

Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]



November 6, 2024

Company name: DAIHEN Corporation

Stock exchange listing: Tokyo Stock Exchange, Fukuoka Stock Exchange

Stock exchange code: 6622

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Scheduled date of commencing dividend payments: December 3, 2024

Availability of supplementary explanatory materials on financial results: Available

Schedule of financial results briefing session: Scheduled (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 – September 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	%
Six months ended								
September 30, 2024	96,088	21.7	5,064	(0.2)	5,766	(0.3)	4,215	3.1
September 30, 2023	78,935	(5.1)	5,071	(31.0)	5,785	(29.6)	4,087	(33.1)

(Note) Comprehensive income: Six months ended September 30, 2024: 4,454 million yen [(38.6)%]

Six months ended September 30, 2023: 7,256 million yen [(24.6)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	173.33	–
September 30, 2023	166.57	–

(2) Consolidated Financial Position

	Total assets	Total net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2024	277,916	150,198	48.9
As of March 31, 2024	277,200	148,595	48.4

(Reference) Equity: As of September 30, 2024: 135,776 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	–	82.50			
Fiscal year ending March 31, 2025 (Forecast)			–	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
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 semi-annual consolidated financial statements: Yes
(Note) For details, please see “2. Semi-annual Consolidated Financial Statements and Principal Notes (4) Notes to Semi-annual Consolidated Financial Statements (Accounting methods adopted particularly for the preparation of semi-annual 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):

September 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:

September 30, 2024:	1,298,872 shares
March 31, 2024:	1,186,740 shares
 - 3) Average number of shares during the period:

Six months ended September 30, 2024:	24,322,498 shares
Six months ended September 30, 2023:	24,540,319 shares
- (Note) The total number of treasury shares at the end of the period includes 113,900 shares of the Company held by the employee stock benefit trust as of September 30, 2024. In addition, the treasury shares deducted for calculating the average number of shares during the period include shares of the Company held by the trust.

* These semi-annual consolidated financial results are outside the scope of 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 Semi-annual 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 Semi-annual Financial Results

(1) Explanation of Operating Results

The performance of DAIHEN Corporation (the “Company”) and its subsidiaries (collectively, the “DAIHEN Group”) for the six months ended September 30, 2024 was orders received of 114,280 million yen (up 30.8% year-on-year) and net sales of 96,088 million yen (up 21.7% year-on-year) due to strong electrical infrastructure-related and semiconductor-related investments and the impact of newly consolidated subsidiaries acquired after the third quarter of the previous fiscal year. In income results, operating profit decreased slightly to 5,064 million yen (down 7 million yen year-on-year) and ordinary profit was 5,766 million yen (down 19 million yen year-on-year) partly due to advance investments for business expansion. Meanwhile, profit attributable to owners of parent was 4,215 million yen (up 128 million yen year-on-year) partly due to recording of gain on sale of investment securities.

The performance of each segment is as follows.

1) Energy Management

Replacement demand for power distribution products in Japan and large-class transformers abroad has increased. In addition, as Tohoku Electric Manufacturing Co., Ltd. and SHIHEN TECHNICAL Corporation have been added to the scope of consolidation, net sales were 50,092 million yen (up 42.2% year-on-year) and operating profit was 3,904 million yen (up 1,911 million yen year-on-year).

2) Factory Automation

Although demand for production automation remained firm, investments related to the automobile sector 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 14,158 million yen (down 18.2% year-on-year) and operating profit was 498 million yen (down 1,679 million yen year-on-year).

3) Material Processing

Due to an increase in demand for RF generators for semiconductor manufacturing, driven by the expanding applications of generative AI, and the addition of Lorch Schweisstechnik GmbH as a consolidated subsidiary, net sales were 31,753 million yen (up 20.7% year-on-year) and operating profit was 2,945 million yen (up 95 million yen year-on-year).

4) Other

Net sales were 97 million yen and operating profit was 21 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	60,442	+30.4%	50,092	+42.2%	3,904	+95.9%
Factory Automation	17,010	+6.9%	14,158	-18.2%	498	-77.1%
Material Processing	36,730	+46.8%	31,753	+20.7%	2,945	+3.4%
Other	97	+5.3%	97	+5.3%	21	-19.6%
Company Total	114,280	+30.8%	96,088	+21.7%	5,064	-0.2%

(2) Explanation of Financial Position

Total assets at the end of the six months ended September 30, 2024 increased by 716 million yen from the end of the previous fiscal year to 277,916 million yen. This is primarily attributable to increases in inventories and investment securities, despite a decrease in notes and accounts receivable - trade.

Total liabilities at the end of the six months ended September 30, 2024 decreased by 885 million yen from the end of the previous fiscal year to 127,718 million yen. This is primarily attributable to a decrease in notes and accounts payable - trade, despite an increase in borrowings.

Total net assets at the end of the six months ended September 30, 2024 increased by 1,602 million yen from the end of the previous fiscal year to 150,198 million yen. This is primarily attributable to a decrease due to the increase in treasury shares, despite an increase in retained earnings. The equity ratio increased by 0.5 percentage points from 48.4% to 48.9%.

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

The performance for the six months ended September 30, 2024 was higher than the consolidated financial results forecast announced on May 9, 2024.

In addition, the Company expects an increase in decarbonization-related investments in the second half of the current fiscal year and beyond. However, due to uncertainties over the economic policies of various countries, the consolidated financial results forecast for the fiscal year ending March 31, 2025 announced on May 9, 2024 remains unchanged at this point.

Should a revision of the consolidated financial results forecast become necessary, the Company will promptly disclose it.

(Note) For the period from October 1, 2024 to March 31, 2025, the assumed exchange rate remains unchanged at an average exchange rate of 145 yen per US dollar, the rate the Company announced on May 9, 2024.

(Reference) Comparison of consolidated financial results for the six months ended September 30, 2024 with consolidated financial results forecast announced on May 9, 2024.

(Million yen)

	Consolidated financial results forecast for the six months ended September 30, 2024 (announced on May 9, 2024)	Consolidated financial results for the six months ended September 30, 2024	Achievement rate
Net sales	90,000	96,088	106.8%
Operating profit	4,500	5,064	112.5%
Ordinary profit	5,000	5,766	115.3%
Profit attributable to owners of parent	3,500	4,215	120.4%

2. Semi-annual Consolidated Financial Statements and Principal Notes

(1) Semi-annual Consolidated Balance Sheets

(Million yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	23,327	27,946
Notes and accounts receivable - trade	57,746	41,755
Merchandise and finished goods	30,679	34,356
Work in process	16,793	20,512
Raw materials and supplies	51,540	53,746
Other	7,666	7,542
Allowance for doubtful accounts	(785)	(779)
Total current assets	186,968	185,080
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,640	22,958
Machinery, equipment and vehicles, net	8,251	9,043
Tools, furniture and fixtures, net	2,049	2,150
Land	13,161	13,478
Leased assets, net	345	405
Construction in progress	4,437	2,371
Total property, plant and equipment	48,886	50,410
Intangible assets		
Goodwill	591	549
Software	2,055	2,008
Leased assets	0	—
Other	2,334	2,218
Total intangible assets	4,982	4,776
Investments and other assets		
Investment securities	14,536	16,189
Investments in capital	700	700
Long-term prepaid expenses	393	370
Retirement benefit asset	17,649	17,458
Deferred tax assets	1,370	1,282
Other	1,758	2,017
Allowance for doubtful accounts	(45)	(369)
Total investments and other assets	36,362	37,649
Total non-current assets	90,231	92,836
Total assets	277,200	277,916

(Million yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,040	18,065
Electronically recorded obligations - operating	15,410	14,397
Short-term borrowings	30,192	32,863
Current portion of long-term borrowings	5,121	2,435
Lease liabilities	90	103
Income taxes payable	2,184	1,886
Provision for bonuses	3,285	3,434
Provision for bonuses for directors (and other officers)	78	34
Provision for loss on construction contracts	122	68
Other	10,111	8,693
Total current liabilities	86,638	81,982
Non-current liabilities		
Long-term borrowings	30,850	34,907
Lease liabilities	197	256
Deferred tax liabilities	4,855	4,746
Provision for retirement benefits for directors (and other officers)	109	93
Provision for loss on guarantees	765	563
Provision for construction expenses related to earthquake resistance renovation	578	576
Provision for product safety measures	3	33
Retirement benefit liability	2,954	2,956
Asset retirement obligations	108	108
Other	1,542	1,494
Total non-current liabilities	41,965	45,735
Total liabilities	128,604	127,718
Net assets		
Shareholders' equity		
Share capital	10,596	10,596
Capital surplus	10,010	10,026
Retained earnings	94,767	97,365
Treasury shares	(2,349)	(3,376)
Total shareholders' equity	113,025	114,611
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,208	6,353
Deferred gains or losses on hedges	(0)	—
Foreign currency translation adjustment	9,104	9,202
Remeasurements of defined benefit plans	5,798	5,608
Total accumulated other comprehensive income	21,110	21,164
Non-controlling interests	14,459	14,421
Total net assets	148,595	150,198
Total liabilities and net assets	277,200	277,916

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income
Semi-annual Consolidated Statements of Income

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	78,935	96,088
Cost of sales	55,958	68,162
Gross profit	22,976	27,925
Selling, general and administrative expenses	17,905	22,861
Operating profit	5,071	5,064
Non-operating income		
Interest and dividend income	236	528
Foreign exchange gains	382	–
Subsidy income	20	413
Other	571	586
Total non-operating income	1,210	1,528
Non-operating expenses		
Interest expenses	207	390
Foreign exchange losses	–	62
Compensation expenses for damage	–	130
Other	289	242
Total non-operating expenses	496	826
Ordinary profit	5,785	5,766
Extraordinary income		
Gain on sale of investment securities	95	644
Reversal of provision for loss on guarantees	67	202
Total extraordinary income	162	846
Extraordinary losses		
Provision of allowance for doubtful accounts	217	323
Total extraordinary losses	217	323
Profit before income taxes	5,731	6,289
Income taxes	1,619	1,768
Profit	4,111	4,520
Profit attributable to non-controlling interests	24	304
Profit attributable to owners of parent	4,087	4,215

Semi-annual Consolidated Statements of Comprehensive Income

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	4,111	4,520
Other comprehensive income		
Valuation difference on available-for-sale securities	987	165
Deferred gains or losses on hedges	–	0
Foreign currency translation adjustment	2,223	(24)
Remeasurements of defined benefit plans, net of tax	(124)	(210)
Share of other comprehensive income of entities accounted for using equity method	57	2
Total other comprehensive income	3,144	(66)
Comprehensive income	7,256	4,454
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,214	4,153
Comprehensive income attributable to non-controlling interests	42	301

(3) Semi-annual Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	5,731	6,289
Depreciation	2,421	3,119
Amortization of goodwill	–	34
Increase (decrease) in allowance for doubtful accounts	213	323
Increase (decrease) in provision for bonuses	(1,182)	150
Increase (decrease) in provision for loss on construction contracts	(2)	(54)
Increase (decrease) in provision for loss on guarantees	(67)	(202)
Increase (decrease) in provision for construction expenses related to earthquake resistance renovation	(35)	(2)
Increase (decrease) in retirement benefit liability	(111)	(15)
Decrease (increase) in retirement benefit asset	185	190
Interest and dividend income	(236)	(528)
Interest expenses	207	390
Loss (gain) on sale of investment securities	(95)	(644)
Compensation expenses for damage	–	130
Subsidy income	(20)	(413)
Decrease (increase) in trade receivables	8,618	16,104
Decrease (increase) in inventories	(13,290)	(8,406)
Increase (decrease) in trade payables	(10,182)	(3,412)
Other, net	(1,078)	(1,629)
Subtotal	(8,925)	11,424
Interest and dividends received	245	534
Interest paid	(206)	(386)
Subsidies received	20	413
Income taxes paid	(2,672)	(1,585)
Net cash provided by (used in) operating activities	(11,537)	10,400
Cash flows from investing activities		
Net decrease (increase) in time deposits	–	(3,001)
Purchase of property, plant and equipment	(2,569)	(3,041)
Proceeds from sale of property, plant and equipment	29	42
Purchase of intangible assets	(266)	(192)
Proceeds from sale of investment securities	111	715
Purchase of shares of subsidiaries	–	(1,576)
Other, net	(164)	(456)
Net cash provided by (used in) investing activities	(2,860)	(7,508)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,434	2,228
Proceeds from long-term borrowings	15,000	6,000
Repayments of long-term borrowings	(2,442)	(4,577)
Purchase of treasury shares	(4)	(1,031)
Dividends paid	(2,138)	(2,019)
Other, net	(61)	(318)
Net cash provided by (used in) financing activities	11,788	281
Effect of exchange rate change on cash and cash equivalents	1,367	(744)
Net increase (decrease) in cash and cash equivalents	(1,241)	2,428
Cash and cash equivalents at beginning of period	14,853	22,077
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	–	164
Increase(decrease) in cash resulting from fiscal year change of subsidiaries	–	(1,213)
Cash and cash equivalents at end of period	13,611	23,457

(4) Notes to Semi-annual 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 semi-annual 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 semi-annual 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 semi-annual 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 six months ended September 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	35,234	17,307	26,300	78,842	92	78,935
Inter-segment net sales or transfers	-	7	0	8	-	8
Total	35,234	17,315	26,301	78,851	92	78,944
Segment profit	1,993	2,178	2,849	7,021	26	7,048

(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 Semi-annual Consolidated Statements of Income and the main contents of the difference (matters concerning variation adjustment)

(Million yen)

Profit	Amount
Reportable Segment Total	7,021
Profit in “Other” category	26
Elimination of inter-segment transactions	(0)
Company-wide expenses (Note)	(1,976)
Operating profit in Semi-annual Consolidated Statements of Income	5,071

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

II. For the six months ended September 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	50,092	14,146	31,752	95,991	97	96,088
Inter-segment net sales or transfers	-	12	1	13	-	13
Total	50,092	14,158	31,753	96,004	97	96,101
Segment profit	3,904	498	2,945	7,348	21	7,369

(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 Semi-annual Consolidated Statements of Income and the main contents of the difference (matters concerning variation adjustment)

(Million yen)

Profit	Amount
Reportable Segment Total	7,348
Profit in “Other” category	21
Elimination of inter-segment transactions	1
Company-wide expenses (Note)	(2,306)
Operating profit in Semi-annual Consolidated Statements of Income	5,064

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

3. Information on impairment loss on non-current assets or goodwill by reportable segment

(Material changes in goodwill amount)

For the business combination with Lorch Schweißtechnik GmbH, which was executed on January 1, 2024 (Date of the Business Combination), provisional accounting treatment was applied in the previous fiscal year and has since been finalized during the six months ended September 30, 2024. This finalization has decreased the amount of goodwill in Material Processing.

For further details, please refer to the section titled “Notes (Business Combination).”

(Business Combination)

(The finalization of the provisional accounting treatment for the business combination)

For the business combination with Lorch Schweißtechnik GmbH, which was executed on January 1, 2024 (Date of the Business Combination), provisional accounting treatment was applied in the previous fiscal year and has since been finalized during the six months ended September 30, 2024.

With this finalization, the comparative information included in the semi-annual consolidated financial statements as of September 30, 2024 reflects a material revision in the initial allocation of acquisition cost.

As a result, the provisionally estimated amount of goodwill of 2,040 million yen decreased by 1,449 million yen to 591 million yen. The decrease in goodwill is due to increases of 2,025 million yen in other under intangible assets (customer-related intangible assets) and 575 million yen in deferred tax liabilities.

Furthermore, the consolidated balance sheets at the end of the previous fiscal year indicates increases of 2,025 million yen in other under intangible assets (customer-related intangible assets) and 575 million yen in deferred tax liabilities.

The amortization period of goodwill is 9 years, while the amortization period of other under intangible assets (customer-related intangible assets) is from 10 to 20 years.

(Significant subsequent events)

Not applicable.