# Consolidated Financial Results
# for the Nine Months Ended May 31, 2023 [JGAAP]

July 7, 2023

Company Name: GIKEN LTD.
Stock Code: 6289 (URL https://www.giken.com)
Stock Exchange Listing: Tokyo
Representative: Shinnosuke Moribe, Representative Director and President
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Scheduled date to submit the quarterly securities report: July 14, 2023
Scheduled date to commence dividend payments: –
Availability of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results briefing session: No

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended May 31, 2023 (from September 1, 2022 to May 31, 2023)

(1) Consolidated Results of Operations (% indicates changes from the same period of the previous financial year)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Nine months ended May 31, 2023 | 21,196 | 2.1 | 2,176 | (31.4) | 2,253 | (32.0) | 223 | (89.9) |
| Nine months ended May 31, 2022 | 20,768 | 5.9 | 3,174 | 6.2 | 3,315 | 6.7 | 2,200 | 5.5 |

(Note) Comprehensive income: Nine months ended May 31, 2023: ¥149 million [(93.3)%]
Nine months ended May 31, 2022: ¥2,234 million [(1.6)%]

| | Profit per share | Fully diluted profit per share |
|---|---|---|
| | Yen | Yen |
| Nine months ended May 31, 2023 | 8.11 | – |
| Nine months ended May 31, 2022 | 80.05 | 80.02 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|---|---|---|---|
| | Millions of yen | Millions of yen | % |
| Nine months ended May 31, 2023 | 54,137 | 39,894 | 72.8 |
| Fiscal year ended August 31, 2022 | 54,694 | 41,256 | 74.5 |

(Reference) Equity: As of May 31, 2023: ¥39,397 million As of August 31, 2022: ¥40,741 million

2. Dividends

| | Annual cash dividends per share | | | | |
|---|---|---|---|---|---|
| | End of Q1 | End of Q2 | End of Q3 | Year-end | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended August 31, 2022 | – | 35.00 | – | 35.00 | 70.00 |
| Fiscal year ending August 31, 2023 | – | 20.00 | – | | |
| Fiscal year ending August 31, 2023 (forecast) | | | | 20.00 | 40.00 |

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Earnings Forecast of Consolidated Financial Results
for Fiscal Year Ending August 31, 2023 (from September 1, 2022 to August 31, 2023)

(% indicates changes from the previous corresponding term)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Profit per share |
|---|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Full year | 28,400 | (6.5) | 3,200 | (30.6) | 3,250 | (32.7) | 670 | (79.3) | 24.36 |

Note: Revision of the forecast of consolidated financial results most recently announced: None

* Notes

(1) Changes in significant subsidiaries during the nine months period ended May 31, 2023 (changes in specific subsidiaries involving changes in the scope of consolidation): None

(2) Application of special accounting for preparing quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

2) Changes in accounting policies other than 1): None

3) Changes in accounting estimates: None

4) Restatement of prior period financial statements: None

(4) Number of issued shares (common shares)

| | | | | |
|---|---|---|---|---|
| 1) Total number of issued shares at the end of the period (including treasury shares) | As of May 31, 2023 | 28,194,728 shares | As of August 31, 2022 | 28,194,728 shares |
| 2) Number of treasury shares at the end of the period | As of May 31, 2023 | 693,118 shares | As of August 31, 2022 | 693,034 shares |
| 3) Average number of shares during the period (cumulative from the beginning of the fiscal year) | As of May 31, 2023 | 27,501,664 shares | As of May 31, 2022 | 27,488,808 shares |

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

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## 1. Qualitative Information on the Quarterly Financial Results

### (1) Explanation of Operating Results

Aiming for a dramatic growth, the Giken Group has set in the Mid-Term Management Plan (for the period from September 2021 to August 2024) a long-term target sales of 100 billion yen for the fiscal year ending August 2031. In the consolidated fiscal year ending August 2023, the middle year of the Mid-Term Management Plan, we announced the Long-Term Roadmap Giken Goals 2031, which includes numerical targets and strategies to achieve the 2031 goal. Specific initiatives by each department are underway.

With regard to the business environment surrounded the Group in the nine months under review, domestic public investment and private sector construction investment remained firm, and thus customers' capital investment was strong. However, against the backdrop of soaring prices of steel and other materials, the proportion of material costs in public works expenses increased, and this resulted in a downward trend in the amount of construction work. Accordingly, there are concerns that sales of products and parts used for the construction of permanent structures might be impacted.

In our activities to expand the domestic press-in market, we focused on proposing the Implant Method*1 mainly for recovery and reconstruction from natural disasters, prevention and mitigation of future disasters, and the strengthening of national land resilience. As a result, the number of the construction work that adopted the Implant Method remained steady as it was adopted for earthquake-resistant construction of aging fishing ports and harbor roads, bridge scouring countermeasures, construction of new seawalls, restoration of cut slopes that collapsed due to heavy rain disasters, and other construction work.

*1 A construction method to build Implant Structures, which are resistant to earthquakes, tsunamis, floods, and other external forces, by pressing deeply into the ground structural members with high rigidity and quality.

In overseas market, with the goal of achieving an overseas net sales ratio of 70% (50% for the fiscal year ending August 2031), we worked to continuously develop the press-in market by focusing on the European and Asian regions, where market formation is getting on track, while in North America and other regions we proceeded with restructuring, including a reviewing of its strategy. In the European region, G-Kracht B.V., in which our group company Giken Europe B.V. (Headquartered in Netherland) has a stake, completed the press-in process for demonstration construction in March in a "project to develop new technologies to improve revetment of the world heritage-listed canal" of Amsterdam, the Netherlands. The construction work was highly evaluated by the City of Amsterdam as the owner of the project, and discussions on the subsequent commercialization phase*2 started. For the Asian region, the operation of the Asian version of the GIKEN Total Support System (GTOSS) in Singapore increased customer loyalty, causing the number of inquiries about this support system to increase. GTOSS helps improve the productivity at site by providing its users with know-how of technical and other services while supporting product sales. We will also provide support services tailored to local needs in other regions.

*2 In the commercialization phase, construction orders for a total of 3.3 km section over an 8-year period are guaranteed.

In the overseas business, where the restructuring of strategies are underway, the dissolution of the joint venture relationship with J Steel Group Pty Limited (headquartered in Australia), which was a consolidated subsidiary, was agreed upon on May 24 due to differences in management policies*3. This is a developmental dissolution under the notion that each side can maximize their corporate value with their business operation based on their respective growth strategy. Even after the dissolution of the joint venture relationship, J Steel Group Pty Limited will operate its business as a user of our products and services in the Oceania market.

We also started a personnel exchange program with the Itochu Group from April with the aim to further promote global development. We have proceeded with the development of overseas business foundation utilizing the Itochu Group's extensive and powerful global channel. In addition, we worked on the expansion of the press-in market in the European region together with Seika Sangyo GmbH*4, with which Giken Europe B.V. concluded a business partnership agreement, and the environment for the press-in business is improving.

*3 On June 7, which belongs to the fourth quarter, the transfer to the Bertrams Trading Pty Limited of the shares in J Steel Group Pty Limited owned by the Company was completed. Accordingly, J Steel Group Pty Limited was excluded from the scope of consolidation.

*4 It is a group company (headquartered in Germany) of the Seika Corporation. The Company concluded a business partnership agreement with it on popularization activities of the press-in method as of June 2022.

As part of our initiatives to disseminate the press-in technology to the world, we opened a center for disseminating the press-in technology called RED HILL 1967 in Akaoka-cho, Konan city, Kochi Prefecture in May. This center exhibits "actual" machines, construction methods, and structures based on the concept of "seeing is believing" and has received many visitors and won popularity since its opening. We are determined to continuously promote a revolution in construction methods globally by prompting customers to visit RED HILL 1967 from all over the world and making them understand and convincing them of the superiority of the press-in technology.

Under such circumstances, for the nine months under review, net sales were 21,196 million yen (up 2.1% YoY), operating profit was 2,176 million yen (down 31.4% YoY), and ordinary profit was 2,253 million yen (down 32.0% YoY). In response to the dissolution of the joint venture relationship with the consolidated subsidiary, we posted an extraordinary loss of 1,367 million yen as a loss on the liquidation of subsidiaries and associates. As a result, profit attributable to owners of parent for the nine months under review was 223 million yen (down 89.9% YoY).

The performance by segment is as follows:

(i) Construction Machinery Segment

Replacement of general-purpose machines progressed smoothly, sales of "Flywheel-Type Pile Auger", which improves the excavation capacity and construction efficiency of the auger equipment at the time of pressing steel sheet piles into hard ground, were strong, and Silent Piler F112, the successor of Silent Piler F111 (with specifications for hard ground) equipped with the abovementioned attachment as standard, was released into the market. As a result, net sales were 14,648 million yen (up 6.9% YoY). Meanwhile, due mainly to slow sales of large-scale models with high gross margin including Gyro Piler and an increase in SG&A expenses such as testing and research expenses, segment profit was 3,317 million yen (down 15.3% YoY).

(ii) Press-in Work Segment

While the press-in method was steadily adopted, construction work also progressed steadily as evidenced by coastal embankment repair as a countermeasure against the Nankai Trough megathrust earthquake (Kochi), reinforcement of bank protection in the Hijikawa River basin affected by the heavy rain in July 2018 (heavy rain in Western Japan)(Ehime), reinforcement of dilapidated fishing port revetment (Hokkaido), retaining wall construction for highway extension (Kyoto), soil retaining work for new construction of fish ladders accompanying the restoration of industrial water facilities (Aichi) and other construction work. However, due mainly to the completion of overseas construction work carried out in the prior fiscal year and a decrease in high-margin construction projects, net sales were 6,548 million yen (down 7.4% YoY) and segment profit was 831 million yen (down 12.1% YoY).

(2) Explanation of Financial Position

(Assets)

Total assets as of May 31, 2023 decreased by 557 million yen compared to the end of the previous consolidated fiscal year to 54,137 million yen. This was the result of a decrease of 941 million yen in current assets such as notes receivable, accounts receivable and contract assets and an increase of 384 million yen in non-current assets such as investment securities.

(Liabilities)

Liabilities as of May 31, 2023 increased by 804 million yen compared to the end of the previous consolidated fiscal year to 14,243 million yen. This was the result of an increase of 926 million yen in current liabilities such as provision for loss on liquidation of subsidiaries and associates and a decrease of 121 million yen in non-current liabilities such as long-term loans payable.

(Net assets)

Net assets as of May 31, 2023 decreased by 1,361 million yen compared to the end of the previous consolidated fiscal year to 39,894 million yen. This was the result of a decrease in retained earnings, etc.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements

There is no change in the full-year earnings forecast announced on May 19, 2023.

## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheet

(Millions of yen)

| | As of August 31, 2022 | As of May 31, 2023 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 12,818 | 11,350 |
| Notes and accounts receivable-trade, and contract assets | 8,365 | 6,336 |
| Electronically recorded monetary claims-operating | 1,009 | 1,372 |
| Finished goods | 2,793 | 3,326 |
| Work in process | 1,890 | 1,596 |
| Costs on construction contracts in progress | 48 | 48 |
| Raw materials and supplies | 2,757 | 3,359 |
| Other | 438 | 1,790 |
| Allowance for doubtful accounts | (3) | (4) |
| Total current assets | 30,117 | 29,176 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 7,604 | 8,200 |
| Machinery, equipment and vehicles | 12,956 | 13,085 |
| Land | 9,722 | 9,632 |
| Construction in progress | 1,119 | 1,070 |
| Other | 1,678 | 1,805 |
| Accumulated depreciation | (13,424) | (14,326) |
| Total property, plant and equipment | 19,656 | 19,468 |
| Intangible assets | 233 | 196 |
| Investments and other assets | | |
| Investment securities | 1,211 | 1,885 |
| Deferred tax assets | 1,767 | 1,801 |
| Other | 1,724 | 1,627 |
| Allowance for doubtful accounts | (17) | (18) |
| Total investments and other assets | 4,686 | 5,295 |
| Total non-current assets | 24,576 | 24,960 |
| Total assets | 54,694 | 54,137 |

(Millions of yen)

| | As of August 31, 2022 | As of May 31, 2023 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 1,877 | 1,962 |
| Electronically recorded obligations-operating | 1,261 | 1,488 |
| Short-term borrowings | 875 | 1,827 |
| Income taxes payable | 1,053 | 53 |
| Contract liabilities | 4,375 | 4,083 |
| Provision for bonuses | 746 | 289 |
| Provision for loss on liquidation of subsidiaries and associates | – | 1,367 |
| Other provisions | 19 | 12 |
| Other | 1,894 | 1,945 |
| Total current liabilities | 12,103 | 13,029 |
| Non-current liabilities | | |
| Long-term borrowings | 393 | 306 |
| Provisions for maintenance of product’s function | 4 | – |
| Retirement benefit liability | 84 | 85 |
| Other provisions | 0 | 3 |
| Other | 851 | 816 |
| Total non-current liabilities | 1,334 | 1,213 |
| Total liabilities | 13,438 | 14,243 |
| Net assets | | |
| Shareholders’ equity | | |
| Share capital | 8,958 | 8,958 |
| Capital surplus | 10,135 | 10,135 |
| Retained earnings | 21,908 | 20,620 |
| Treasury shares | (305) | (305) |
| Total shareholders’ equity | 40,696 | 39,408 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 18 | 0 |
| Deferred gains or loss on hedges | 8 | (6) |
| Foreign currency translation adjustment | 14 | (8) |
| Remeasurements of defined benefit plans | 3 | 3 |
| Total accumulated other comprehensive income | 44 | (10) |
| Non-controlling interests | 514 | 496 |
| Total net assets | 41,256 | 39,894 |
| Total liabilities and net assets | 54,694 | 54,137 |

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

(Quarterly Consolidated Statements of Income)

(For the nine months ended May 31)

(Millions of yen)

| | For the nine months ended May 31, 2022 | For the nine months ended May 31, 2023 |
|---|---|---|
| Net sales | 20,768 | 21,196 |
| Cost of sales | 12,573 | 13,244 |
| Gross profit (loss) | 8,195 | 7,951 |
| Selling, general and administrative expenses | 5,021 | 5,775 |
| Operating profit (loss) | 3,174 | 2,176 |
| Non-operating income | | |
| Interest income | 5 | 6 |
| Dividend income | 10 | 11 |
| Rental income from real estate | 36 | 53 |
| Foreign exchange gains | 55 | 26 |
| Other | 49 | 53 |
| Total non-operating income | 156 | 151 |
| Non-operating expenses | | |
| Interest expenses | 7 | 56 |
| Rental expenses on real estate | 3 | 13 |
| Share issuance costs | 1 | 0 |
| Other | 2 | 4 |
| Total non-operating expenses | 15 | 74 |
| Ordinary profit (loss) | 3,315 | 2,253 |
| Extraordinary losses | | |
| Impairment loss | – | 115 |
| Loss on liquidation of subsidiaries and associates | – | 1,367 |
| Total extraordinary losses | – | 1,483 |
| Profit (loss) before income taxes | 3,315 | 770 |
| Income taxes-current | 1,100 | 532 |
| Profit (loss) | 2,215 | 237 |
| Profit (loss) attributable to non-controlling interests | 14 | 14 |
| Profit (loss) attributable to owners of parent | 2,200 | 223 |

(Quarterly Consolidated Statements of Comprehensive Income)

(For the nine months ended May 31)

(Millions of yen)

| | For the nine months ended May 31, 2022 | For the nine months ended May 31, 2023 |
|---|---|---|
| Profit (loss) | 2,215 | 237 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 13 | (18) |
| Deferred gains or loss on hedges | (43) | (25) |
| Foreign currency translation adjustment | 47 | (44) |
| Remeasurements of defined benefit plans | 1 | 0 |
| Total other comprehensive income | 18 | (88) |
| Comprehensive income | 2,234 | 149 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 2,175 | 167 |
| Comprehensive income attributable to non-controlling interests | 59 | (18) |

(3) Principal Notes for Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

There is no relevant information.

(Application of Special Accounting for Preparing Quarterly Consolidated Financial Statements)

・Calculation of tax expenses

Tax expenses are calculated by reasonably estimating the effective tax rate after tax effect accounting is applied to the profit before tax for the consolidated fiscal year which includes the nine months under review and then multiplying the profit before tax by said estimated effective tax rate.

(Changes in Accounting Policies)

・Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement

We have applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Implementation Guidance on Fair Value Measurement Standard") since the beginning of the three month period ended November 30, 2022, and determined to henceforth apply the new accounting policies stipulated by the Implementation Guidance on Fair Value Measurement Standard in accordance with the transitional treatment provided for in Paragraph 27-2 of the same guidance. This does not affect the quarterly consolidated financial statements.

(Revenue Recognition)

The information on the disaggregation of revenue from contracts with customers is shown in the "(Segment information), (3) Principal Notes for Quarterly Consolidated Financial Statements, 2. Quarterly Consolidated Financial Statements and Principal Notes."

(Segment Information)

I For the nine months ended May 31, 2022 (September 1, 2021 to May 31, 2022)

1. Information on the Amounts of Net Sales and Profit/Loss by Reportable Segments and Information on the Disaggregation of Revenue

(Millions of yen)

| | Reportable segments | | Total | Adjusted amount (Note 1) | Posted amount to the quarterly consolidated statements of income (Note 2) |
|---|---|---|---|---|---|
| | Construction Machinery | Press-in Work | | | |
| Net sales | | | | | |
| Japan | 12,520 | 4,313 | 16,834 | – | 16,834 |
| Other regions | 1,179 | 2,755 | 3,934 | – | 3,934 |
| Revenue from contracts with customers | 13,699 | 7,069 | 20,768 | – | 20,768 |
| Net sales to external customers | 13,699 | 7,069 | 20,768 | – | 20,768 |
| Intersegment net sales and transfer | 726 | 116 | 842 | (842) | – |
| Total | 14,426 | 7,185 | 21,611 | (842) | 20,768 |
| Segment profit | 3,917 | 946 | 4,863 | (1,689) | 3,174 |

Notes: 1. The segment profit adjustment of negative 1,689 million yen includes inter-segment transaction eliminations of 51 million yen and corporate expenses not allocated to any reportable segment of negative 1,740 million yen. The corporate expenses are mainly general administrative expenses not belonging to any reportable segment.

2. Segment profit is adjusted with operating profit presented in the quarterly consolidated statement of income.

2. Information on Impairment Loss for Non-current Assets by Reportable Segment

There is no relevant information.

II For the nine months ended May 31, 2023 (September 1, 2022 to May 31, 2023)

1. Information on the Amounts of Net Sales and Profit/Loss by Reportable Segments and Information on the Disaggregation of Revenue

(Millions of yen)

| | Reportable segments | | Total | Adjusted amount (Note 1) | Posted amount to the quarterly consolidated statements of income (Note 2) |
|---|---|---|---|---|---|
| | Construction Machinery | Press-in Work | | | |
| Net sales | | | | | |
| Japan | 13,466 | 4,578 | 18,044 | – | 18,044 |
| Other regions | 1,181 | 1,970 | 3,151 | – | 3,151 |
| Revenue from contracts with customers | 14,648 | 6,548 | 21,196 | – | 21,196 |
| Net sales to external customers | 14,648 | 6,548 | 21,196 | – | 21,196 |
| Intersegment net sales and transfer | 597 | 235 | 832 | (832) | – |
| Total | 15,245 | 6,784 | 22,029 | (832) | 21,196 |
| Segment profit | 3,317 | 831 | 4,149 | (1,972) | 2,176 |

Notes: 1. The segment profit adjustment of negative 1,972 million yen includes inter-segment transaction eliminations of negative 57 million yen and corporate expenses not allocated to any reportable segment of negative 1,915 million yen. The corporate expenses are mainly general administrative expenses not belonging to any reportable segment.

2. Segment profit is adjusted with operating profit presented in the quarterly consolidated statement of income.

2. Information on Impairment Loss for Non-current Assets by Reportable Segment

(Millions of yen)

| | Construction Machinery | Press-in Work | Corporate and elimination | Total |
|---|---|---|---|---|
| Impairment loss | – | – | 115 | 115 |

(Note) The amount of "Corporate and elimination" represents an impairment loss on corporate assets, which do not belong to any reportable segment.