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May 11, 2023

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Under Japanese GAAP)

Company name: DAIKEN CORPORATION
 Listing: Tokyo Stock Exchange
 Securities code: 7905
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 Scheduled date of annual general meeting of shareholders: June 23, 2023
 Scheduled date to commence dividend payments: June 26, 2023
 Scheduled date to file annual securities report: June 26, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	228,826	2.4	9,856	(43.2)	13,008	(30.5)	10,325	31.2
March 31, 2022	223,377	12.1	17,361	97.8	18,725	88.5	7,872	40.1

Note: Comprehensive income For the fiscal year ended March 31, 2023: ¥14,787 million [(13.6)%
 For the fiscal year ended March 31, 2022: ¥17,123 million [4.5 %]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
March 31, 2023	396.10	—	12.9	7.0	4.3
March 31, 2022	302.18	—	10.9	10.5	7.8

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended March 31, 2023: ¥1,914 million
 For the fiscal year ended March 31, 2022: ¥46 million

(2) Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2023	185,797	92,318	45.0	3,203.58
March 31, 2022	183,391	90,563	41.7	2,935.31

Reference: Equity
 As of March 31, 2023: ¥83,523 million
 As of March 31, 2022: ¥76,487 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	(107)	575	247	15,936
March 31, 2022	16,834	(6,636)	(10,737)	17,407

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2022	—	45.00	—	55.00	100.00	2,605	33.1	3.6
March 31, 2023	—	50.00	—	60.00	110.00	2,867	27.8	3.6
March 31, 2024 (Forecast)	—	60.00	—	60.00	120.00		52.1	

3. Earnings forecast of consolidated financial results for fiscal year ending March 31, 2024 (From April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	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
Six months ending September 30, 2023	114,000	(5.2)	2,800	(66.3)	4,200	(57.7)	1,900	(75.6)	72.88
Full year	235,000	2.7	8,000	(18.8)	10,900	(16.2)	6,000	(41.9)	230.13

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (3) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2023	27,080,043 shares
As of March 31, 2022	27,080,043 shares

- (ii) Number of treasury shares at the end of the period

As of March 31, 2023	1,008,155 shares
As of March 31, 2022	1,022,456 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2023	26,068,349 shares
Fiscal year ended March 31, 2022	26,054,391 shares

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Explanation for the appropriate use of performance forecasts and other special notes:

(Cautionary note on forward-looking statement)

The statements regarding forecast of financial results in this report are based on the information that is available to the Company, as well as certain assumptions that are deemed to be reasonable by management, and they are not meant to be a commitment by the Company. Therefore, there might be cases in which actual results differ materially from forecast values due to various factors.

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	22,881	19,574
Notes receivable - trade	1,161	1,214
Electronically recorded monetary claims - operating	9,077	13,941
Accounts receivable - trade	28,655	28,801
Contract assets	1,423	2,162
Merchandise and finished goods	20,212	22,167
Work in process	3,072	3,513
Raw materials and supplies	11,203	10,650
Other	4,729	5,372
Allowance for doubtful accounts	(132)	(161)
Total current assets	102,286	107,236
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,970	8,874
Machinery, equipment and vehicles, net	19,166	14,508
Land	14,310	12,995
Construction in progress	1,292	912
Other, net	2,712	2,475
Total property, plant and equipment	49,451	39,765
Intangible assets		
Goodwill	12,415	10,145
Software	1,165	1,360
Other	1,391	2,000
Total intangible assets	14,972	13,506
Investments and other assets		
Investment securities	11,719	19,621
Retirement benefit asset	2,529	2,959
Deferred tax assets	1,033	1,263
Other	1,414	1,479
Allowance for doubtful accounts	(42)	(43)
Total investments and other assets	16,654	25,280
Total non-current assets	81,077	78,552
Deferred assets		
Bond issuance costs	27	7
Total deferred assets	27	7
Total assets	183,391	185,797

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,672	15,738
Electronically recorded obligations - operating	6,978	12,096
Short-term borrowings	5,983	11,252
Current portion of bonds payable	8,000	—
Current portion of long-term borrowings	2,860	5,817
Lease liabilities	110	68
Accounts payable - other	19,434	21,313
Income taxes payable	1,325	698
Accrued consumption taxes	116	121
Provision for bonuses	2,723	2,383
Provision for product warranties	282	258
Provision for loss on litigation	27	—
Other	5,764	5,191
Total current liabilities	74,280	74,939
Non-current liabilities		
Bonds payable	5,000	5,000
Long-term borrowings	6,360	7,500
Lease liabilities	184	62
Deferred tax liabilities	1,627	861
Provision for product warranties	691	609
Retirement benefit liability	3,573	3,426
Provision for loss on litigation	358	447
Negative goodwill	13	10
Other	738	622
Total non-current liabilities	18,547	18,539
Total liabilities	92,828	93,478
Net assets		
Shareholders' equity		
Share capital	15,300	15,300
Capital surplus	13,958	13,965
Retained earnings	38,501	46,089
Treasury shares	(1,364)	(1,345)
Total shareholders' equity	66,395	74,009
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,924	2,902
Deferred gains or losses on hedges	459	(40)
Foreign currency translation adjustment	4,380	4,934
Remeasurements of defined benefit plans	1,327	1,717
Total accumulated other comprehensive income	10,091	9,513
Non-controlling interests	14,075	8,794
Total net assets	90,563	92,318
Total liabilities and net assets	183,391	185,797

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	223,377	228,826
Cost of sales	160,210	170,399
Gross profit	63,167	58,427
Selling, general and administrative expenses	45,805	48,570
Operating profit	17,361	9,856
Non-operating income		
Interest income	62	310
Dividend income	348	387
Rental income	99	97
Subsidy income	31	70
Dividend income of life insurance	41	42
Amortization of negative goodwill	2	2
Share of profit of entities accounted for using equity method	46	1,914
Foreign exchange gains	46	4
Emission credit income	512	107
Miscellaneous income	470	452
Total non-operating income	1,661	3,388
Non-operating expenses		
Interest expenses	203	131
Loss on sale of trade receivables	8	10
Miscellaneous expenses	86	94
Total non-operating expenses	298	236
Ordinary profit	18,725	13,008
Extraordinary income		
Gain on sale of non-current assets	12	500
Gain on sale of investment securities	1,190	1,455
Gain on change in equity	—	4,104
Other	—	201
Total extraordinary income	1,203	6,262
Extraordinary losses		
Loss on sale of non-current assets	2	—
Loss on retirement of non-current assets	110	123
Impairment losses	1,232	84
Provision for loss on litigation	177	111
Extra payments for early retirements	—	228
Loss on disaster	133	140
Other	9	60
Total extraordinary losses	1,664	749
Profit before income taxes	18,264	18,522
Income taxes - current	6,079	3,920
Income taxes - deferred	(891)	88
Total income taxes	5,188	4,009
Profit	13,076	14,513
Profit attributable to non-controlling interests	5,203	4,187
Profit attributable to owners of parent	7,872	10,325

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	13,076	14,513
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,162)	(1,021)
Deferred gains or losses on hedges	186	(514)
Foreign currency translation adjustment	4,708	1,467
Remeasurements of defined benefit plans, net of tax	315	392
Share of other comprehensive income of entities accounted for using equity method	0	(50)
Total other comprehensive income	4,047	274
Comprehensive income	17,123	14,787
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,798	9,747
Comprehensive income attributable to non-controlling interests	6,325	5,039

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	15,300	13,948	33,009	(1,381)	60,877
Cumulative effects of changes in accounting policies			(167)		(167)
Restated balance	15,300	13,948	32,842	(1,381)	60,710
Changes during period					
Dividends of surplus			(2,214)		(2,214)
Profit attributable to owners of parent			7,872		7,872
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		9		17	27
Net changes in items other than shareholders' equity					
Total changes during period	—	9	5,658	17	5,685
Balance at end of period	15,300	13,958	38,501	(1,364)	66,395

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	5,086	265	793	1,019	7,165	8,728	76,771
Cumulative effects of changes in accounting policies							(167)
Restated balance	5,086	265	793	1,019	7,165	8,728	76,604
Changes during period							
Dividends of surplus							(2,214)
Profit attributable to owners of parent							7,872
Purchase of treasury shares							(0)
Disposal of treasury shares							27
Net changes in items other than shareholders' equity	(1,162)	193	3,587	307	2,925	5,347	8,273
Total changes during period	(1,162)	193	3,587	307	2,925	5,347	13,958
Balance at end of period	3,924	459	4,380	1,327	10,091	14,075	90,563

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	15,300	13,958	38,501	(1,364)	66,395
Changes during period					
Dividends of surplus			(2,736)		(2,736)
Profit attributable to owners of parent			10,325		10,325
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		6		19	25
Net changes in items other than shareholders' equity					
Total changes during period	—	6	7,588	18	7,614
Balance at end of period	15,300	13,965	46,089	(1,345)	74,009

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,924	459	4,380	1,327	10,091	14,075	90,563
Changes during period							
Dividends of surplus							(2,736)
Profit attributable to owners of parent							10,325
Purchase of treasury shares							(0)
Disposal of treasury shares							25
Net changes in items other than shareholders' equity	(1,021)	(499)	553	390	(578)	(5,281)	(5,859)
Total changes during period	(1,021)	(499)	553	390	(578)	(5,281)	1,755
Balance at end of period	2,902	(40)	4,934	1,717	9,513	8,794	92,318

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	18,264	18,522
Depreciation	5,546	5,192
Impairment losses	1,232	84
Amortization of bond issuance costs	24	19
Loss on retirement of non-current assets	110	123
Loss (gain) on sale of non-current assets	(10)	(500)
Loss (gain) on sale of investment securities	(1,190)	(1,455)
Loss (gain) on valuation of investment securities	1	18
Loss (gain) on change in equity	—	(4,104)
Amortization of goodwill	1,686	1,810
Increase (decrease) in allowance for doubtful accounts	(19)	29
Increase (decrease) in provision for bonuses	203	(316)
Increase (decrease) in provision for product warranties	(118)	(105)
Increase (decrease) in retirement benefit liability	(189)	(576)
Increase (decrease) in provision for loss on litigation	86	61
Interest and dividend income	(410)	(698)
Interest expenses	203	131
Foreign exchange losses (gains)	(81)	(38)
Share of loss (profit) of entities accounted for using equity method	(46)	(1,914)
Decrease (increase) in trade receivables	(1,601)	(7,732)
Decrease (increase) in inventories	(4,650)	(6,472)
Increase (decrease) in trade payables	3,926	2,757
Decrease (increase) in consumption taxes refund receivable	(251)	(596)
Increase (decrease) in accrued consumption taxes	(677)	4
Other, net	962	(296)
Subtotal	23,000	3,950
Interest and dividends received	410	698
Interest paid	(204)	(129)
Income taxes paid	(6,371)	(4,626)
Net cash provided by (used in) operating activities	16,834	(107)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from investing activities		
Net decrease (increase) in time deposits	(5,038)	1,986
Purchase of property, plant and equipment	(2,803)	(2,879)
Proceeds from sale of property, plant and equipment	58	1,081
Purchase of investment securities	(25)	(15)
Proceeds from sale of investment securities	2,025	2,149
Other, net	(853)	(1,747)
Net cash provided by (used in) investing activities	(6,636)	575
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(4,018)	10,380
Redemption of bonds	—	(8,000)
Proceeds from long-term borrowings	—	10,000
Repayments of long-term borrowings	(3,363)	(2,860)
Repayments of finance lease liabilities	(163)	(98)
Purchase of treasury shares	(0)	(0)
Dividends paid	(2,214)	(2,736)
Dividends paid to non-controlling interests	(977)	(6,437)
Net cash provided by (used in) financing activities	(10,737)	247
Effect of exchange rate change on cash and cash equivalents	513	593
Net increase (decrease) in cash and cash equivalents	(25)	1,308
Cash and cash equivalents at beginning of period	17,433	17,407
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(2,779)
Cash and cash equivalents at end of period	17,407	15,936