

## Consolidated Financial Results for the Fiscal Year Ended August 31, 2020 [JGAAP]

October 9, 2020

Company Name: GIKEN LTD.

Stock Code: 6289 (URL: <https://www.giken.com>)

Stock Exchange Listing: Tokyo

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Scheduled date of Ordinary General Meeting of Shareholders: November 25, 2020

Scheduled date to commence dividend payments: November 26, 2020

Scheduled date to submit the Annual Securities Report: November 26, 2020

Availability of supplementary briefing material on annual results: None

Holding of Annual Results Briefing Session: Yes (for institutional investors and analysts)

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended August 31, 2020 (from September 1, 2019 to August 31, 2020)

(1) Consolidated Results of Operations (% indicates changes from the previous corresponding term)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended August 31, 2020	24,640	(24.0)	2,498	(62.6)	2,792	(58.7)	1,400	(69.4)
Year ended August 31, 2019	32,442	11.3	6,689	11.9	6,761	11.4	4,571	10.1

(Note) Comprehensive income : Year ended August 31, 2020 : ¥1,508 million [(63.9%)]

Year ended August 31, 2019 : ¥4,174 million [5.7%]

	Profit per share	Fully diluted profit per share	Rate of return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Year ended August 31, 2020	51.28	50.99	3.7	5.5	10.1
Year ended August 31, 2019	168.80	167.37	12.7	13.4	20.6

(Reference) Equity in earnings of affiliated companies : Year ended August 31, 2020 : ¥ – million

Year ended August 31, 2019 : ¥ – million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of August 31, 2020	49,708	38,411	75.5	1,372.25
As of August 31, 2019	51,463	38,329	73.1	1,381.90

(Reference) Equity : As of August 31, 2020 : ¥37,551 million As of August 31, 2019 : ¥37,630 million

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended August 31, 2020	3,263	(1,892)	(953)	5,324
Year ended August 31, 2019	3,090	(2,554)	(901)	4,920

2. Dividends

	Annual cash dividends per share					Total dividends paid (annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended August 31, 2019	–	34.00	–	34.00	68.00	1,849	40.3	5.1
Year ended August 31, 2020	–	35.00	–	35.00	70.00	1,914	136.5	5.1
Year ending August 31, 2021 (Forecast)	–	35.00	–	35.00	70.00		91.2	

### 3. Earnings Forecast of Consolidated Financial Results

for Fiscal Year Ending August 31, 2021 (From September 1, 2020 to August 31, 2021)

(% 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	12,800	(11.6)	1,300	(47.8)	1,300	(48.7)	800	(52.6)	29.23
Full year	27,100	10.0	3,150	26.1	3,200	14.6	2,100	49.9	76.74

\* Notes

(1) Changes in significant subsidiaries during the fiscal year ended August 31, 2020 (changes in specific subsidiaries involving changes in the scope of consolidation): Not applicable

(2) 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

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

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

As of August 31, 2020	28,058,028 shares	As of August 31, 2019	27,923,428 shares
As of August 31, 2020	692,915 shares	As of August 31, 2019	692,728 shares
Year ended August 31, 2020	27,319,278 shares	Year ended August 31, 2019	27,084,392 shares

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

3) Average number of shares during the period:

(Reference) Summary of the Non-consolidated Financial Results

Overview of the Non-consolidated Financial Results

for the Fiscal Year Ended August 31, 2020 (from September 1, 2019 to August 31, 2020)

(1) Non-consolidated Results of Operations (% indicates changes from the previous corresponding term)

	Net sales		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended August 31, 2019	17,096	(32.2)	2,207	(67.4)	837	(82.6)
Year ended August 31, 2018	25,197	12.2	6,760	21.3	4,809	22.6

	Profit per share	Fully diluted profit per share
	Yen	Yen
Year ended August 31, 2019	30.65	30.47
Year ended August 31, 2018	177.56	176.05

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of August 31, 2019	44,586	35,466	78.4	1,277.63
As of August 31, 2018	48,008	35,893	74.3	1,309.20

(Reference) Equity: As of August 31, 2020: ¥34,962 million As of August 31, 2019: ¥35,650 million

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

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

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. Please refer to page 3 of the attached material for the above forecasts.

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## 1. Overview of Business Results, etc.

### (1) Overview of Business Results for the Current Fiscal Year

In the consolidated fiscal year under review, the outlook of the business environment surrounding the Giken Group remained unclear, as exemplified by skilled construction labor shortages and reduced bid success due to such shortage, suspension of works and extension of construction period, postponement of placing orders, and uncertainty around further outbreaks and impacts of COVID-19, while domestic public works budgets have been secured at a high level since the previous fiscal year. Against this backdrop, its customers still take cautious approach to capital investment.

The Group has been working to transform itself into a global engineering corporation engaging in the grand design of constructions as a top priority. In the fiscal year under review, however, affected by movement restrictions such as mandatory working from home, requests to refrain from travelling, and restricted entry into the country due to the global spread of COVID-19, we continued to be compelled to limit or delay activities to pursue such transformation. In the meantime, we swiftly adopted telework and staggered working hours as new working styles to flexibly overcome this critical situation. Along with these efforts, by making our methodologies proposal activities and sales activities online, starting with what could be done, we achieved both improved productivity and cost reduction, and thus accelerated efforts to strengthen our corporate structure towards a new era.

In our domestic activities to disseminate our methodologies, we worked to expand the range of applicability of the Implant Method, centering on initiatives for building national resilience, such as projects for recovery and reconstruction from natural disasters, disaster prevention and mitigation measures, and measures against aging social infrastructure in preparation for the future. With these efforts, the adoption of the Implant Method has steadily increased. Furthermore, as for river levees, which have suffered frequent damage by natural disasters in recent years, we strongly appeal to the public and tenaciously continue negotiations with relevant government agencies, aiming to abolish the “levee-by-soil embankment policy” that levee must be constructed by soil embankment. We are pushing ahead with our efforts to realize drastic measures by the Implant Method.

In our offshore business expansion, although we expect substantial growth in the future as we have enjoyed increasing recognition of the Implant Method and received a good response to our proposal activities, our efforts have not led to short-term results yet. However, we reinforced the structure for activities to propose and gain adoption of our methods, such as dispatching engineers from Japan to our overseas group companies, and established the engineering support system of providing backup therefor from Japan. J Steel Group Pty Limited, an Australian subsidiary, transitioned from the business of mainly selling steel and soon achieved result in receiving orders for a total package from designing through construction. Moreover, our methodologies are also gaining increasing recognition and receiving an increasing number of inquiries in the U.S., the Netherlands, Canada, Brazil, and Asian countries.

In the underground development business, we installed one unit of automated underground parking facility “ECO Cycle” adjacent to a commercial building SHIBUYA FUKURAS in Shibuya-ku, Tokyo, and two units at the East exit of JR Kawasaki Station, bringing the total installments of Eco Cycle to 23 places (57 units) across Japan.

As a result, net sales for the consolidated fiscal year under review amounted to 24,640 million yen, a decrease of 24.0% from the previous fiscal year. Operating profit stood at 2,498 million yen, a decrease of 62.6%, reflecting such factors as an increase of labor costs, etc. in order to reinforce our business structure. Ordinary profit came to 2,792 million yen, a decrease of 58.7%, and profit attributable to owners of parent was 1,400 million yen, a decrease of 69.4%.

The performance by segment is as follows:

#### (i) Construction Machinery Segment

Sale of large-scale equipment remained strong, with an increased adoption of the Implant Method. On the other hand, in Japan, the number of units sold for standard equipment, which conforms to the most versatile U-type Sheet Pile, declined because customers were cautions about capital investment due to uncertainties over future socioeconomic conditions as mentioned above although their replacement timing has come after seven years of the launch of the current Series F.

As a result, net sales amounted to 15,592 million yen, a decrease of 34.0% from the previous fiscal year, and segment income was 3,440 million yen, a decrease of 56.2%.

#### (ii) Press-in Construction Segment

Demand for the Implant Method has remained strong as it has been adopted in critical disaster prevention, mitigation and

recovery works projects, resulting in solid orders received. In Japan, we undertook levee constructions for remediation works for Tohoku and disaster prevention works for the potential Nankai Trough megaquake, landslide prevention work along the Kyushu Shinkansen line, earthquake resistant construction of bridge piers, river revetment remediation and protection works, disaster recovery works from last year's typhoon damage, highway upgrades, and other works. No prospect of resuming rehabilitation works in the second-phase work for the port of Dakar in Senegal is yet in sight due to the effect of the spread of COVID-19.

As a result, net sales amounted to 9,048 million yen, an increase of 2.8% from the previous fiscal year, and segment income stood at 1,249 million yen, an increase of 65.4%.

For the next fiscal year ending August 31, 2021, GIKEN forecasts consolidated net sales of 27,100 million yen, an increase of 10.0% from the previous fiscal year, operating profit of 3,150 million yen, an increase of 26.1%, ordinary profit of 3,200 million yen, an increase of 14.6%, and profit attributable to owners of parent of 2,100 million yen, an increase of 49.9%.

## (2) Overview of Financial Position for the Current Fiscal Year

### (i) Assets, Liabilities, and Net Assets

Total assets at the end of the current consolidated fiscal year decreased by 1,754 million yen from the end of the previous consolidated fiscal year to 49,708 million yen. Current assets decreased by 1,432 million yen from the end of the previous consolidated fiscal year to 25,477 million yen. Non-current assets declined 322 million yen to 24,231 million yen.

The decrease in current assets was mainly due to a decrease of 4,749 million yen in trade notes and accounts receivable, and a decrease of 1,145 million yen in electronically recorded monetary claims, despite of an increase of 3,429 million yen in finished goods, an increase of 1,285 million yen in raw materials and supplies.

The decrease in non-current assets was mainly due to a decrease of 899 million yen in investments and other assets such as investment securities, despite of an increase of 892 million yen in property, plant and equipment such as buildings and structures.

Total liabilities at the end of the current consolidated fiscal year decreased by 1,836 million yen from the end of the previous consolidated fiscal year to 11,297 million yen. Current liabilities decreased by 2,180 million to 9,493 million yen, and non-current liabilities increased by 343 million yen to 1,803 million yen.

The decrease in current liabilities was mainly due to a decrease of 1,010 million yen in trade notes and accounts payable, and a decrease of 690 million yen in income taxes payable.

The increase in non-current liabilities was mainly due to an increase of 383 million yen in long-term loans payable.

Net assets at the end of the current consolidated fiscal year increased by 81 million yen from the end of the previous consolidated fiscal year to 38,411 million yen. This was mainly due to an increase of 260 million yen in share acquisition rights but a decrease of 223 million yen in shareholders' equity. The equity ratio came to 75.5% from 73.1% at the end of the previous consolidated fiscal year as a result of an increase of total assets. Net assets per share came to 1,372.25 yen from 1,381.90 yen at the end of the previous consolidated fiscal year.

### (ii) Cash Flow

Cash and cash equivalents (hereinafter, "cash") at the end of the current consolidated fiscal year increased by 403 million yen from the end of the previous consolidated fiscal year to 5,324 million yen. The status of each cash flow is as follows:

#### (Cash Flow from Operating Activities)

Net cash provided by operating activities increased by 173 million yen from the previous fiscal year to 3,263 million yen. This was mainly due to profit before income taxes of 2,289 million yen, depreciation of 1,901 million yen, and others.

#### (Cash Flow from Investing Activities)

Net cash used in investing activities decreased by 662 million yen from the previous fiscal year to 1,892 million. This was mainly due to purchases of property, plant and equipment of 3,273, and others.

(Cash Flow from Financing Activities)

Net cash used in financing activities increased by 51 million yen from the previous fiscal year to 953 million yen. This was mainly due to dividend payout of 1,880 million yen, and others

	Year ended August 31, 2018	Year ended August 31, 2019	Year ended August 31, 2020
Shareholders' equity ratio (%)	69.5	73.1	75.5
Market value-based shareholders' equity ratio (%)	136.1	175.7	209.2
Interest-bearing debt to cash flow ratio (%)	15.7	24.2	54.5
Interest coverage ratio(times)	509.9	539.8	230.3

(Note) Equity ratio: Equity divided by total assets

Market value-based shareholders' equity ratio : market capitalization divided by total assets

Interest-bearing debt to cash flow ratio : interest-bearing debt divided by operating cash flows

Interest coverage ratio : operating cash flow divided by interest payment

1. All indicators are calculated using consolidated financial data.
2. Market capitalization is calculated by multiplying the closing share price at the end of the fiscal year by the number of shares outstanding (after deducting treasury shares) at the end of the period.
3. Operating cash flows represent the cash flows from operating activities indicated in the consolidated statements of cash flows. Interest-bearing debt includes all liabilities reported in the consolidated balance sheet, on which interest is paid. The interest payment represents the amount of interest payment indicated in the consolidated statement of cash flows.

(3) Basic Policy on Profit Distribution, and Dividends for the Current and Next Fiscal Years

The Company has regarded the stable distribution of profits to its shareholders as a top priority. Its basic policy is to appropriately distribute profits in line with its earnings as well as to enhance internal reserves for long-term business development.

For the fiscal year under review, the Company plans to pay a year-end dividend of 35 yen per share. As a result, combined with the interim dividend of 35 yen per share already paid, the annual dividend will be 70 yen per share.

For the next fiscal year, we forecast a full-year dividend of 70 yen per share, consisting of an interim dividend of 35 yen and a year-end dividend of 35 yen.

We will use our internal reserves to strengthen our financial position, as well as for capital investment and development investment to achieve sustainable growth as a development-based company.

2. Basic Policy regarding Selection of Accounting Standards

The Group's policy is to adopt the Japanese standards for a while in order to secure the comparability of consolidated financial statements with domestic companies. Carefully watching future developments concerning IFRS adoption, we will work to establish a system to properly handle this matter.

### 3. Consolidated financial statements and Principal Notes

#### (1) Consolidated Balance Sheets

(Millions of yen)

	As of August 31, 2019	As of August 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	7,335	6,882
Notes and accounts receivable-trade	10,021	5,272
Electronically recorded monetary claims-operating	2,839	1,693
Finished goods	1,817	5,247
Work in process	2,070	1,895
Costs on construction contracts in progress	26	26
Raw materials and supplies	2,467	3,753
Other	339	711
Allowance for doubtful accounts	(7)	(3)
Total current assets	26,909	25,477
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,905	6,056
Accumulated depreciation	(2,375)	(2,731)
Buildings and structures, net	2,529	3,324
Machinery, equipment and vehicles	12,347	13,560
Accumulated depreciation	(7,009)	(8,190)
Machinery, equipment and vehicles, net	5,338	5,369
Land	9,335	9,563
Construction in progress	1,468	1,151
Other	1,037	1,324
Accumulated depreciation	(851)	(983)
Other, net	186	340
Total property, plant and equipment	18,857	19,749
Intangible assets	667	352
Investments and other assets		
Investment securities	1,629	1,238
Deferred tax assets	1,862	1,799
Other	1,552	1,107
Allowance for doubtful accounts	(15)	(14)
Total investments and other assets	5,029	4,129
Total non-current assets	24,553	24,231
Total assets	51,463	49,708

(Millions of yen)

As of August 31, 2019 As of August 31, 2020

	As of August 31, 2019	As of August 31, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	2,343	1,333
Electronically recorded obligations-operating	2,633	2,429
Short-term borrowings	414	870
Income taxes payable	1,082	392
Advances received	2,745	2,802
Provision for bonuses	713	562
Other provisions	9	8
Other	1,730	1,095
Total current liabilities	11,674	9,493
Non-current liabilities		
Long-term borrowings	323	707
Provisions for maintenance of product's function	144	34
Retirement benefit liability	163	80
Other provisions	10	0
Other	817	980
Total non-current liabilities	1,459	1,803
<b>Total liabilities</b>	<b>13,134</b>	<b>11,297</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	8,731	8,843
Capital surplus	9,891	10,020
Retained earnings	19,903	19,439
Treasury shares	(303)	(304)
Total shareholders' equity	38,222	37,999
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(228)	(95)
Deferred gains or losses on hedges	12	5
Foreign currency translation adjustment	(331)	(352)
Remeasurements of defined benefit plans	(44)	(5)
Total accumulated other comprehensive income	(591)	(447)
Share acquisition rights	242	503
Non-controlling interests	456	355
<b>Total net assets</b>	<b>38,329</b>	<b>38,411</b>
<b>Total liabilities and net assets</b>	<b>51,463</b>	<b>49,708</b>



(2) Consolidated Statements of Income and Comprehensive Income  
(Consolidated Statements of Income)

(Millions of yen)

	Fiscal year ended August 31, 2019	Fiscal year ended August 31, 2020
Net sales	32,442	24,640
Cost of sales	19,185	15,465
Gross profit (loss)	13,256	9,175
Selling, general and administrative expenses	6,567	6,676
Operating profit (loss)	6,689	2,498
Non-operating income		
Interest income	3	3
Dividend income	20	22
Gain on sales of scraps	8	3
Rental income from real estate	76	38
Insurance claim income	—	193
Foreign exchange gains	—	22
Other	33	37
Total non-operating income	141	321
Non-operating expenses		
Interest expenses	5	14
Rental expenses on real estate	9	1
Share issuance costs	6	3
Foreign exchange losses	40	—
Other	6	8
Total non-operating expenses	68	27
Ordinary profit (loss)	6,761	2,792
Extraordinary income		
Gain on sales of investment securities	—	41
Gain on reversal of share acquisition rights	12	—
Total extraordinary income	12	41
Extraordinary losses		
Loss on valuation of investment securities	—	297
Amortization of goodwill	—	245
Total extraordinary losses	—	543
Profit (loss) before income taxes	6,774	2,289
Income taxes-current	1,913	907
Income taxes-deferred	283	40
Total income taxes	2,196	948
Profit (loss)	4,577	1,340
Profit (loss) attributable to non-controlling interests	5	(60)
Profit (loss) attributable to owners of parent	4,571	1,400

## (Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended August 31, 2019	Fiscal year ended August 31, 2020
Profit (loss)	4,577	1,340
Other comprehensive income		
Valuation difference on available-for-sale securities	(158)	132
Deferred gains or losses on hedges	14	(13)
Foreign currency translation adjustment	(205)	9
Remeasurements of defined benefit plans	(53)	39
Total other comprehensive income	(402)	167
Comprehensive income	4,174	1,508
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,221	1,545
Comprehensive income attributable to non-controlling interests	(46)	(36)

## (3) Consolidated Statements of Changes in Net Assets

Fiscal year ended August 31, 2019 (from September 1, 2018 to August 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total Shareholders' equity
Balance at beginning of period	8,329	9,490	17,057	(303)	34,574
Changes during period					
Issuance of new shares	401	401			802
Dividends of surplus			(1,726)		(1,726)
Profit (loss) attributable to owners of parent			4,571		4,571
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	401	401	2,845	(0)	3,647
Balance at end of period	8,731	9,891	19,903	(303)	38,222

	Accumulated other comprehensive income					Share acquisition rights	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	(70)	4	(185)	9	(241)	64	503	34,902
Changes during period								
Issuance of new shares								802
Dividends of surplus								(1,726)
Profit (loss) attributable to owners of parent								4,571
Purchase of treasury shares								(0)
Net changes in items other than shareholders' equity	(158)	7	(145)	(53)	(350)	177	(46)	(219)
Total changes during period	(158)	7	(145)	(53)	(350)	177	(46)	3,427
Balance at end of period	(228)	12	(331)	(44)	(591)	242	456	38,329

Fiscal year ended August 31,2020 (from September 1, 2019 to August 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total Shareholders' equity
Balance at beginning of period	8,731	9,891	19,903	(303)	38,222
Cumulative effects of changes in accounting policies			17		17
Restated balance	8,731	9,891	19,920	(303)	38,239
Changes during period					
Issuance of new shares	112	112			225
Dividends of surplus			(1,882)		(1,882)
Profit (loss) attributable to owners of parent			1,400		1,400
Purchase of treasury shares				(0)	(0)
Purchase of share of consolidated subsidiaries treasury stock		16			16
Net changes in items other than shareholders' equity					
Total changes during period	112	129	(481)	(0)	(240)
Balance at end of period	8,843	10,020	19,439	(304)	37,999

	Accumulated other comprehensive income					Share acquisition rights	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	(228)	12	(331)	(44)	(591)	242	456	38,329
Cumulative effects of changes in accounting policies							13	30
Restated balance	(228)	12	(331)	(44)	(591)	242	470	38,360
Changes during period								
Issuance of new shares								225
Dividends of surplus								(1,882)
Profit (loss) attributable to owners of parent								1,400
Purchase of treasury shares								(0)
Purchase of share of consolidated subsidiaries treasury stock								16
Net changes in items other than shareholders' equity	132	(6)	(20)	39	144	260	(114)	291
Total changes during period	132	(6)	(20)	39	144	260	(114)	50
Balance at end of period	(95)	5	(352)	(5)	(447)	503	355	38,411

## (4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended August 31, 2019	Fiscal year ended August 31, 2020
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	6,774	2,289
Depreciation	1,708	1,901
Amortization of goodwill	31	279
Increase (decrease) in provision for bonuses	(94)	(151)
Increase (decrease) in retirement benefit liability	(14)	(27)
Increase (decrease) in Provisions for maintenance of product's function	(117)	(110)
Interest and dividend income	(23)	(26)
Interest expenses	5	14
Insurance claim income	—	(193)
Foreign exchange losses (gains)	(15)	(64)
Loss (gain) on valuation of investment securities	—	297
Decrease (increase) in trade receivables	(4,241)	6,025
Decrease (increase) in inventories	163	(3,715)
Increase (decrease) in trade payables	(146)	(1,130)
Increase (decrease) in advances received on construction contracts in progress	(8)	8
Other, net	781	(469)
Subtotal	4,803	4,928
Interest and dividends received	23	26
Interest paid	(5)	(14)
Income taxes paid	(1,731)	(1,871)
Proceeds from insurance income	—	193
Net cash provided by (used in) operating activities	3,090	3,263
<b>Cash flows from investing activities</b>		
Payments into time deposits	(2,830)	(1,240)
Proceeds from withdrawal of time deposits	2,765	2,090
Purchase of property, plant and equipment	(1,947)	(3,273)
Purchase of investment securities	(310)	(9)
Other, net	(231)	539
Net cash provided by (used in) investing activities	(2,554)	(1,892)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	303	363
Proceeds from long-term borrowings	—	563
Repayments of long-term borrowings	(214)	(111)
Proceeds from issuance of shares	744	221
Purchase of treasury shares	(0)	(61)
Dividends paid	(1,728)	(1,880)
Other, net	(5)	(47)
Net cash provided by (used in) financing activities	(901)	(953)
Effect of exchange rate change on cash and cash equivalents	(43)	(14)
Net increase (decrease) in cash and cash equivalents	(409)	403
Cash and cash equivalents at beginning of period	5,329	4,920
Cash and cash equivalents at end of period	4,920	5,324

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Change in Accounting Policies)

Several overseas subsidiaries have adopted IFRS 16 “Leases” from the fiscal year under review. Accordingly, for lease transactions as a lessee, all leases are, in principle, now recorded as assets and liabilities on the balance sheet. In adopting this accounting standard, the Group has adopted the method of recognizing the cumulative effect on the initial application date, which is accepted as a transitional measure.

The impact of this change on the consolidated financial statements for the fiscal year under review is immaterial.

(Additional Information)

• Accounting estimates

Affected by requests to refrain from travelling and restricted entry into the country due to the spread of COVID-19, the Group has been compelled to limit methodologies proposal activities.

Assuming that these situations will gradually turn to normal from the fiscal year ending August 31, 2021, the Company makes accounting estimates for impairment loss of fixed assets, the recoverability of deferred tax assets, the valuation of inventories, and others.

Because of high uncertainties over the impacts of COVID-19 on economic activities, there is a possibility that any change in the above assumption will affect our future financial position and operating results.

(Segment Information, etc.)

[Segment Information]

1. Overview of reportable segments

The Company's reportable segments are the units of the Company for which discrete financial information is available and for which the Board of Directors regularly conducts a review to determine allocation of management resources and assess performance.

The Company engages in business activities as a company coping with social problems caused by construction works home and abroad, by developing machines and new methodologies which make maximum use of the superiority of the Press-in Method.

Therefore, the Company consists of two reportable segments: "Construction Machinery Segment" and "Press-in Construction Segment."

The main products and services of each reportable segment are as follows:

Construction Machinery Segment ··· Development, manufacture, sale, rental and maintenance services of hydraulic press-in and extraction machines and auxiliary equipment

Press-in Construction Segment ··· Press-in works and foundation works, and underground development

2. Method of calculating net sales, profit or loss, assets, liabilities and other items by reportable segment

The accounting methods applied for reportable segments are generally the same as those for consolidated financial statements preparation.

Segment income of reportable segments represents figures based on operating profit.

Internal sales and transfers between segments are based on prevailing market prices.

3. Information on the amounts of net sales, profit or loss, assets, liabilities and other items by reportable segment

Fiscal year ended August 31, 2019 (from September 1, 2018 to August 31, 2019)

(Millions of yen)

	Reportable segments		Total	Adjusted amount (Notes 1, 3)	Posted amount to the consolidated financial statements (Notes 2)
	Construction machinery business	Press-fitting construction business			
Net sales					
(1) Net sales to external customers	23,638	8,803	32,442	–	32,442
(2) Intersegment net sales and transfer	1,220	140	1,360	(1,360)	–
Total	24,858	8,943	33,802	(1,360)	32,442
Segment profit [Operating profit] (loss)	7,855	755	8,611	(1,922)	6,689
Segment assets (Property, plant and equipment)	44,325	4,814	49,139	2,323	51,463
Other items					
Depreciation	1,418	149	1,568	139	1,708
Amortization of goodwill	–	–	–	31	31
Increased amount in property, plant and equipment	2,240	72	2,312	4	2,317

(Note) 1. The segment income adjustment of negative 1,922 million yen includes inter-segment transaction eliminations of negative 45 million yen and corporate expenses not allocated to any reportable segment of negative 1,876 million yen. The corporate expenses are mainly general administrative expenses not belonging to any reportable segment.

2. Segment income is adjusted with operating profit presented in the consolidated statement of income.

3. The segment assets adjustment of 2,323 million yen includes inter-segment credit elimination of negative 626 million yen and corporate assets not allocated to any reportable segment of 2,949 million yen.

4. Change in reportable segments, etc.

Previously, as for a consolidated subsidiary J Steel Group Pty Limited, whose fiscal year ended on June 30, financial statements as of that date were used and adjustments necessary in consolidation were made for material transactions that occurred between its closing date and the consolidated closing date. To ensure more appropriate disclosure of consolidated financial information, however, J Steel Group Pty Limited has changed its closing date

to August 31 from the consolidated third quarter.

This change in fiscal year-end has resulted in consolidated financial statements for the fiscal year under review of 14 months from July 1, 2018 to August 31, 2019, with adjustments through the consolidated statement of income.

As a result, net sales and segment income in the Press-in Construction Segment for the current fiscal year increased by 781 million yen and 45 million yen, respectively.

Fiscal year ended August 31, 2020 (from September 1, 2019 to August 31, 2020)

	Reportable segments		Total	Adjusted amount (Notes 1, 3)	Posted amount to the consolidated financial statements (Notes 2)
	Construction machinery business	Press-fitting construction business			
Net sales					
(1) Net sales to external customers	15,592	9,048	24,640	–	24,640
(2) Intersegment net sales and transfer	1,377	133	1,510	(1,510)	–
Total	16,969	9,181	26,151	(1,510)	24,640
Segment profit [Operating profit] (loss)	3,440	1,249	4,689	(2,190)	2,498
Segment assets (Property, plant and equipment)	41,978	6,350	48,329	1,379	49,708
Other items					
Depreciation	1,544	167	1,712	189	1,901
Amortization of goodwill	–	–	–	279	279
Increased amount in property, plant and equipment	3,027	32	3,059	1	3,060

(Note) 1. The segment income adjustment of negative 2,190 million yen includes inter-segment transaction eliminations of negative 56 million yen and corporate expenses not allocated to any reportable segment of negative 2,133 million yen. The corporate expenses are mainly general administrative expenses not belonging to any reportable segment.

2. Segment income is adjusted with operating profit presented in the consolidated statement of income.

3. The segment assets adjustment of 1,379 million yen includes inter-segment credit elimination of negative 696 million yen and corporate assets not allocated to any reportable segment of 2,076 million yen.



[Relevant Information]

Fiscal year ended August 31, 2019 (from September 1, 2018 to August 31, 2019)

1. Information by product and service

Information by product and service is omitted here because the same information is presented in the Segment Information, etc.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	Other	Total
27,397	5,044	32,442

(Note) Major regions that belong to "Other regions" other than Japan are as follows:

Other regions: Europe, Asia, North America, and Oceania

(2) Property, plant and equipment

Information on property, plant and equipment is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment stated in the consolidated balance sheet.

3. Information by major customer

(Millions of yen)

The Name of Customer	Sales	Related Segment
YONEI & CO.,LTD.	4,041	Construction machinery segment

Fiscal year ended August 31, 2020 (from September 1, 2019 to August 31, 2020)

1. Information by product and service is omitted here since the same information is described as segment information.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	Other	Total
21,822	2,818	24,640

(Note) Major regions that belong to "Other regions" other than Japan are as follows:

Other regions: Europe, Asia, North America, and Oceania

(2) Property, plant and equipment

Information on property, plant and equipment is omitted since the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment stated in the consolidated balance sheet.

3. Information by major customer

Information by major customer is omitted because there is no external customer accounting for 10% or more of net sales stated in the consolidated statement of income.

[Information on Impairment Loss for Fixed Assets by Reportable Segment]

There is no relevant information.

[Information on Amortization and Unamortized Balance of Goodwill by Reportable Segment]

Fiscal year ended August 31, 2019 (from September 1, 2018 to August 31, 2019)

(Millions of yen)

	Construction machinery business	Press-fitting construction business	Corporate and elimination	Total
Amortization for the current fiscal year	–	–	31	31
Unamortized Balance for the current fiscal year	–	–	258	258

(Note) The amounts in the “Corporate/elimination” represent the amounts concerning corporate assets not belonging to any reportable segment.

Fiscal year ended August 31, 2020 (from September 1, 2019 to August 31, 2020)

(Millions of yen)

	Construction machinery business	Press-fitting construction business	Corporate and elimination	Total
Amortization for the current fiscal year	–	–	279	279
Unamortized Balance for the current fiscal year	–	–	–	–

(Note) Of amortization for the current fiscal year in the “Corporate/elimination” of 279 million yen, 33 million yen is reported in “depreciation” in sales, general and administrative expenses, and 245 million yen is reported in “amortization of goodwill” in extraordinary loss.

[Information on Gain on Negative Goodwill by Reportable Segment]

There is no relevant information.

## (Per Share Information)

	Fiscal year ended August 31, 2019 (from September 1, 2018 to August 31, 2019)	Fiscal year ended August 31, 2020 (from September 1, 2019 to August 31, 2020)
Net assets per share	1,381.90yen	1,372.25yen
Profit per share	168.80yen	51.28yen
Diluted profit per share	167.37yen	50.99yen

(Note) The basis of calculation of profit per share and diluted profit per share is as follows:

	Fiscal year ended August 31, 2019 (from September 1, 2018 to August 31, 2019)	Fiscal year ended August 31, 2020 (from September 1, 2019 to August 31, 2020)
Profit per share		
Profit attributable to owners of parent (millions of yen)	4,571	1,400
Amount not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of parent concerning common shares (millions of yen)	4,571	1,400
Average number of common shares during the fiscal year (shares)	27,084,392	27,319,278
Diluted profit per share		
Profit attributable to owners of parent - deferred (millions of yen)	—	—
Increase in common stock (shares)	231,626	156,106
Overview of potential shares not included in computation of diluted profit per share because of their anti-dilutive effect	The fourth stock acquisition rights pursuant to the resolution at the Board of Directors meeting held on October 19, 2018 Number of stock acquisition rights: 8,754 (875,400 common shares) The fifth stock acquisition rights pursuant to the resolution at the Board of Directors meeting held on April 19, 2019 Number of stock acquisition rights: 983 (98,300 common shares)	—

## (Material Subsequent Events)

There is no relevant information.