



Consolidated Financial Results for the Nine Months Ended May 31, 2024 [JGAAP]

July 10, 2024

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 Stock Exchange Listing: Tokyo
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 Scheduled date to submit the quarterly securities report: July 12, 2024
 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 Nine Months Ended May 31, 2024 (from September 1, 2023 to May 31, 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	%
Nine months ended May 31, 2024	22,133	4.4	2,837	30.4	3,132	39.0	2,218	894.5
Nine months ended May 31, 2023	21,196	2.1	2,176	(31.4)	2,253	(32.0)	223	(89.9)

(Note) Comprehensive income: Nine months ended May 31, 2024: ¥2,500 million [1,575.0%]
 Nine months ended May 31, 2023: ¥149 million [(93.3)%]

	Profit per share	Fully diluted profit per share
	Yen	Yen
Nine months ended May 31, 2024	82.78	–
Nine months ended May 31, 2023	8.11	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of May 31, 2024	48,861	40,070	82.0
As of August 31, 2023	51,388	39,544	77.0

(Reference) Equity: As of May 31, 2024: ¥40,070 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 nine-month period ended May 31, 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 May 31, 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 May 31, 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):	Nine months ended May 31, 2024	26,794,276 shares	Nine months ended May 31, 2023	27,501,664 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 has been carrying out specific initiatives on numerical targets and strategies based on the Long-Term Roadmap GIKEN GOALS 2031, which represent our long-term business vision, under coordinated efforts all across the company to achieve these goals.

In terms of the domestic business environment during the nine months under review, construction investment remained strong in both the public and private sectors in Japan, resulting in steady capital investment by firms. However, as construction material prices stayed at elevated levels, construction sizes of public works remained at shrunken levels, affecting sales of large-scale specialized machinery and spare parts which applied for building permanent structures and have higher gross margins. In terms of manufacturing, we revised pricing as prices of materials and parts have remained elevated. The situation calls for continued close monitoring going forward.

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 press-in method was adopted increased steadily. These included seawall construction work as a countermeasure against potential Nankai megathrust earthquakes and earthquake-proofing work on aging revetments, as well as expressway widening and construction work aimed at mitigating traffic congestion and revitalizing road traffic.

As a part of our activities for the reconstruction work following the 2024 Noto Peninsula Earthquake, we opened a temporary office in Kanazawa city, Ishikawa prefecture. In consequence, in April Group company Giken Seko Co., Ltd. completed a sheet piling work for building earth-retaining walls supporting the Noto Satoyama Kaido. It was a road-widening project to enable two-way traffic on the expressway and “Silent Piler F112” was used for the project together with “GRB System”. Because there are enormous numbers of infrastructure damage in this area, we have been receiving increasing inquiries. We aim to contribute to the earliest possible recovery of the region by continuing to propose our solutions through the temporary office.

In domestic sales of machinery, we have solid sales result of Silent Piler F112, which equips “Flywheel Pile Auger” as a standard specification. It has better drilling capability and better work efficiency than previous model of Pile Auger. Since May 2021 when Flywheel Pile Auger was launched and May 2023 when “Silent Piler F112” was launched, the applicable range of ground conditions for hard ground press-in method has kept expanding and it has been recognized as a groundbreaking machinery among our users.

In overseas business, which we aim to expand to represent 70% of overall net sales, 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. 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 Europe, “G-Kracht B.V.”, a joint venture formed by Giken Europe B.V. and Dutch local firms, signed a framework agreement with the city of Amsterdam, the project owner, for the commercialization phase of the project to develop new technologies for quay wall renovation for the World Heritage-listed Canal Ring Area of Amsterdam. After this phase is completed, our construction method is expected to be adopted as one of the standard methods for the project, which will repair the length of 200 kilometers, and made generally available to local specialized contractors, etc. The Group aims to step up efforts to expand our market by introducing the GYRO PILER, which is expected to find greater use in construction method standardization, capturing rental-use demand, and taking advantage of our project track record in proposing construction method technologies.

In Asia, in Taiwan, where our market is growing driven by increased awareness about pollution from construction work, we delivered general machinery products to an existing user, and in April, gave a demonstration of the Hard Ground Press-in Method using a flywheel-type pile auger in collaboration with AKTIO Corporation, the largest construction machinery rental company with whom we are in a rental business partnership. As northern Taiwan has hard ground, we think we can expand our market there further by accelerating promoting activities of this methodology. The Group aims to continue working with the AKTIO group on market-creation activities in

Asia. Besides, we delivered general machinery products to a user in Macao. This was the result of our vibration-free and noise-free press-in method having been chosen for a construction site where there is a risk of ground subsidence. Urbanization is in progress in Macao, and we expect the local market will grow, driven by infrastructure development work for bridges, etc.

Under such circumstances, for the nine months under review, net sales were 22,133 million yen (an increase of 4.4% YoY), operating profit was 2,837 million yen (an increase of 30.4% YoY), ordinary profit was 3,132 million yen (an increase of 39.0% YoY), and profit attributable to owners of parent was 2,218 million yen (an increase of 894.5% YoY). Furthermore, an extraordinary loss of 1,367 million yen for loss on a liquidation of subsidiaries and associates had been recorded for the 3rd quarter of FY2023.

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. On the other hand, a spike in construction material prices affected sales of large-scale specialized machinery. In the overseas business, product sales in Macao, Taiwan, Indonesia and Brazil contributed to earnings. As a result, in this segment, net sales were 15,153 million yen (an increase of 3.5% YoY) and operating profit was 3,537 million yen (an increase of 6.6% YoY) due mainly to the start of contribution to earnings from product price revisions introduced in the previous fiscal year.

(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), construction of waterproof walls at a power plant (Gifu Prefecture), reconstruction work on expressways damaged in the 2024 Noto Peninsula Earthquake (Ishikawa Prefecture), and disaster recovery work on national roads damaged by typhoons (Miyazaki Prefecture). Although the impact of a decrease of one consolidated overseas subsidiary was felt, net sales totaled 6,980 million yen (an increase of 6.6% YoY) while operating profit came to 1,126 million yen (an increase of 35.5% YoY) for the Press-in Work segment, as orders remained solid for development-oriented projects*2 in Japan.

*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 products or methods developed by us that we have not yet made generally available.

(2) Explanation of Financial Position

(Assets)

Total assets as of May 31, 2024 decreased by 2,527 million yen from the end of the previous consolidated fiscal year to 48,861 million yen. This was the result of a decrease of 1,259 million yen in current assets, including notes and accounts receivable-trade, and contract assets, and a decrease of 1,267 million yen in non-current assets, including investments and other assets.

(Liabilities)

Total liabilities as of May 31, 2024 decreased by 3,053 million yen from the end of the previous consolidated fiscal year to 8,790 million yen. This was due to decreases of, respectively, 2,969 million yen in current liabilities, including electronically recorded obligations-operating, and 83 million yen in non-current liabilities, including long-term borrowings.

(Net assets)

Net assets as of May 31, 2024 increased by 526 million yen from the end of the previous consolidated fiscal year to 40,070 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 May 31, 2024
Assets		
Current assets		
Cash and deposits	9,917	9,283
Notes and accounts receivable-trade, and contract assets	6,144	4,646
Electronically recorded monetary claims-operating	1,335	983
Finished goods	3,654	4,353
Work in process	1,416	1,814
Costs on construction contracts in progress	52	50
Raw materials and supplies	2,488	2,676
Other	414	357
Allowance for doubtful accounts	(5)	(6)
Total current assets	25,419	24,159
Non-current assets		
Property, plant and equipment		
Buildings and structures	8,256	8,714
Machinery, equipment and vehicles	12,553	12,867
Land	9,699	9,727
Construction in progress	1,047	816
Other	1,548	1,556
Accumulated depreciation	(13,920)	(14,812)
Total property, plant and equipment	19,185	18,870
Intangible assets	182	124
Investments and other assets		
Investment securities	2,054	1,926
Deferred tax assets	1,901	1,909
Other	2,664	1,892
Allowance for doubtful accounts	(19)	(20)
Total investments and other assets	6,601	5,707
Total non-current assets	25,969	24,701
Total assets	51,388	48,861

(Millions of yen)

	As of August 31, 2023	As of May 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,708	1,346
Electronically recorded obligations-operating	2,107	437
Short-term borrowings	453	92
Income taxes payable	145	519
Contract liabilities	4,158	3,597
Provision for bonuses	652	410
Other provisions	4	-
Other	2,165	2,023
Total current liabilities	11,396	8,426
Non-current liabilities		
Long-term borrowings	314	219
Retirement benefit liability	4	0
Other	129	145
Total non-current liabilities	447	364
Total liabilities	11,844	8,790
Net assets		
Shareholders' equity		
Share capital	8,958	8,958
Capital surplus	10,118	10,128
Retained earnings	21,244	22,392
Treasury shares	(880)	(1,783)
Total shareholders' equity	39,440	39,695
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	62	124
Foreign currency translation adjustment	(29)	182
Remeasurements of defined benefit plans	70	67
Total accumulated other comprehensive income	103	374
Total net assets	39,544	40,070
Total liabilities and net assets	51,388	48,861

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
 (Quarterly Consolidated Statements of Income)
 (For the nine months ended May 31)

(Millions of yen)

	For the nine months ended May 31, 2023	For the nine months ended May 31, 2024
Net sales	21,196	22,133
Cost of sales	13,244	13,770
Gross profit (loss)	7,951	8,363
Selling, general and administrative expenses	5,775	5,526
Operating profit (loss)	2,176	2,837
Non-operating income		
Interest income	6	11
Dividend income	11	14
Rental income from real estate	53	55
Foreign exchange gains	26	97
Surrender value of insurance policies	-	66
Other	53	91
Total non-operating income	151	337
Non-operating expenses		
Interest expenses	56	1
Rental expenses on real estate	13	14
Commission expenses	-	10
Fiduciary obligation expenses	-	9
Other	4	5
Total non-operating expenses	74	42
Ordinary profit (loss)	2,253	3,132
Extraordinary losses		
Impairment loss	115	-
Loss on liquidation of subsidiaries and associates	1,367	-
Total extraordinary losses	1,483	-
Profit (loss) before income taxes	770	3,132
Income taxes-current	532	914
Profit (loss)	237	2,218
Profit (loss) attributable to non-controlling interests	14	-
Profit (loss) attributable to owners of parent	223	2,218

(Quarterly Consolidated Statements of Comprehensive Income)

(For the nine months ended May 31)

(Millions of yen)

	For the nine months ended May 31, 2023	For the nine months ended May 31, 2024
Profit (loss)	237	2,218
Other comprehensive income		
Valuation difference on available-for-sale securities	(18)	62
Deferred gains or losses on hedges	(25)	-
Foreign currency translation adjustment	(44)	223
Remeasurements of defined benefit plans	0	(3)
Total other comprehensive income	(88)	282
Comprehensive income	149	2,500
(Breakdown)		
Comprehensive income attributable to owners of parent	167	2,500
Comprehensive income attributable to non-controlling interests	(18)	-

(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 nine 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 nine months ended May 31, 2023 (September 1, 2022 to May 31, 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	13,466	4,578	18,044	-	18,044
Other regions	1,181	1,970	3,151	-	3,151
Revenue from contracts with customers	14,648	6,548	21,196	-	21,196
Net sales to external customers	14,648	6,548	21,196	-	21,196
Intersegment net sales and transfer	597	235	832	(832)	-
Total	15,245	6,784	22,029	(832)	21,196
Segment profit	3,317	831	4,149	(1,972)	2,176

(Notes) 1. The segment profit adjustment of negative 1,972 million yen includes inter-segment transaction eliminations of negative 57 million yen and corporate expenses not allocated to any reportable segment of negative 1,915 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 nine months ended May 31, 2024 (September 1, 2023 to May 31, 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	12,575	6,775	19,351	-	19,351
Other regions	2,577	204	2,782	-	2,782
Revenue from contracts with customers	15,153	6,980	22,133	-	22,133
Net sales to external customers	15,153	6,980	22,133	-	22,133
Intersegment net sales and transfer	329	124	453	(453)	-
Total	15,482	7,105	22,587	(453)	22,133
Segment profit	3,537	1,126	4,664	(1,826)	2,837

(Notes) 1. The segment profit adjustment of negative 1,826 million yen includes intersegment transaction eliminations of 67 million yen and corporate expenses not allocated to any reportable segment of negative 1,893 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.