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Consolidated Financial Results for the Nine Months Ended December 31, 2024 [Japanese GAAP]



February 4, 2025

Company name: DAIHEN Corporation

Stock exchange listing: Tokyo Stock Exchange, Fukuoka Stock Exchange

Stock exchange code: 6622

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

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Scheduled date of commencing dividend payments: -

Availability of supplementary explanatory materials on financial results: No

Schedule of financial results briefing session: No

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2024 (April 1, 2024 – December 31, 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	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2024	155,825	22.5	10,256	31.2	11,241	32.0	7,653	(32.1)
December 31, 2023	127,235	(0.0)	7,818	(30.2)	8,514	(29.5)	11,269	27.0

(Note) Comprehensive income: Nine months ended December 31, 2024: 11,069 million yen [(18.3)%]

Nine months ended December 31, 2023: 13,557 million yen [23.6%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2024	314.76	—
December 31, 2023	459.55	—

(2) Consolidated Financial Position

	Total assets	Total net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2024	286,388	154,799	48.9
As of March 31, 2024	277,200	148,595	48.4

(Reference) Equity: As of December 31, 2024: 140,018 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 quarterly consolidated financial statements: Yes

(Note) For details, please see “2. Quarterly Consolidated Financial Statements and Principal Notes (3) Notes to Quarterly Consolidated Financial Statements (Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)” on page 8 of the attachments.

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: None

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

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

As of December 31, 2024: 25,603,291 shares

As of March 31, 2024: 25,603,291 shares

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

As of December 31, 2024: 1,299,087 shares

As of March 31, 2024: 1,186,740 shares

3) Average number of shares during the period:

Nine months ended December 31, 2024: 24,316,413 shares

Nine months ended December 31, 2023: 24,522,730 shares

(Note) The total number of treasury shares at the end of the period includes 113,800 shares of the Company held by the employee stock benefit trust as of December 31, 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.

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

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

The earnings forecasts and other forward-looking statements contained in this report are based on information available to the Company on the date of this report's release and certain premises that the Company deems to be reasonable. Actual financial results, etc. may differ significantly due to a wide range of factors. For details on the earnings forecasts of the Company, please see “1. 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 business environment for DAIHEN Corporation (the “Company”) and its subsidiaries (collectively, the “DAIHEN Group”) for the nine months ended December 31, 2024 saw a continued trend of restraint in production automation-related investment. However, electrical infrastructure-related and semiconductor-related investment remained strong. Additionally, the impact of newly consolidated subsidiaries acquired after the third quarter of the previous fiscal year contributed to orders received of 178,098 million yen (up 15.0% year-on-year) and net sales of 155,825 million yen (up 22.5% year-on-year). In income results, operating profit increased to 10,256 million yen (up 2,437 million yen year-on-year), and ordinary profit increased to 11,241 million yen (up 2,727 million yen year-on-year), driven by higher net sales and the effects of cost reduction measures. Meanwhile, profit attributable to owners of parent decreased to 7,653 million yen (down 3,615 million yen year-on-year) due to the impact of factors including gain on bargain purchase associated with the acquisition of shares of subsidiaries, which was recorded in the previous fiscal year.

The performance of each segment is as follows.

1) Energy Management

Investment in the replacement of power distribution products and power-receiving facilities for plants in Japan has remained strong, and owing to the expansion of the power supply-demand adjustment market for the purpose of effectively utilizing renewable energy, sales of storage battery systems increased. In addition, as Tohoku Electric Manufacturing Co., Ltd. and SHIHEN TECHNICAL Corporation have been added to the scope of consolidation, net sales were 83,810 million yen (up 30.8% year-on-year) and operating profit was 8,018 million yen (up 3,796 million yen year-on-year).

2) Factory Automation

Due to uncertainty over economic trends, the postponement of investments related to the automobile sector and others in Europe and the U.S. continued. As a result, net sales were 21,491 million yen (down 10.8% year-on-year) and operating profit was 671 million yen (down 1,747 million yen year-on-year). Meanwhile, production automation investment showed signs of recovery in Japan and other Asian countries, leading to an increase in orders received (up 16.1% year-on-year).

3) Material Processing

Due to an increase in demand for RF generator systems for semiconductor manufacturing, driven by the expanding investment in advanced semiconductors for generative AI application as well as continued investment in mature-generation semiconductors in China, and the addition of Lorch Schweißtechnik GmbH as a consolidated subsidiary, net sales were 50,433 million yen (up 29.5% year-on-year) and operating profit was 4,938 million yen (up 879 million yen year-on-year).

4) Other

Net sales were 144 million yen and operating profit was 31 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	YoY change	Amount	YoY change	Amount	YoY change
Energy Management	94,199	+0.3%	83,810	+30.8%	8,018	+89.9%
Factory Automation	26,424	+16.1%	21,491	-10.8%	671	-72.2%
Material Processing	57,330	+51.1%	50,433	+29.5%	4,938	+21.7%
Other	144	+5.7%	144	+5.7%	31	+115.6%
Company Total	178,098	+15.0%	155,825	+22.5%	10,256	+31.2%

(2) Explanation of Financial Position

Total assets at the end of the nine months ended December 31, 2024 increased by 9,188 million yen from the end of the previous fiscal year to 286,388 million yen. This is primarily attributable to increases in inventories and buildings and structures, despite a decrease in notes and accounts receivable - trade.

Total liabilities at the end of the nine months ended December 31, 2024 increased by 2,985 million yen from the end of the previous fiscal year to 131,589 million yen. This is primarily attributable to an increase in notes and accounts payable - trade, despite a decrease in provision for bonuses.

Total net assets at the end of the nine months ended December 31, 2024 increased by 6,203 million yen from the end of the previous fiscal year to 154,799 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

No changes have been made to the consolidated financial results forecast for the full year ending March 31, 2025 announced on May 9, 2024. Should a revision of the consolidated financial results forecast become necessary, the Company will promptly disclose it.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	23,327	28,116
Notes and accounts receivable - trade	57,746	44,712
Merchandise and finished goods	30,679	32,918
Work in process	16,793	22,493
Raw materials and supplies	51,540	54,954
Other	7,666	8,042
Allowance for doubtful accounts	(785)	(1,097)
Total current assets	186,968	190,141
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,640	23,241
Machinery, equipment and vehicles, net	8,251	9,511
Tools, furniture and fixtures, net	2,049	2,228
Land	13,161	13,535
Leased assets, net	345	396
Construction in progress	4,437	3,907
Total property, plant and equipment	48,886	52,820
Intangible assets		
Goodwill	591	551
Software	2,055	2,275
Leased assets	0	—
Other	2,334	2,256
Total intangible assets	4,982	5,083
Investments and other assets		
Investment securities	14,536	17,029
Investments in capital	700	684
Long-term prepaid expenses	393	353
Retirement benefit asset	17,649	17,373
Deferred tax assets	1,370	1,228
Other	1,758	1,702
Allowance for doubtful accounts	(45)	(29)
Total investments and other assets	36,362	38,342
Total non-current assets	90,231	96,246
Total assets	277,200	286,388

(Million yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,040	21,316
Electronically recorded obligations - operating	15,410	15,789
Short-term borrowings	30,192	22,421
Current portion of long-term borrowings	5,121	6,040
Lease liabilities	90	115
Income taxes payable	2,184	1,771
Provision for bonuses	3,285	1,953
Provision for bonuses for directors (and other officers)	78	49
Provision for loss on construction contracts	122	49
Other	10,111	11,830
Total current liabilities	86,638	81,339
Non-current liabilities		
Long-term borrowings	30,850	39,132
Lease liabilities	197	236
Deferred tax liabilities	4,855	4,765
Provision for retirement benefits for directors (and other officers)	109	98
Provision for loss on guarantees	765	644
Provision for share awards	—	81
Provision for construction expenses related to earthquake resistance renovation	578	574
Provision for product safety measures	3	2
Retirement benefit liability	2,954	3,083
Asset retirement obligations	108	108
Other	1,542	1,522
Total non-current liabilities	41,965	50,250
Total liabilities	128,604	131,589
Net assets		
Shareholders' equity		
Share capital	10,596	10,596
Capital surplus	10,010	10,026
Retained earnings	94,767	98,790
Treasury shares	(2,349)	(3,377)
Total shareholders' equity	113,025	116,036
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,208	6,657
Deferred gains or losses on hedges	(0)	(3)
Foreign currency translation adjustment	9,104	12,012
Remeasurements of defined benefit plans	5,798	5,315
Total accumulated other comprehensive income	21,110	23,982
Non-controlling interests	14,459	14,780
Total net assets	148,595	154,799
Total liabilities and net assets	277,200	286,388

(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, 2023	For the nine months ended December 31, 2024
Net sales	127,235	155,825
Cost of sales	91,180	110,614
Gross profit	36,055	45,211
Selling, general and administrative expenses	28,236	34,954
Operating profit	7,818	10,256
Non-operating income		
Interest and dividend income	392	698
Share of profit of entities accounted for using equity method	228	0
Foreign exchange gains	192	189
Subsidy income	23	431
Other	634	872
Total non-operating income	1,470	2,192
Non-operating expenses		
Interest expenses	363	627
Compensation expenses for damage	38	119
Other	373	460
Total non-operating expenses	775	1,207
Ordinary profit	8,514	11,241
Extraordinary income		
Gain on bargain purchase	9,919	—
Gain on sale of investment securities	264	681
Reversal of provision for loss on guarantees	45	120
Total extraordinary income	10,229	802
Extraordinary losses		
Loss on step acquisitions	4,600	—
Provision of allowance for doubtful accounts	277	315
Loss on revision of retirement benefit plan	—	96
Total extraordinary losses	4,877	411
Profit before income taxes	13,866	11,632
Income taxes	2,386	3,312
Profit	11,480	8,319
Profit attributable to non-controlling interests	210	665
Profit attributable to owners of parent	11,269	7,653

Quarterly Consolidated Statements of Comprehensive Income
Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Profit	11,480	8,319
Other comprehensive income		
Valuation difference on available-for-sale securities	762	468
Deferred gains or losses on hedges	(4)	(3)
Foreign currency translation adjustment	1,486	2,792
Remeasurements of defined benefit plans, net of tax	(226)	(513)
Share of other comprehensive income of entities accounted for using equity method	58	6
Total other comprehensive income	2,076	2,750
Comprehensive income	13,557	11,069
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,329	10,409
Comprehensive income attributable to non-controlling interests	227	660

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

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

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

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

- Calculation of tax expenses

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

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

(Additional information)

- Change in fiscal year of a consolidated subsidiary

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

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

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

(Segment information, etc.)

I. For the nine months ended December 31, 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	64,059	24,094	38,945	127,099	136	127,235
Inter-segment net sales or transfers	-	11	1	13	-	13
Total	64,059	24,106	38,946	127,112	136	127,249
Segment profit	4,222	2,418	4,059	10,700	14	10,715

(Note) “Other” refers to business segments not included in the reportable segments and includes the real estate leasing business, etc.

2. Information on assets by reportable segment

(Significant increase in assets due to acquisition of subsidiaries)

Segment assets in “Energy Management” increased by 24,477 million yen from the end of the previous fiscal year due to the inclusion of Tohoku Electric Manufacturing Co., Ltd. and SHIHEN TECHNICAL Corporation in the scope of consolidation in the third quarter ended December 31, 2023.

3. 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	10,700
Profit in “Other” category	14
Elimination of inter-segment transactions	(0)
Company-wide expenses (Note)	(2,895)
Operating profit in Quarterly Consolidated Statements of Income	7,818

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

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

(Significant gain on bargain purchase)

The Company recorded a gain on bargain purchase of 9,919 million yen for the nine months ended December 31, 2023, due to the consolidation of Tohoku Electric Manufacturing Co., Ltd. and SHIHEN TECHNICAL Corporation as subsidiaries, respectively, in the “Energy Management” segment.

II. For the nine months ended December 31, 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	83,810	21,441	50,429	155,681	144	155,825
Inter-segment net sales or transfers	-	49	4	54	-	54
Total	83,810	21,491	50,433	155,735	144	155,880
Segment profit	8,018	671	4,938	13,628	31	13,659

(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	13,628
Profit in “Other” category	31
Elimination of inter-segment transactions	1
Company-wide expenses (Note)	(3,404)
Operating profit in Quarterly Consolidated Statements of Income	10,256

(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).”

(Notes to the statements of cash flows)

Quarterly consolidated statements of cash flows for the nine months ended December 31, 2024 have not been prepared. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the nine months ended December 31, 2024 are as follows.

(Million yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Depreciation	3,907	4,787
Amortization of goodwill	-	51

(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 quarterly consolidated financial statements as of December 31, 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.

(Revenue recognition)

Information that disaggregates revenue from contracts with customers

For the nine months ended December 31, 2023

(Million yen)

	Reportable segment				Other (Note)	Total
	Energy Management	Factory Automation	Material Processing	Total		
Japan	61,194	7,620	30,745	99,559	6	99,565
North America	-	2,765	1,697	4,463	-	4,463
Asia	2,819	10,910	5,429	19,159	-	19,159
Other	46	2,798	1,072	3,917	-	3,917
Revenue from contracts with customers	64,059	24,094	38,945	127,099	6	127,105
Other revenue	-	-	-	-	130	130
Net sales to outside customers	64,059	24,094	38,945	127,099	136	127,235

(Note) “Other” refers to business segments not included in the reportable segments and includes the real estate leasing business, etc.

For the nine months ended December 31, 2024

(Million yen)

	Reportable segment				Other (Note)	Total
	Energy Management	Factory Automation	Material Processing	Total		
Japan	79,449	5,602	37,868	122,921	5	122,926
North America	-	1,880	1,800	3,681	-	3,681
Asia	4,361	10,750	5,692	20,803	-	20,803
Other	0	3,207	5,067	8,274	-	8,274
Revenue from contracts with customers	83,810	21,441	50,429	155,681	5	155,686
Other revenue	-	-	-	-	138	138
Net sales to outside customers	83,810	21,441	50,429	155,681	144	155,825

(Note) “Other” refers to business segments not included in the reportable segments and includes the real estate leasing business, etc.

(Significant subsequent events)

Not applicable.