,392	+20.4%

(2) Explanation of Financial Position

Total assets at the end of the nine months ended December 31, 2022 increased by 11,496 million yen from the end of the previous fiscal year to 206,298 million yen. This is mainly attributable to an increase in inventories due to supply shortages of parts, despite a decrease in cash and deposits and notes and accounts receivable - trade.

Total liabilities at the end of the nine months ended December 31, 2022 increased by 3,349 million yen from the end of the previous fiscal year to 92,514 million yen. This is mainly attributable to an increase in borrowings, despite a decrease in notes and accounts payable - trade.

Total net assets at the end of the nine months ended December 31, 2022 increased by 8,147 million yen from the end of the previous fiscal year to 113,783 million yen. This is mainly attributable to increases in retained earnings and foreign currency translation adjustment. The equity ratio increased by 1.1 percentage points from 51.2% to 52.3%.

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

The Company's financial results are expected to remain generally strong. This is due to increases in investment in production automation and EV-related investment in the Welding & Mechatronics Business and decarbonization-related investment in the Power Products Business, in addition to the high level of order backlog, despite semiconductor demand having currently entered into an adjustment phase.

In light of these circumstances, no revisions have been made to the consolidated financial results forecast for the full year ending March 31, 2023 announced on May 12, 2022. 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, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	24,822	15,468
Notes and accounts receivable - trade	36,970	35,704
Merchandise and finished goods	20,939	25,309
Work in process	12,390	18,988
Raw materials and supplies	27,119	36,626
Other	5,923	6,903
Allowance for doubtful accounts	(431)	(481)
Total current assets	127,735	138,519
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,489	19,359
Machinery, equipment and vehicles, net	6,243	6,389
Tools, furniture and fixtures, net	2,006	1,972
Land	8,791	8,899
Leased assets, net	343	370
Construction in progress	1,254	1,358
Total property, plant and equipment	38,128	38,350
Intangible assets		
Software	1,762	1,902
Leased assets	17	14
Other	224	216
Total intangible assets	2,005	2,134
Investments and other assets		
Investment securities	15,193	15,234
Investments in capital	215	419
Long-term prepaid expenses	98	82
Retirement benefit asset	9,665	9,725
Deferred tax assets	1,220	1,256
Other	611	638
Allowance for doubtful accounts	(72)	(64)
Total investments and other assets	26,932	27,293
Total non-current assets	67,066	67,778
Total assets	194,801	206,298

(Million yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,064	17,540
Electronically recorded obligations - operating	20,261	19,808
Short-term borrowings	5,657	10,540
Current portion of long-term borrowings	4,384	4,884
Lease liabilities	127	118
Income taxes payable	2,938	1,160
Provision for bonuses	3,628	1,413
Provision for bonuses for directors (and other officers)	106	25
Provision for loss on construction contracts	79	41
Other	10,016	11,071
Total current liabilities	66,264	66,603
Non-current liabilities		
Long-term borrowings	17,286	20,144
Lease liabilities	149	173
Deferred tax liabilities	1,112	1,045
Provision for retirement benefits for directors (and other officers)	58	57
Provision for loss on guarantees	517	622
Provision for construction expenses related to earthquake resistance renovation	624	622
Provision for product safety measures	14	11
Retirement benefit liability	1,904	1,921
Asset retirement obligations	74	72
Other	1,160	1,240
Total non-current liabilities	22,900	25,911
Total liabilities	89,165	92,514
Net assets		
Shareholders' equity		
Share capital	10,596	10,596
Capital surplus	10,034	10,043
Retained earnings	74,980	81,073
Treasury shares	(4,825)	(4,821)
Total shareholders' equity	90,786	96,892
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,876	3,795
Foreign currency translation adjustment	3,331	5,515
Remeasurements of defined benefit plans	1,698	1,666
Total accumulated other comprehensive income	8,906	10,976
Non-controlling interests	5,943	5,914
Total net assets	105,636	113,783
Total liabilities and net assets	194,801	206,298

(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, 2021	For the nine months ended December 31, 2022
Net sales	110,931	127,246
Cost of sales	76,345	89,458
Gross profit	34,585	37,787
Selling, general and administrative expenses	24,666	26,586
Operating profit	9,918	11,201
Non-operating income		
Interest and dividend income	373	333
Share of profit of entities accounted for using equity method	141	183
Foreign exchange gains	378	162
Other	713	699
Total non-operating income	1,607	1,378
Non-operating expenses		
Interest expenses	216	215
Other	282	286
Total non-operating expenses	498	501
Ordinary profit	11,027	12,079
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	105
Provision of allowance for doubtful accounts	-	48
Total extraordinary losses	432	154
Profit before income taxes	10,802	11,924
Income taxes	2,714	3,027
Profit	8,088	8,896
Profit attributable to non-controlling interests	201	22
Profit attributable to owners of parent	7,886	8,874

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Profit	8,088	8,896
Other comprehensive income		
Valuation difference on available-for-sale securities	(353)	(73)
Deferred gains or losses on hedges	11	-
Foreign currency translation adjustment	1,211	2,185
Remeasurements of defined benefit plans, net of tax	114	(41)
Share of other comprehensive income of entities accounted for using equity method	(3)	2
Total other comprehensive income	981	2,073
Comprehensive income	9,069	10,970
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,865	10,944
Comprehensive income attributable to non-controlling interests	203	26

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

- Calculation of tax expenses

The Company employs a method of making a reasonable estimation of the effective tax rate after application of tax effect accounting to net profit before tax for the current consolidated fiscal year before multiplying quarterly profit before tax by said effective tax rate.

However, if the use of said effective tax rate to calculate tax expenses leads to a markedly unreasonable result, material variations that do not fall under temporary variation are added to or deducted from the quarterly profit before tax, and tax expenses are calculated by multiplying the resulting amount by the statutory effective tax rate.

(Additional information)

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

Of consolidated subsidiaries and affiliated companies accounted for by equity method, the fiscal closing date of 14 consolidated subsidiaries, 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.

(Segment information, etc.)

I. 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 & Mechatronics 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.

II. For the nine months ended December 31, 2022

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

(Million yen)

	Reportable segment				Other (Note)	Total
	Power Products Business	Welding & Mechatronics Business	Semiconductor & FPD Related Business	Total		
Net sales						
Net sales to outside customers	50,276	36,640	40,192	127,110	136	127,246
Inter-segment net sales or transfers	-	77	-	77	-	77
Total	50,276	36,717	40,192	127,187	136	127,323
Segment profit	2,841	3,266	7,879	13,988	47	14,036

(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	13,988
Profit in "Other" category	47
Elimination of inter-segment transactions	(2)
Company-wide expenses (Note)	(2,832)
Operating profit in Quarterly Consolidated Statements of Income	11,201

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

(Business combination)

Transaction under common control

Absorption-type merger of consolidated subsidiary

(1) Outline of the transaction

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

Name of surviving company	DAIHEN Corporation
Description of business	Manufacture and sale of a variety of transformer, power distribution equipment, control and telecommunications equipment, dispersed power equipment, welding machines, cutting machines, industrial robots, RF generator for plasma applications, etc.

Name of merged company	DAIHEN System Corporation
Description of business	Sale of industrial transformer, power distribution equipment, dispersed power equipment, 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.