



Consolidated Financial Results for the Six Months Ended February 29, 2024 [JGAAP]

April 9, 2024

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 Securities Code: 6289 (URL <https://www.giken.com>)
 Stock Exchange Listing: Tokyo
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 Scheduled date to submit the quarterly securities report: April 12, 2024
 Scheduled date to commence dividend payments: May 8, 2024
 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 Six Months Ended February 29, 2024 (from September 1, 2023 to February 29, 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	%
Six months ended February 29, 2024	15,535	4.0	2,417	12.6	2,590	18.0	1,849	34.6
Six months ended February 28, 2023	14,933	5.0	2,146	(23.0)	2,194	(23.4)	1,374	(27.4)

(Note) Comprehensive income: Six months ended February 29, 2024: ¥2,111 million [51.6%]
 Six months ended February 28, 2023: ¥1,392 million [(25.9)%]

	Profit per share	Fully diluted profit per share
	Yen	Yen
Six months ended February 29, 2024	69.00	—
Six months ended February 28, 2023	49.98	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of February 29, 2024	50,880	40,227	79.1
As of August 31, 2023	51,388	39,544	77.0

(Reference) Equity: As of February 29, 2024: ¥40,227 million As of August 31, 2023: ¥39,544 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, 2023	—	20.00	—	20.00	40.00
Fiscal year ending August 31, 2024	—	20.00			
Fiscal year ending August 31, 2024 (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, 2024 (from September 1, 2023 to August 31, 2024)

(% 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	30,000	2.5	3,300	10.6	3,400	11.1	2,400	183.4	89.68

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

* Notes

(1) Changes in significant subsidiaries during the six-month period ended February 29, 2024 (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 restatements

1) Changes in accounting policies due to the revision of accounting standards: Not applicable

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 February 29, 2024	28,194,728 shares	As of August 31, 2023	28,194,728 shares
2) Total number of treasury shares at the end of the period:	As of February 29, 2024	1,426,930 shares	As of August 31, 2023	977,118 shares
3) Average number of shares during the period (cumulative from the beginning of the fiscal year):	Six months ended February 29, 2024	26,807,514 shares	Six months ended February 28, 2023	27,501,691 shares

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

* 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 set a long-term net sales target of 100 billion yen for the fiscal year ending August 31, 2031, and specific initiatives have been carried out all across the company based on the Long-Term Roadmap GIKEN GOALS 2031, which includes numerical targets and strategies to achieve the 2031 goal.

In terms of the business environment during the six months under review, construction investment remained strong in both the public and private sectors, resulting in steady capital investment by customers. However, as construction material prices stayed at elevated levels, a downward trend in construction sizes of public works remained, affecting sales of high-gross-margin products and parts used in permanent structures. In terms of manufacturing, we revised pricing as prices of materials and parts have remained elevated. The situation calls for continued close monitoring.

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 a result, the number of projects in which the method was adopted increased steadily. These included repair work on national roads damaged by typhoons, widening work on national road bypasses, seawall construction work and bank improvement work for fishing ports.

As part of the work related to the 2024 Noto Peninsula Earthquake, we opened a temporary office in the Ishikawa prefectural city of Kanazawa in late January, aiming to facilitate our work to support recovery and reconstruction of affected areas. We have since been conducting on-site research and making construction method technology proposals. We have realized that press-in technology, which has helped realize speedy recovery and reconstruction in disaster-affected areas in Japan and overseas, is in strong demand and there is increasing expectations placed on it. We aim to contribute to the earliest possible recovery of the region by taking advantage of our unique technologies and extensive experience.

In overseas business, which we aim to expand to represent 70% of overall net sales (50% by the fiscal year ending August 31, 2031), we aim to establish a new business model that accelerates market expansion, with a focus on Europe and Asia where a market is beginning to take shape, for the goal of achieving stable growth of the press-in construction market. We are now engaging in specific activities for this. For other regions, aiming to expand the press-in construction market, we are conducting market research, etc. to rethink our strategies from the market creation phase and working on initiatives aimed at business expansion.

In Asia, Singapore and Thailand markets are steadily expanding with a background of strong economy in South East Asia region. In China, we delivered several units of the Silent Piler to Shijiazhuang Tianyuan Technology Group Co., Ltd. (“Tianyuan”), a major construction machinery dealer in China’s Hebei Province with which we signed a sales agent contract and a designated-factory contract in 2020. This came as a fruit of our collaboration with the company. In China, we have steadily expanded the market through strengthened collaboration with Tianyuan and other dealers, as demand grew for the press-in method, which can resolve wide-ranging construction challenges, in disaster prevention and mitigation work and revitalization work on infrastructure systems, such as water supply and sewerage, in old downtown areas. In South Korea, we delivered the third GYRO PILER*², tubular pile rotary cutting press-in machinery, to a local user. The market for the GYRO PILER has continued to expand in the country for uses in disaster recovery, expressway and bank construction work, supported by this user’s strong sales capabilities. Aiming to further expand the market, the Group plans to continue stepping up efforts for technological guidance and new construction method proposals.

Under such circumstances, for the six months under review, net sales were 15,535 million yen (an increase of 4.0% YoY), operating profit was 2,417 million yen (an increase of 12.6% YoY), ordinary profit was 2,590 million yen (an increase of 18.0% YoY), and profit attributable to owners of parent was 1,849 million yen (an increase of 34.6% YoY).

The performance by segment are as follows.

(i) Construction Machinery Segment

In Japan, sales remained solid for general machinery, including the Silent Piler F112, a machine that can be used for hard ground conditions. It comes equipped with a flywheel-type auger that has improved drilling capability and construction efficiency of an auger to enable sheet piles to be pressed into hard grounds. On the other hand, a spike in construction material prices affected sales of large-scale specialized machinery. Overseas, product sales grew in Europe and Asia, both regions in which market development has progressed. Sales also temporarily increased in regions in which strategies are being restructured, including the U.S., as a result of past activities. As a result, in this segment, net sales were 11,086 million yen (an increase of 9.9% YoY) and operating profit was 2,985 million yen (an increase of 15.6% YoY) due mainly to the start of contribution to earnings from product price revisions introduced in the previous fiscal year in response to a spike in material prices, etc.

(ii) Press-in Work Segment

In Japan, as our methods were adopted steadily, construction projects proceeded at a steady pace. These included foundation work for water gates under a Great East Japan Earthquake reconstruction project (Iwate Prefecture), reinforcement work on revetments along the Hijikawa river system that were damaged in torrential rain (western Japan heavy rain disaster) in July 2018 (Ehime Prefecture), anti-tremor reinforcement work on revetments along rivers to provide against the Nankai Trough megathrust earthquake (Aichi Prefecture), and construction of waterproof walls at a power plant (Gifu Prefecture). However, due in part to a decrease of one consolidated subsidiary overseas, net sales totaled 4,448 million yen (a decrease of 8.2% YoY) while operating profit came to 638 million yen (a decrease of 23.3%) for the Press-in Work Segment.

- *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 A press-in machine used in our unique Gyropress Method. This method installs piles by attaching cutting ring bits on their toes and rotating and pressing them through existing reinforced concrete structures and hard ground to build resilient Implant Structures. It has been increasingly adopted in Japan as well as overseas as an effective method that allows rebuilding and reinforcing functions without removing existing structures.

(2) Explanation of Financial Position

(Assets)

Total assets as of February 29, 2024 decreased by 507 million yen from the end of the previous consolidated fiscal year to 50,880 million yen. This was the result of an increase of 529 million yen in current assets, including electronically recorded monetary claims-operating, and a decrease of 1,037 million yen in non-current assets, including investments and other assets.

(Liabilities)

Total liabilities as of February 29, 2024 decreased by 1,191 million yen from the end of the previous consolidated fiscal year to 10,652 million yen. This was due to decreases of, respectively, 909 million yen in current liabilities, including short-term borrowings, and 281 million yen in non-current liabilities, including long-term borrowings.

(Net assets)

Net assets as of February 29, 2024 increased by 683 million yen from the end of the previous consolidated fiscal year to 40,227 million yen. This was mainly due to an increase in retained earnings.

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

There is no change to the full-year forecasts for the financial year ending August 31, 2024 announced on October 11, 2023.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of August 31, 2023	As of February 29, 2024
Assets		
Current assets		
Cash and deposits	9,917	9,755
Notes and accounts receivable-trade, and contract assets	6,144	5,060
Electronically recorded monetary claims-operating	1,335	2,663
Finished goods	3,654	3,865
Work in process	1,416	1,620
Costs on construction contracts in progress	52	17
Raw materials and supplies	2,488	2,684
Other	414	286
Allowance for doubtful accounts	(5)	(5)
Total current assets	25,419	25,948
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,256	8,412
Machinery, equipment and vehicles	12,553	12,606
Land	9,699	9,726
Construction in progress	1,047	1,276
Other	1,548	1,546
Accumulated depreciation	(13,920)	(14,479)
Total property, plant and equipment	19,185	19,089
Intangible assets	182	147
Investments and other assets		
Investment securities	2,054	1,920
Deferred tax assets	1,901	1,853
Other	2,664	1,941
Allowance for doubtful accounts	(19)	(20)
Total investments and other assets	6,601	5,695
Total non-current assets	25,969	24,931
Total assets	51,388	50,880

(Millions of yen)

	As of August 31, 2023	As of February 29, 2024
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,708	2,155
Electronically recorded obligations-operating	2,107	1,756
Short-term borrowings	453	41
Income taxes payable	145	796
Contract liabilities	4,158	3,898
Provision for bonuses	652	547
Other provisions	4	0
Other	2,165	1,289
Total current liabilities	11,396	10,486
Non-current liabilities		
Long-term borrowings	314	6
Retirement benefit liability	4	0
Other	129	159
Total non-current liabilities	447	166
Total liabilities	11,844	10,652
Net assets		
Shareholders' equity		
Share capital	8,958	8,958
Capital surplus	10,118	10,128
Retained earnings	21,244	22,559
Treasury shares	(880)	(1,783)
Total shareholders' equity	39,440	39,862
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	62	121
Foreign currency translation adjustment	(29)	175
Remeasurements of defined benefit plans	70	68
Total accumulated other comprehensive income	103	365
Total net assets	39,544	40,227
Total liabilities and net assets	51,388	50,880

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
 (Quarterly Consolidated Statements of Income)
 (For the six months ended February 29)

(Millions of yen)

	For the six months ended February 28, 2023	For the six months ended February 29, 2024
Net sales	14,933	15,535
Cost of sales	9,238	9,525
Gross profit (loss)	5,694	6,009
Selling, general and administrative expenses	3,548	3,591
Operating profit (loss)	2,146	2,417
Non-operating income		
Interest income	4	10
Dividend income	8	12
Rental income from real estate	37	37
Foreign exchange gains	33	23
Surrender value of insurance policies	-	66
Other	22	76
Total non-operating income	106	226
Non-operating expenses		
Interest expenses	44	21
Rental expenses on real estate	9	10
Commission expenses	-	10
Other	4	11
Total non-operating expenses	58	53
Ordinary profit (loss)	2,194	2,590
Extraordinary losses		
Impairment loss	115	-
Total extraordinary losses	115	-
Profit (loss) before income taxes	2,078	2,590
Income taxes-current	692	740
Profit (loss)	1,385	1,849
Profit (loss) attributable to non-controlling interests	11	-
Profit (loss) attributable to owners of parent	1,374	1,849

(Quarterly Consolidated Statements of Comprehensive Income)

(For the six months ended February 29)

(Millions of yen)

	For the six months ended February 28, 2023	For the six months ended February 29, 2024
Profit (loss)	1,385	1,864
Other comprehensive income		
Valuation difference on available-for-sale securities	35	58
Deferred gains or losses on hedges	(14)	-
Foreign currency translation adjustment	(14)	204
Remeasurements of defined benefit plans	0	(2)
Total other comprehensive income	6	261
Comprehensive income	1,392	2,126
(Breakdown)		
Comprehensive income attributable to owners of parent	1,404	2,126
Comprehensive income attributable to non-controlling interests	(12)	-

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

(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 six months ended February 28, 2023 (September 1, 2022 to February 28, 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	9,457	3,308	12,766	-	12,766
Other regions	628	1,539	2,167	-	2,167
Revenue from contracts with customers	10,085	4,848	14,933	-	14,933
Net sales to external customers	10,085	4,848	14,933	-	14,933
Intersegment net sales and transfer	497	215	713	(713)	-
Total	10,583	5,063	15,646	(713)	14,933
Segment profit	2,582	831	3,413	(1,267)	2,146

(Notes) 1. The segment profit adjustment of negative 1,267 million yen includes inter-segment transaction eliminations of negative 78 million yen and corporate expenses not allocated to any reportable segment of negative 1,188 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.

II For the six months ended February 29, 2024 (September 1, 2023 to February 29, 2024)

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	9,206	4,308	13,515	-	13,515
Other regions	1,879	140	2,019	-	2,019
Revenue from contracts with customers	11,086	4,448	15,535	-	15,535
Net sales to external customers	11,086	4,448	15,535	-	15,535
Intersegment net sales and transfer	200	89	290	(290)	-
Total	11,287	4,537	15,825	(290)	15,535
Segment profit	2,985	638	3,623	(1,205)	2,417

(Notes) 1. The segment profit adjustment of negative 1,205 million yen includes inter-segment transaction eliminations of 44 million yen and corporate expenses not allocated to any reportable segment of negative 1,249 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.