

Consolidated Financial Results for the Fiscal Year Ended August 31, 2022 [JGAAP]

October 12, 2022

Company Name: GIKEN LTD.

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

Stock Exchange Listing: Tokyo

Representative: Shinnosuke Moribe, Representative Director and President

Contact: Mika Maeda, Executive Director

Phone: +81-88-846-2933

Scheduled date of Ordinary General Meeting of Shareholders: November 22, 2022

Scheduled date to commence dividend payments: November 24, 2022

Scheduled date to submit the Annual Securities Report: November 24, 2022

Availability of supplementary briefing material on annual results: Yes

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, 2022 (from September 1, 2021 to August 31, 2022)

(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, 2022 | 30,378 | 10.0 | 4,613 | 15.4 | 4,832 | 16.1 | 3,234 | 5.2 |
| Year ended August 31, 2021 | 27,618 | 12.1 | 3,997 | 59.9 | 4,161 | 49.0 | 3,073 | 119.4 |

(Note) Comprehensive income : Year ended August 31, 2022 : ¥3,503 million [1.4%]

Year ended August 31, 2021 : ¥3,455 million [129.0%]

| | 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, 2022 | 117.65 | 117.62 | 8.1 | 9.1 | 15.2 |
| Year ended August 31, 2021 | 112.22 | 111.89 | 8.0 | 8.2 | 14.5 |

(Reference) Equity in earnings of affiliated companies : Year ended August 31, 2022 : ¥ – million

Year ended August 31, 2021 : ¥ – 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, 2022 | 54,694 | 41,256 | 74.5 | 1,481.41 |
| As of August 31, 2021 | 51,667 | 39,554 | 75.7 | 1,426.10 |

(Reference) Equity : As of August 31, 2022 : ¥40,741 million As of August 31, 2021 : ¥39,108 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, 2022 | 5,923 | (4,216) | (1,940) | 5,598 |
| Year ended August 31, 2021 | 7,768 | (5,337) | (2,197) | 5,666 |

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 | | | |
| Year ended August 31, 2021 | – | 35.00 | – | 35.00 | 70.00 | 1,918 | 62.4 | 5.0 |
| Year ended August 31, 2022 | – | 35.00 | – | 35.00 | 70.00 | 1,925 | 59.5 | 4.8 |
| Year ending August 31, 2023 (Forecast) | – | 35.00 | – | 35.00 | 70.00 | | 55.0 | |

3. Earnings Forecast of Consolidated Financial Results

for Fiscal Year Ending August 31, 2022 (From September 1, 2021 to August 31, 2022)

(% 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 | 15,600 | 9.7 | 2,950 | 5.9 | 3,000 | 4.7 | 2,050 | 8.3 | 74.54 |
| Full year | 32,000 | 5.3 | 5,000 | 8.4 | 5,050 | 4.5 | 3,500 | 8.2 | 127.26 |

* Notes

(1) Changes in significant subsidiaries during the fiscal year ended August 31, 2022 (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, 2022 | 28,194,728 shares | As of August 31, 2021 | 28,115,928 shares |
| As of August 31, 2022 | 693,034 shares | As of August 31, 2021 | 692,963 shares |
| Year ended August 31, 2022 | 27,492,033 shares | Year ended August 31, 2021 | 27,386,872 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, 2022 (from September 1, 2021 to August 31, 2022)

(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, 2022 | 21,417 | 4.6 | 4,593 | 23.5 | 3,350 | 9.6 |
| Year ended August 31, 2021 | 20,480 | 19.8 | 3,719 | 68.5 | 3,056 | 265.1 |

| | Profit per share | Fully diluted profit per share |
|----------------------------|------------------|--------------------------------|
| | Yen | Yen |
| Year ended August 31, 2022 | 121.87 | 121.83 |
| Year ended August 31, 2021 | 111.62 | 111.28 |

(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, 2022 | 47,906 | 37,873 | 79.1 | 1,377.14 |
| As of August 31, 2021 | 45,550 | 36,296 | 79.7 | 1,323.56 |

(Reference) Equity: As of August 31, 2022: ¥37,873 million As of August 31, 2021: ¥36,296 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 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. Please refer to page 5 of the attached material for the above forecasts.

Table of Contents of Appendix

| | |
|--|----|
| 1. Overview of Business Results, etc. | 4 |
| (1) Overview of Business Results for the Current Fiscal Year | 4 |
| (2) Overview of Financial Position for the Current Fiscal Year | 5 |
| (3) Basic Policy on Profit Distribution, and Dividends for the Current and Next Fiscal Years | 7 |
| 2. Basic Policy regarding Selection of Accounting Standards | 7 |
| 3. Consolidated Financial Statements and Principal Notes | 8 |
| (1) Consolidated Balance Sheets | 8 |
| (2) Consolidated Statements of Income and Comprehensive Income | 10 |
| (Consolidated Statements of Income) | 10 |
| (Consolidated Statements of Comprehensive Income) | 11 |
| (3) Consolidated Statements of Changes in Net Assets | 12 |
| (4) Consolidated Statements of Cash Flows | 14 |
| (5) Notes to Consolidated Financial Statements | 15 |
| (Notes on Going Concern Assumption) | 15 |
| (Segment Information, etc.) | 16 |
| (Per Share Information) | 20 |
| (Material Subsequent Events) | 20 |

1. Overview of Business Results, etc.

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

Aiming for a dramatic business growth, the Giken Group has set in the Medium-Term Management Plan (for the period from September 2022 to August 2024) a long-term target sales of 100 billion yen for the fiscal year ending August 2031. In the consolidated fiscal year under review, the first year of the Medium-Term Management Plan, we worked on the formulation of the Long-Term Roadmap Giken Goals 2031, which includes strategies and numerical targets to achieve the 2031 goal. Specific initiatives by each department have become full-fledged.

With regard to the business environment surrounded the Group in the consolidated fiscal year under review, domestic public works remained steady. In addition, private sector construction investment continued to recover, and customers' appetite for capital investment was strong. The economic outlook, however, remains uncertain due to factors such as soaring raw material and energy costs against the backdrop of the Russia-Ukraine conflict. Under these circumstances, we raised product prices by 5% to 10%, effective from orders received in June, in order to absorb raw material price hikes by passing them on to customers.

In our domestic activities to disseminate our methodologies, we strengthened our organizational structure to facilitate technological proposals. We continued to promote the Implant Method*1 mainly for the strengthening of national resilience, including recovery and reconstruction from natural disasters, prevention and mitigation of future disasters, and extension of infrastructure service life. This resulted in the adoption of the Implant Method in areas affected by the July 2020 torrential rain, which caused extensive damage mainly in Kumamoto. The method was used for the reconstruction of damaged roads and bridges and construction works to prevent repeated damage. For the national Routes 210 (Kuma Village, Kumamoto) and 219 (Hita City, Oita), which collapsed due to floods, Giken Seko Co., Ltd. in the Group built retaining walls for roads, using the resilient Implant Structure to prevent repeated damage. The adoption of the method has increased steadily thanks to the expansion of the applicable range: in addition to the use in infrastructure development such as building tide embankments to prepare for earthquakes, tsunamis, and storm surges, improving river revetments for flood control, maintaining freeways, and improving port facilities, impervious walls that protect factories from flood damage were adopted in the private sector as a preventive measure against disasters.

*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

In overseas development, we aim to increase overseas net sales ratio to 70%. For a project to develop new technologies to improve revetment of the world heritage-listed canal in Amsterdam, the Netherlands, G-Kracht B.V., a joint venture established in April 2021, signed a pilot construction contract with the city (orderer) in June 2022. Taking full advantage of our electrically powered Gyro Piler and GRB system*2, which contribute to carbon neutrality, press-in works are scheduled to start in November.

In Thailand, the Implant Method was adopted in a revetment development project for the Pasak River, a major river in the country. Our Silent Piler F301-900 was delivered to a local company, which started building a river revetment in June, featuring double continuous walls made of Hat Sheet Piles. The section subject to development in this project extends approximately 52 km. We therefore expect continued adoption of the method, which will boost sales of machinery, etc. We also expect that advertising the superiority demonstrated in the project, such as vibration- and noise-free construction works and resilient Implant Structures, will have ripple effects on flood control across the world, especially in Southeast Asian countries, which are frequently hit by torrential rain. We also started a full-fledged promotion of the Implant Method in other Asian countries. For example, we gained an Indian user, which leads to a starting point for entering the gigantic market, and delivered Silent Piler F301-700 in January.

In the construction works for disaster prevention at tailings dams in Brazil, a local company that received technical guidance from the Giken Group started the pilot construction works in September last year and completed it in March this year, using Gyro Piler. In Australia, J Steel Group Pty Limited, a Giken Group company, started cofferdam construction works for redevelopment project of The Sydney Fish Market in October last year, aiming to complete them this autumn.

*2 A next-generation press-in system, where full electrification enables zero CO2 emissions during construction works

In rolling out products for underground development, we proceeded with the construction of automated bicycle parking facility ECO Cycle in Katsushika-ku, Tokyo. Two facilities, which provides an underground parking space for 408 bicycles in total, opened in September as the first of its kind in Katsushika-ku. It has also been decided to install ECO Cycle near Shin-Tsunashima Station of Tokyu Shin-Yokohama Line (Kohoku-ku, Yokohama), which is scheduled to open next spring. Giken Seko received the construction order in June. It will be the first ECO Cycle in Yokohama, which is noted both as a tourist destination and as a residential area. Installation in the city would help us make compelling proposals. The adoption of ECO Cycle has constantly increased, totaling 63 facilities at 26 locations across Japan including Yokohama.

We made a full-fledged transition to BTO manufacturing in the fiscal year under review, leading to a steady and efficient BTO manufacturing and sales so far. To cement this system, we have entered in to a business alliance agreement with Aktio Corporation, a leading company for construction machinery rental services. To accelerate the development of new users by taking advantage of

Aktio's extensive sales networks in Japan and overseas, our maintenance and frontline technologies, as well as know-how in proposal-based sales activities, have been provided to Aktio's staff for extended cooperation. In addition, we established a system that allows Nishio Rent All Co., Ltd., another leading company for construction machinery rental services, to rent Implant NAVI, a pile installation quality control system jointly developed with Giken Group company Citec Inc. With Implant NAVI, we will achieve labor saving in construction works, as well as improve productivity and reliability, thereby expanding the adoption of our press-in technology and Implant Method. Furthermore, Implant NAVI's technology has been standardized thanks to the Ministry of Land, Infrastructure, Transport and Tourism's initiative to set standards for ICT construction.

In relation to future-oriented technology development, looking to construction works on the moon surface and innovation in construction technologies on the earth, we have signed a new contract with the Ministry of Land, Infrastructure, Transport and Tourism. We are to participate in the Project for Promoting the Development of Innovative Technologies for Autonomous Construction, such as on the Moon, led by the national government, proceeding from the feasibility study stage to the R&D stage. This has paved the way for the development of specific technologies in the next four years. Expansion of the press-in technology to space has advanced the dream to go to the moon to a new phase.

Under such circumstances, for the current consolidated fiscal year, net sales were 30,378 million yen (an increase of 10.0% from the previous fiscal year), operating profit was 4,613 million yen (an increase of 15.4%), ordinary profit was 4,832 million yen (an increase of 16.1%), and profit attributable to owners of parent was 3,234 million yen (an increase of 5.2%).

The performance by segment are as follows.

(i) Construction Machinery Segment

Projects related to disaster prevention, such as construction works to strengthen national resilience, made progress in Japan, and private sector construction investment has been on a recovery trend. Under such circumstances, sales of Silent Piler F301-900 were strong. The product is for 900 mm-wide Hat Sheet Piles, which started to be used in main construction works of civil engineering structures. Demand for replacement of general-purpose machines was also strong. As a result, net sales were 20,851 million yen (an increase of 9.0% from the previous fiscal year), and segment profit was 6,068 million yen (an increase of 27.1%).

(ii) Press-in Work Segment

Adoption of the Implant Method was strong in construction works related to recovery and reconstruction from natural disasters and prevention and mitigation of future disasters. Under such circumstances, construction works made steady progress for revetments to prepare for the Tokyo Inland Earthquake, tsunamis, and storm surges, tide embankments, and anti-seismic reinforcement of water gates (Tokyo); measures against landslides (Nagano); retaining walls for roads at junctions (Hokkaido); and measures against lateral flow at private sector oil storage bases (Kagawa).

Under such circumstances, net sales for the Press-in Work segment were 9,526 million yen (an increase of 12.3% from the previous fiscal year). Meanwhile, segment profit was 948 million yen (a decrease of 23.7%). The decrease was due to increased costs associated with the extension of construction periods for large-scale projects, caused by unseasonable weather and other factors.

For the next fiscal year (ending August 2023), we expect consolidated net sales of 32,000 million yen (an increase of 5.3% from the previous fiscal year), operating profit of 5,000 million yen (an increase of 8.4%), ordinary profit of 5,050 million yen (an increase of 4.5%), and profit attributable to owners of parent of 3,500 million yen (an increase of 8.2%).

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

(i) Assets, Liabilities and Net Assets

Total assets as of the end of the current consolidated fiscal year increased by 3,027 million yen compared to the end of the previous consolidated fiscal year to 54,694 million yen. Current assets increased by 3,210 million yen to 30,117 million yen and non-current assets decreased by 182 million yen to 24,576 million yen from the end of the previous fiscal year.

The increase in current assets was mainly due to an increase of 2,229 million yen in cash and deposits, while there was a decrease of 502 million yen in finished goods.

The decrease in non-current assets was mainly due to a 407 million yen decrease in property, plant and equipment, including machinery, equipment and vehicles, while there was a 267 million yen increase in investments and other assets.

Total liabilities at the end of the current consolidated fiscal year increased by 1,315 million yen compared to the end of the previous consolidated fiscal year to 13,438 million yen. Current liabilities increased by 1,575 million yen to 12,103 million yen and non-current liabilities decreased by 260 million yen to 1,334 million yen from the end of the previous fiscal year.

The increase in current liabilities was mainly due to increases of 664 million yen in contract liabilities (advances received and advances received on construction contracts in progress for the previous fiscal year) and 343 million yen in notes and accounts

payable-trade.

The decrease in non-current liabilities was mainly due to a decrease of 145 million yen in long term borrowings.

Net assets as of the end of the current consolidated fiscal year increased by 1,711 million yen compared to the end of the previous consolidated fiscal year to 41,256 million yen. This was mainly due to an increase of 1,443 million yen in shareholders' equity. The equity ratio decreased to 74.5% from 75.7% at the end of the previous fiscal year due to the increase in total assets. Net assets per share increased from 1,426.10 yen at the end of the previous fiscal year to 1,481.41 yen at the end of the current fiscal year.

(ii) Cash Flow

Cash and cash equivalents (hereinafter "cash") at the end of the current fiscal year decreased by 68 million yen compared to the end of the previous fiscal year to 5,598 million yen. The status of each cash flow is as follows.

(Cash Flow from Operating Activities)

Net cash provided by operating activities decreased by 1,845 million yen compared to the previous fiscal year to 5,923 million yen. This was mainly due to profit before income taxes of 4,832 million yen and a decrease in inventories of 1,128 million yen.

(Cash Flow from Investing Activities)

Net cash used in investing activities decreased by 1,120 million yen compared to the previous fiscal year to 4,216 million yen. This was mainly due to payments into time deposits of 14,020 million yen and proceeds from withdrawal of time deposits of 11,722 million yen.

(Cash Flow from Financing Activities)

Net cash used in financing activities decreased by 256 million yen compared to the previous fiscal year to 1,940 million yen. This was mainly due to dividends paid of 1,918 million yen.

| | Year ended August 31, 2020 | Year ended August 31, 2021 | Year ended August 31, 2022 |
|---|----------------------------|----------------------------|----------------------------|
| Shareholders' equity ratio (%) | 75.5 | 75.7 | 74.5 |
| Market value-based shareholders' equity ratio (%) | 209.2 | 251.3 | 163.7 |
| Interest-bearing debt to cash flow ratio (%) | 54.5 | 18.5 | 24.3 |
| Interest coverage ratio(times) | 230.3 | 720.8 | 407.2 |

(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, 2021 | As of August 31, 2022 |
|--|--------------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 10,589 | 12,818 |
| Notes and accounts receivable-trade | 6,699 | — |
| Notes and accounts receivable-trade, and contract assets | — | 8,365 |
| Electronically recorded monetary claims-operating | 1,234 | 1,009 |
| Finished goods | 3,296 | 2,793 |
| Work in process | 1,627 | 1,890 |
| Costs on construction contracts in progress | 104 | 48 |
| Raw materials and supplies | 2,877 | 2,757 |
| Other | 483 | 438 |
| Allowance for doubtful accounts | (4) | (3) |
| Total current assets | 26,907 | 30,117 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 6,900 | 7,604 |
| Accumulated depreciation | (3,056) | (3,369) |
| Buildings and structures, net | 3,844 | 4,235 |
| Machinery, equipment and vehicles | 13,134 | 12,956 |
| Accumulated depreciation | (8,160) | (8,789) |
| Machinery, equipment and vehicles, net | 4,973 | 4,166 |
| Land | 9,720 | 9,722 |
| Construction in progress | 1,206 | 1,119 |
| Other | 1,421 | 1,678 |
| Accumulated depreciation | (1,101) | (1,266) |
| Other, net | 319 | 412 |
| Total property, plant and equipment | 20,064 | 19,656 |
| Intangible assets | 275 | 233 |
| Investments and other assets | | |
| Investment securities | 1,186 | 1,211 |
| Deferred tax assets | 1,700 | 1,767 |
| Other | 1,548 | 1,724 |
| Allowance for doubtful accounts | (16) | (17) |
| Total investments and other assets | 4,418 | 4,686 |
| Total non-current assets | 24,759 | 24,576 |
| Total assets | 51,667 | 54,694 |

(Millions of yen)

| | As of August 31, 2021 | As of August 31, 2022 |
|---|--------------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 1,534 | 1,877 |
| Electronically recorded obligations-operating | 978 | 1,261 |
| Short-term borrowings | 718 | 875 |
| Income taxes payable | 849 | 1,053 |
| Advances received | 3,711 | — |
| Contract liabilities | — | 4,375 |
| Provision for bonuses | 679 | 746 |
| Other provisions | 20 | 19 |
| Other | 2,035 | 1,894 |
| Total current liabilities | 10,527 | 12,103 |
| Non-current liabilities | | |
| Long-term borrowings | 538 | 393 |
| Provisions for maintenance of product's function | 53 | 4 |
| Retirement benefit liability | 102 | 84 |
| Other provisions | 1 | 0 |
| Other | 898 | 851 |
| Total non-current liabilities | 1,594 | 1,334 |
| Total liabilities | 12,122 | 13,438 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 8,892 | 8,958 |
| Deposits for subscriptions of shares | 0 | — |
| Capital surplus | 10,069 | 10,135 |
| Retained earnings | 20,596 | 21,908 |
| Treasury shares | (304) | (305) |
| Total shareholders' equity | 39,253 | 40,696 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 0 | 18 |
| Deferred gains or losses on hedges | 18 | 8 |
| Foreign currency translation adjustment | (138) | 14 |
| Remeasurements of defined benefit plans | (26) | 3 |
| Total accumulated other comprehensive income | (145) | 44 |
| Share acquisition rights | 0 | — |
| Non-controlling interests | 435 | 514 |
| Total net assets | 39,544 | 41,256 |
| Total liabilities and net assets | 51,667 | 54,694 |

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

(Millions of yen)

| | Fiscal year ended August 31, 2021 | Fiscal year ended August 31, 2022 |
|---|--------------------------------------|--------------------------------------|
| Net sales | 27,618 | 30,378 |
| Cost of sales | 17,003 | 18,653 |
| Gross profit (loss) | 10,614 | 11,725 |
| Selling, general and administrative expenses | 6,617 | 7,111 |
| Operating profit (loss) | 3,997 | 4,613 |
| Non-operating income | | |
| Interest income | 1 | 8 |
| Dividend income | 19 | 23 |
| Gain on sales of scraps | 14 | 15 |
| Rental income from real estate | 66 | 57 |
| Insurance claim income | — | 14 |
| Foreign exchange gains | 27 | 95 |
| Surrender value of insurance policies | 9 | — |
| Other | 48 | 35 |
| Total non-operating income | 187 | 250 |
| Non-operating expenses | | |
| Interest expenses | 10 | 14 |
| Rental expenses on real estate | 0 | 8 |
| Share issuance costs | 2 | 1 |
| Loss on cancellation of leases | 4 | — |
| Other | 3 | 7 |
| Total non-operating expenses | 22 | 31 |
| Ordinary profit (loss) | 4,161 | 4,832 |
| Extraordinary income | | |
| Gain on reversal of share acquisition rights | 567 | — |
| Total extraordinary income | 567 | — |
| Extraordinary losses | | |
| Loss on abandonment of non-current assets | 70 | — |
| Loss on valuation of investment securities | 88 | — |
| Impairment loss | 21 | — |
| Total extraordinary losses | 180 | — |
| Profit (loss) before income taxes | 4,548 | 4,832 |
| Income taxes-current | 1,403 | 1,679 |
| Income taxes-deferred | 18 | (88) |
| Total income taxes | 1,421 | 1,591 |
| Profit (loss) | 3,127 | 3,241 |
| Profit (loss) attributable to non-controlling interests | 53 | 6 |
| Profit (loss) attributable to owners of parent | 3,073 | 3,234 |

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

| | Fiscal year ended August 31, 2021 | Fiscal year ended August 31, 2022 |
|--|--------------------------------------|--------------------------------------|
| Profit (loss) | 3,127 | 3,241 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 96 | 17 |
| Deferred gains or losses on hedges | 24 | (18) |
| Foreign currency translation adjustment | 229 | 233 |
| Remeasurements of defined benefit plans | (21) | 29 |
| Total other comprehensive income | 328 | 261 |
| Comprehensive income | 3,455 | 3,503 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 3,375 | 3,424 |
| Comprehensive income attributable to non-controlling interests | 79 | 78 |

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended August 31, 2021 (from September 1, 2020 to August 31, 2021)

(Millions of yen)

| | Shareholders' equity | | | | | |
|--|----------------------|--------------------------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Deposits for subscriptions of shares | Capital surplus | Retained earnings | Treasury shares | Total Shareholders' equity |
| Balance at beginning of period | 8,843 | — | 10,020 | 19,439 | (304) | 37,999 |
| Changes during period | | | | | | |
| Issuance of new shares | 48 | 0 | 48 | | | 97 |
| Dividends of surplus | | | | (1,916) | | (1,916) |
| Profit (loss) attributable to owners of parent | | | | 3,073 | | 3,073 |
| Purchase of treasury shares | | | | | (0) | (0) |
| Net changes in items other than shareholders' equity | | | | | | |
| Total changes during period | 48 | 0 | 48 | 1,157 | (0) | 1,254 |
| Balance at end of period | 8,892 | 0 | 10,069 | 20,596 | (304) | 39,253 |

| | 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 | (95) | 5 | (352) | (5) | (447) | 503 | 355 | 38,411 |
| Changes during period | | | | | | | | |
| Issuance of new shares | | | | | | | | 97 |
| Dividends of surplus | | | | | | | | (1,916) |
| Profit (loss) attributable to owners of parent | | | | | | | | 3,073 |
| Purchase of treasury shares | | | | | | | | (0) |
| Net changes in items other than shareholders' equity | 96 | 13 | 213 | (21) | 302 | (503) | 79 | (120) |
| Total changes during period | 96 | 13 | 213 | (21) | 302 | (503) | 79 | 1,133 |
| Balance at end of period | 0 | 18 | (138) | (26) | (145) | 0 | 435 | 39,544 |

Fiscal year ended August 31, 2022 (from September 1, 2021 to August 31, 2022)

(Millions of yen)

| | Shareholders' equity | | | | | |
|--|----------------------|--------------------------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Deposits for subscriptions of shares | Capital surplus | Retained earnings | Treasury shares | Total Shareholders' equity |
| Balance at beginning of period | 8,892 | 0 | 10,069 | 20,596 | (304) | 39,253 |
| Changes during period | | | | | | |
| Issuance of new shares | 65 | (0) | 65 | | | 131 |
| Dividends of surplus | | | | (1,922) | | (1,922) |
| Profit (loss) attributable to owners of parent | | | | 3,234 | | 3,234 |
| Purchase of treasury shares | | | | | (0) | (0) |
| Net changes in items other than shareholders' equity | | | | | | |
| Total changes during period | 65 | (0) | 65 | 1,312 | (0) | 1,443 |
| Balance at end of period | 8,958 | — | 10,135 | 21,908 | (305) | 40,696 |

| | 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 | 0 | 18 | (138) | (26) | (145) | 0 | 435 | 39,544 |
| Changes during period | | | | | | | | |
| Issuance of new shares | | | | | | | | 131 |
| Dividends of surplus | | | | | | | | (1,922) |
| Profit (loss) attributable to owners of parent | | | | | | | | 3,234 |
| Purchase of treasury shares | | | | | | | | (0) |
| Net changes in items other than shareholders' equity | 17 | (10) | 152 | 29 | 189 | (0) | 78 | 267 |
| Total changes during period | 17 | (10) | 152 | 29 | 189 | (0) | 78 | 1,711 |
| Balance at end of period | 18 | 8 | 14 | 3 | 44 | — | 514 | 41,256 |

(4) Consolidated Statements of Cash Flows

(Millions of yen)

| | Fiscal year ended August 31, 2021 | Fiscal year ended August 31, 2022 |
|--|--------------------------------------|--------------------------------------|
| Cash flows from operating activities | | |
| Profit (loss) before income taxes | 4,548 | 4,832 |
| Depreciation | 1,952 | 1,961 |
| Impairment loss | 21 | — |
| Increase (decrease) in provision for bonuses | 117 | 66 |
| Increase (decrease) in retirement benefit liability | (8) | 24 |
| Increase (decrease) in Provisions for maintenance of product's function | 18 | (48) |
| Interest and dividend income | (21) | (30) |
| Interest expenses | 10 | 14 |
| Foreign exchange losses (gains) | 52 | (30) |
| Loss (gain) on valuation of investment securities | 88 | — |
| Decrease (increase) in trade receivables | (45) | — |
| Decrease (increase) in trade receivables and contract assets | — | (1,354) |
| Decrease (increase) in inventories | 3,208 | 1,128 |
| Increase (decrease) in trade payables | (1,466) | 623 |
| Increase (decrease) in advances received on construction contracts in progress | (8) | — |
| Increase (decrease) in contract liabilities | — | 531 |
| Other, net | (18) | (332) |
| Subtotal | 8,448 | 7,386 |
| Interest and dividends received | 21 | 32 |
| Interest paid | (10) | (14) |
| Income taxes paid | (1,036) | (1,480) |
| Income taxes refund | 346 | — |
| Net cash provided by (used in) operating activities | 7,768 | 5,923 |
| Cash flows from investing activities | | |
| Payments into time deposits | (5,532) | (14,020) |
| Proceeds from withdrawal of time deposits | 2,175 | 11,722 |
| Purchase of property, plant and equipment | (2,080) | (1,876) |
| Purchase of investment securities | (0) | — |
| Other, net | 99 | (43) |
| Net cash provided by (used in) investing activities | (5,337) | (4,216) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | (170) | 115 |
| Repayments of long-term borrowings | (140) | (180) |
| Proceeds from issuance of shares | 94 | 129 |
| Purchase of treasury shares | (0) | (0) |
| Dividends paid | (1,914) | (1,918) |
| Other, net | (65) | (85) |
| Net cash provided by (used in) financing activities | (2,197) | (1,940) |
| Effect of exchange rate change on cash and cash equivalents | 107 | 164 |
| Net increase (decrease) in cash and cash equivalents | 342 | (68) |
| Cash and cash equivalents at beginning of period | 5,324 | 5,666 |
| Cash and cash equivalents at end of period | 5,666 | 5,598 |

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no relevant information.

(Changes in Accounting Policies)

• Application of the Accounting Standard for Revenue Recognition, etc.

We have applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Standard”) and other standards from the beginning of the consolidated fiscal year under review. We recognize revenue when control of a promised good or service is transferred to a customer, in an amount that reflects the consideration to which we expect to be entitled in exchange for the said good or service.

We apply the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior fiscal years is added to retained earnings at the beginning of the consolidated fiscal year under review, with the new accounting policies applied from the beginning balance. However, we apply the method provided for in Paragraph 86 of the Revenue Recognition Standard, and do not apply the new accounting policies retrospectively to contracts for which substantially all revenue amounts had been recognized prior to the beginning of the consolidated fiscal year under review in accordance with the previous treatment.

As a result, the impact on the consolidated financial statements for the consolidated fiscal year under review is negligible. There is no effect on the beginning balance of retained earnings.

Due to the application of the Accounting Standard for Revenue Recognition, etc., notes and accounts receivable-trade, which was presented under current assets in the consolidated balance sheet for the previous fiscal year, has been included in notes and accounts receivable - trade, and contract assets from the consolidated fiscal year under review, and advances received and advances received on construction contracts in progress, which were presented under current liabilities, have been included in contract liabilities from the consolidated fiscal year under review. In addition, decrease (increase) in trade receivables, which was presented under cash flows from operating activities in the consolidated statements of cash flows for the previous fiscal year, has been included in decrease (increase) in trade receivables and contract assets from the consolidated fiscal year under review, and increase (decrease) in advances received on construction contracts in progress has been included in increase (decrease) in contract liabilities from the consolidated fiscal year under review. In accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been reclassified based on the new presentation method. In accordance with the transitional treatment set forth in Paragraph 89-3 of the Revenue Recognition Standard, information on the disaggregation of revenue from contracts with customers for the previous fiscal year is not presented.

• Application of the Accounting Standard for Fair Value Measurement, etc.

We have applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the consolidated fiscal year under review, and are to henceforth apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements.

(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 Work 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 Work 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, 2021 (from September 1, 2020 to August 31, 2021)

(Millions of yen)

| | Reportable segments | | Total | Adjusted amount (Notes 1, 3) | Posted amount to the consolidated financial statements (Notes 2) |
|---|------------------------|---------------|--------|---------------------------------|---|
| | Construction Machinery | Press-in Work | | | |
| Net sales | | | | | |
| (1) Net sales to external customers | 19,134 | 8,484 | 27,618 | — | 27,618 |
| (2) Intersegment net sales and transfer | 963 | 179 | 1,142 | (1,142) | — |
| Total | 20,097 | 8,663 | 28,761 | (1,142) | 27,618 |
| Segment profit | 4,775 | 1,243 | 6,019 | (2,022) | 3,997 |
| Segment assets | 43,429 | 6,953 | 50,383 | 1,283 | 51,667 |
| Other items | | | | | |
| Depreciation | 1,607 | 136 | 1,743 | 208 | 1,952 |
| Increased amount in property, plant and equipment | 2,261 | 22 | 2,283 | 10 | 2,294 |

(Note)1. The segment income adjustment of negative 2,022 million yen includes inter-segment transaction eliminations of negative 66 million yen and corporate expenses not allocated to any reportable segment of negative 2,089 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 1,283 million yen includes inter-segment credit elimination of negative 843 million yen and corporate assets not allocated to any reportable segment of 2,127 million yen.

Fiscal year ended August 31, 2022 (from September 1, 2021 to August 31, 2022)

(Millions of yen)

| | Reportable segments | | Total | Adjusted amount (Notes 1, 3) | Posted amount to the consolidated financial statements (Notes 2) |
|---|------------------------|---------------|--------|---------------------------------|---|
| | Construction Machinery | Press-in Work | | | |
| Net sales | | | | | |
| Japan | 18,865 | 5,547 | 24,413 | — | 24,413 |
| Other regions | 1,986 | 3,978 | 5,965 | — | 5,965 |
| Revenue from contracts with customers | 20,851 | 9,526 | 30,378 | — | 30,378 |
| (1) Net sales to external customers | 20,851 | 9,526 | 30,378 | — | 30,378 |
| (2) Intersegment net sales and transfer | 842 | 129 | 972 | (972) | — |
| Total | 21,694 | 9,656 | 31,351 | (972) | 30,378 |
| Segment profit | 6,068 | 948 | 7,017 | (2,403) | 4,613 |
| Segment assets | 45,519 | 7,811 | 53,330 | 1,364 | 54,694 |
| Other items | | | | | |
| Depreciation | 1,573 | 109 | 1,683 | 278 | 1,961 |
| Increased amount in property, plant and equipment | 1,827 | 99 | 1,927 | 3 | 1,930 |

(Note)1. The segment income adjustment of negative 2,403 million yen includes inter-segment transaction eliminations of negative 64 million yen and corporate expenses not allocated to any reportable segment of negative 2,468 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 1,364 million yen includes inter-segment credit elimination of negative 732 million yen and corporate assets not allocated to any reportable segment of 2,096 million yen.

[Relevant Information]

Fiscal year ended August 31, 2021 (from September 1, 2020 to August 31, 2021)

1. Information by product and service

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 |
|--------|-------|--------|
| 22,158 | 5,460 | 27,618 |

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

Other regions: Europe, Asia, North America, South 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.

Fiscal year ended August 31, 2022 (from September 1, 2021 to August 31, 2022)

1. Information by product and service

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 |
|--------|-------|--------|
| 24,413 | 5,965 | 30,378 |

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

Other regions: Europe, Asia, North America, South 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]

Fiscal year ended August 31, 2021 (from September 1, 2020 to August 31, 2021)

(Millions of yen)

| | Construction Machinery | Press-in Work | Corporate and elimination | Total |
|-------------------|------------------------|---------------|---------------------------|-------|
| Impairment losses | — | — | 21 | 21 |

(Note) The amount of "Corporate and elimination" represents an impairment loss on corporate assets, which do not belong to any reportable segment.

Fiscal year ended August 31, 2022 (from September 1, 2021 to August 31, 2022)

There is no relevant information.

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

There is no relevant information.

[Information on Gain on Negative Goodwill by Reportable Segment]

There is no relevant information.

(Per Share Information)

| | Fiscal year ended August 31, 2021 (from September 1, 2020 to August 31, 2021) | Fiscal year ended August 31, 2022 (from September 1, 2021 to August 31, 2022) |
|--------------------------------|---|---|
| Net assets per share | 1,426.10Yen | 1,481.41Yen |
| Profit per share | 112.22Yen | 117.65Yen |
| Fully diluted profit per share | 111.89Yen | 117.62Yen |

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

| | Fiscal year ended August 31, 2021 (from September 1, 2020 to August 31, 2021) | Fiscal year ended August 31, 2022 (from September 1, 2021 to August 31, 2022) |
|--|---|---|
| Profit per share | | |
| Profit attributable to owners of parent (millions of yen) | 3,073 | 3,234 |
| Amount not attributable to common shareholders (millions of yen) | — | — |
| Profit attributable to owners of parent concerning common shares (millions of yen) | 3,073 | 3,234 |
| Average number of common shares during the fiscal year (shares) | 27,386,872 | 27,492,033 |
| | | |
| Fully diluted profit per share | | |
| Profit attributable to owners of parent - deferred (millions of yen) | — | — |
| Increase in common stock (shares) | 82,293 | 8,028 |
| Overview of potential shares not included in computation of diluted profit per share because of their anti-dilutive effect | — | — |

(Material Subsequent Events)

There is no relevant information.