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Consolidated Financial Results for the Three Months Ended November 30, 2024 [JGAAP]

January 10, 2025

Company Name: GIKEN LTD.
Stock Exchange Listing: Tokyo
Securities Code: 6289 (URL <https://www.giken.com>)
Representative: Atsushi Ohira, Representative Director and President and CEO
Contact: Tsuyoshi Tanouchi, Managing Operating Officer
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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 Three Months Ended November 30, 2024 (from September 1, 2024 to November 30, 2024)

(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	%
Three months ended November 30, 2024	5,532	(25.4)	645	(46.2)	679	(46.3)	366	(58.0)
Three months ended November 30, 2023	7,418	(0.9)	1,198	6.7	1,265	7.2	872	21.5

(Note) Comprehensive income: Three months ended November 30, 2024: ¥149 million [(86.3)%]
Three months ended November 30, 2023: ¥1,086 million [57.0%]

	Profit per share	Fully diluted profit per share
	Yen	Yen
Three months ended November 30, 2024	13.69	-
Three months ended November 30, 2023	32.49	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of November 30, 2024	47,367	40,006	84.5
As of August 31, 2024	48,129	40,446	84.0

(Reference) Equity: As of November 30, 2024: ¥40,006 million As of August 31, 2024: ¥40,446 million

2. Dividends

	Annual cash dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended August 31, 2024	-	20.00	-	22.00	42.00
Fiscal year ending August 31, 2025	-				
Fiscal year ending August 31, 2025 (Forecast)		22.00	-	22.00	44.00

(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, 2025 (from September 1, 2024 to August 31, 2025)

(% 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
First half	15,700	1.1	2,550	5.5	2,600	0.4	1,900	2.7	70.98
Full year	30,000	1.8	3,500	5.3	3,600	0.5	2,600	6.7	97.13

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

* Notes

(1) Significant changes in the scope of consolidation during the three-month period ended November 30, 2024: None

(2) Notes on special accounting for preparing quarterly consolidated financial statements: Yes

(Note) For more information, see (Notes on Special Accounting for Preparing Quarterly Consolidated Financial Statements) on page 8 of Appendix, appearing under (3) Principal Notes for Quarterly Consolidated Financial Statements in 2. Quarterly Consolidated Financial Statements and Principal Notes.

(3) Changes in accounting policies, changes in accounting estimates and restatements

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1): Not applicable

3) Changes in accounting estimates: Not applicable

4) Restatements: Not applicable

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

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

As of November 30, 2024	28,194,728 shares	As of August 31, 2024	28,194,728 shares
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2) Total number of treasury shares at the end of the period:

As of November 30, 2024	1,427,225 shares	As of August 31, 2024	1,427,022 shares
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3) Average number of shares during the period (cumulative from the beginning of the fiscal year):

Three months ended November 30, 2024	26,767,503 shares	Three months ended November 30, 2023	26,847,220 shares
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* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Explanation on the appropriate use of earnings forecasts, and other special notes

The forecast figures stated above are the prospects based on information currently available and contain largely uncertain elements. Actual results may differ from the forecast figures above, depending on various factors such as changes in business conditions.

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1. Qualitative Information on the Quarterly Financial Results

(1) Explanation of Operating Results

The GIKEN Group has announced the Mid-Term Management Plan 2027 that covers a period of three years from the fiscal year ending August 31, 2025. Based on the four basic strategies for growth, we aim to increase our corporate value by strengthening global technological proposals and promotion of our construction methods, while promoting development of new construction methods and new products and speeding up their market launch.

In terms of the domestic business environment during the three months under review, construction investment remained solid in both public and private sectors. However, the business environment remained severe for the construction industry as elevated prices of raw materials and construction supplies and rising labor costs put pressure on profits. In our business, higher costs and the resulting reduction in the scale of public works projects had a sizeable impact on the users' appetite for capital investments.

In domestic activities to disseminate our method, we worked to promote the Implant Method*¹ mainly for the strengthening of national resilience, including recovery and reconstruction from natural disasters, and prevention and mitigation of future disasters. As part of this, the Noto Recovery Support Office we opened in Ishikawa Prefecture has focused effort on proposing activities in the region, aiming for early restoration and reconstruction of the affected areas. The office's activities have led to the second instance of adoption of the Gyropress Method for restoration work on existing roads damaged by a large-scale landslide caused by the earthquake. We aim to continue contributing to restoration and reconstruction of the affected areas, working through the Noto Recovery Support Office. In other regions, the number of adoption instances increased steadily, including in public works projects such as restoration work on roads damaged by torrential rains and counter-Nankai Trough earthquake and tsunami construction work, and private-sector works projects such as renewal work to replace large equipment in factories.

In terms of product sales in Japan, the number of adoption instances of press-in work remains solid, but challenging conditions remain as users have grown reluctant to make capital investment, affected by shrinking construction work sizes due to the aforementioned cost rises. Under such circumstances, we worked to turn around the situation by selling the new SILENT PILER F302, launched in August 2024, and large-scale specialized machinery models, but sales of other general machinery models failed to grow as we had expected them to. Our flagship F-series products have been on the market for over a decade since their launch in 2013, and they are now used by users across Japan. For our sales expansion strategy going forward, we have been working to develop next-generation DX machines equipped with automated operation and remote control technologies to address a declining workforce and other emerging social issues, aiming to have a full lineup by 2027.

In overseas business, we have reviewed our existing business model that focused on selling machinery and introduced GTOSS (GIKEN Total Support System), a comprehensive support service for users, and are working to build a support system, aiming to strengthen collaboration with local partners. We aim to accelerate market expansion by working with partner companies that have become GTOSS members to promote our construction methods.

In Asia, the Gyropress Method was adopted in two instances, which became the first-ever cases in Southeast Asia, thanks to aggressive sales activities in collaboration with a local partner company in Singapore. The GIKEN Group aims to continue working with the company to promote the formation of a market for the Gyropress Method by capturing the expected demand increases driven by infrastructure and urban development projects in Southeast Asia.

In regions of Europe, we are going to exhibit at bauma 2025, the world's largest construction machinery trade show to be held in Munich, Germany in April 2025. In keeping with the saying, "seeing is believing," we plan to exhibit the actual GRB system equipment, while national staff from Giken Seisakusho Asia Pte., Ltd. (Head Office: Singapore) and Giken America Corporation (Head Office: USA) will gather at the site. Our group members from different parts of the world will work closely together to win orders from users and new customers visiting from around the world.

Under such circumstances, for the three months under review, net sales were 5,532 million yen (a decrease of 25.4% YoY), operating profit was 645 million yen (a decrease of 46.2% YoY), ordinary profit was 679 million yen (a decrease of 46.3% YoY), and profit attributable to owners of parent was 366 million yen (a decrease of 58.0% YoY).

The performance by segment is as follows.

(i) Construction Machinery Segment

In Japan, product sales were affected by users' reluctance to make capital spending after higher costs led to smaller construction work sizes in public works projects. In overseas business, sales decreased from the elevated level resulting from product sales recorded in Singapore and Brazil in the year-earlier period. As a result, in this segment, net sales were 3,737 million yen (a decrease of 29.2% YoY) and operating profit was 870 million yen (a decrease of 42.6% YoY).

(ii) Press-in Work Segment

In Japan, our construction methods were steadily adopted. Steady progress was made especially in projects including waterproof wall construction for a power plant (Gifu Prefecture), seawall foundation construction for a power plant (Hokkaido), temporary retaining wall construction for a dam (Nagasaki Prefecture), and foundation construction for seawalls and revetments (Tokyo). Orders steadily came in for development-oriented projects*2, but construction-work sales decreased from a high level reached in the year-earlier period that resulted from multiple ongoing projects. Overseas, rentals with operators grew steadily in Germany. As a result, in this segment, net sales were 1,795 million yen (a decrease of 16.0% YoY) and operating profit was 304 million yen (an increase of 1.7% YoY).

*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.

*2 Development-oriented projects are construction projects using our developed products or methods that we have not yet made generally available.

(2) Explanation of Financial Position

(Assets)

Total assets as of November 30, 2024 decreased by 762 million yen from the end of the previous consolidated fiscal year to 47,367 million yen. This was due to a decrease of 658 million yen in current assets, including cash and deposits, and a decrease of 103 million yen in non-current assets, including buildings and structures.

(Liabilities)

Total liabilities as of November 30, 2024 decreased by 322 million yen from the end of the previous consolidated fiscal year to 7,360 million yen. This was due to a decrease of 332 million yen in current liabilities, including provision for bonuses, and an increase of 9 million yen in non-current liabilities.

(Net assets)

Net assets as of November 30, 2024 decreased by 439 million yen from the end of the previous consolidated fiscal year to 40,006 million yen. This was mainly due to a decrease in foreign currency translation reserve and others.

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

There is no change in the full-year earnings forecast announced on October 11, 2024.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of August 31, 2024	As of November 30, 2024
Assets		
Current assets		
Cash and deposits	10,180	8,564
Notes and accounts receivable-trade, and contract assets	3,843	4,297
Electronically recorded monetary claims-operating	1,383	1,115
Finished goods	4,391	5,113
Work in process	1,418	1,317
Costs on construction contracts in progress	45	23
Raw materials and supplies	2,619	2,915
Other	393	265
Allowance for doubtful accounts	(3)	(0)
Total current assets	24,271	23,612
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,608	8,503
Machinery, equipment and vehicles	12,294	12,343
Land	9,730	9,726
Construction in progress	836	765
Other	1,617	1,629
Accumulated depreciation	(14,624)	(14,709)
Total property, plant and equipment	18,463	18,258
Intangible assets	125	169
Investments and other assets		
Investment securities	1,854	1,980
Deferred tax assets	2,017	2,022
Retirement benefit asset	13	13
Other	1,929	1,851
Allowance for doubtful accounts	(545)	(541)
Total investments and other assets	5,270	5,327
Total non-current assets	23,858	23,754
Total assets	48,129	47,367

(Millions of yen)

	As of August 31, 2024	As of November 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable-trade	874	1,123
Short-term borrowings	94	74
Income taxes payable	519	320
Contract liabilities	3,239	3,152
Provision for bonuses	828	301
Other provisions	0	17
Other	1,756	1,990
Total current liabilities	7,312	6,980
Non-current liabilities		
Long-term borrowings	205	191
Other	165	188
Total non-current liabilities	370	380
Total liabilities	7,683	7,360
Net assets		
Shareholders' equity		
Share capital	8,958	8,958
Capital surplus	10,128	10,128
Retained earnings	22,602	22,379
Treasury shares	(1,783)	(1,783)
Total shareholders' equity	39,905	39,682
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	75	93
Foreign currency translation adjustment	390	156
Remeasurements of defined benefit plans	75	74
Total accumulated other comprehensive income	541	323
Total net assets	40,446	40,006
Total liabilities and net assets	48,129	47,367

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
 (Quarterly Consolidated Statements of Income)
 (For the three months ended November 30)

(Millions of yen)

	For the three months ended November 30, 2023	For the three months ended November 30, 2024
Net sales	7,418	5,532
Cost of sales	4,417	3,237
Gross profit (loss)	3,000	2,294
Selling, general and administrative expenses	1,801	1,649
Operating profit (loss)	1,198	645
Non-operating income		
Interest income	9	3
Rental income from real estate	18	16
Surrender value of insurance policies	66	-
Other	17	20
Total non-operating income	112	40
Non-operating expenses		
Interest expenses	1	0
Rental expenses on real estate	5	4
Commission expenses	10	-
Foreign exchange losses	27	-
Other	0	0
Total non-operating expenses	44	6
Ordinary profit (loss)	1,265	679
Extraordinary losses		
Loss on abandonment of non-current assets	-	35
Total extraordinary losses	-	35
Profit (loss) before income taxes	1,265	643
Income taxes-current	393	277
Profit (loss)	872	366
Profit (loss) attributable to owners of parent	872	366

(Quarterly Consolidated Statements of Comprehensive Income)

(For the three months ended November 30)

(Millions of yen)

	For the three months ended November 30, 2023	For the three months ended November 30, 2024
Profit (loss)	872	366
Other comprehensive income		
Valuation difference on available-for-sale securities	14	17
Foreign currency translation adjustment	201	(234)
Remeasurements of defined benefit plans	(1)	(1)
Total other comprehensive income	214	(217)
Comprehensive income	1,086	149
(Breakdown)		
Comprehensive income attributable to owners of parent	1,086	149

(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.

(Notes on 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 three months under review and then multiplying the profit before tax by said estimated effective tax rate.

(Notes on Change of Accounting Policy)

• Application of the "Accounting Standard for Current Income Taxes" and other relevant Accounting Standards Board of Japan (ASBJ) regulations

We have applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; the "Revised Accounting Standard of 2022") and other relevant ASBJ regulations from the beginning of the first quarter ended November 30, 2024. It does not affect our quarterly consolidated financial statements.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment in the proviso of paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022, Accounting Standards Board of Japan).

(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."

(Notes to Quarterly Consolidated Statements of Cash Flows)

We did not prepare quarterly consolidated statements of cash flows for the three months under review. Depreciation (including amortization related to intangible assets) for the three months under review are as follows.

	For the three months ended November 30, 2023 (September 1, 2023 to November 30, 2023)	For the three months ended November 30, 2024 (September 1, 2024 to November 30, 2024)
Depreciation	¥414 million	¥328 million

(Notes on Segment Information, etc.)

[Segment Information]

I For the three months ended November 30, 2023 (September 1, 2023 to November 30, 2023)

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 Business	Press-in Work Business			
Net sales					
Japan	4,413	2,061	6,475	-	6,475
Other regions	866	76	943	-	943
Revenue from contracts with customers	5,280	2,137	7,418	-	7,418
Net sales to external customers	5,280	2,137	7,418	-	7,418
Intersegment net sales and transfer	108	47	155	(155)	-
Total	5,388	2,185	7,573	(155)	7,418
Segment profit	1,518	299	1,817	(619)	1,198

(Notes) 1. The segment profit adjustment of negative 619 million yen includes inter-segment transaction eliminations of 22 million yen and corporate expenses not allocated to any reportable segment of negative 641 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.

II For the three months ended November 30, 2024 (September 1, 2024 to November 30, 2024)
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 Business	Press-in Work Business			
Net sales					
Japan	3,539	1,698	5,238	-	5,238
Other regions	197	96	294	-	294
Revenue from contracts with customers	3,737	1,795	5,532	-	5,532
Net sales to external customers	3,737	1,795	5,532	-	5,532
Intersegment net sales and transfer	144	13	157	(157)	-
Total	3,881	1,808	5,690	(157)	5,532
Segment profit	870	304	1,175	(530)	645

- (Notes) 1. The segment profit adjustment of negative 530 million yen includes inter-segment transaction eliminations of 21 million yen and corporate expenses not allocated to any reportable segment of negative 551 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.