



Business Results for the Third Quarter of the Fiscal Year Ending March 31, 2020 Consolidated Basis (Japanese GAAP)

February 12, 2020
TSE, NSE

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 Briefing session to explain the financial statements: No

(Figures of less than ¥1 million have been omitted.)

1. Consolidated business results for the Third Quarter of the fiscal year ending March 31, 2020 (April 1, 2019 to December 31, 2019)

(1) Consolidated operating results (Cumulative)

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
3Q FY2019	73,061	(18.4)	3,167	(24.1)	3,148	(24.6)	2,043	(28.6)
3Q FY2018	89,504	5.8	4,174	(54.0)	4,177	(54.6)	2,862	(55.2)

(Note) Comprehensive income Third quarter of FY2019: ¥2,184 million 87.7%
 Third quarter of FY2018: ¥1,163 million (86.4)%

	Net income per share	Diluted net income per share
	Yen	Yen
3Q FY2019	33.00	—
3Q FY2018	46.23	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of December 31, 2019	134,993	81,796	60.5
As of March 31, 2019	136,961	80,444	58.6

(Reference) Shareholders' equity As of December 31, 2019: ¥81,686 million
 As of March 31, 2019: ¥80,306 million

2. Dividends

	Annual dividends				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2018 ended March 31, 2019	—	20.00	—	8.00	28.00
FY2019 ending March 31, 2020	—	5.00	—	—	—
FY2019 ending March 31, 2020 (forecast)	—	—	—	6.00	11.00

(Note) Revisions from recently announced dividend forecast: No

3. Consolidated financial forecasts for the fiscal year ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2019 ending March 31, 2020	99,000	(14.4)	4,700	(13.4)	4,680	(13.7)	3,010	(37.2)	48.60

(Note) Revisions from recently announced consolidated financial forecasts: Yes

Notes:

- (1) Changes in significant subsidiaries during the period: No
(changes in specified subsidiaries resulting in a change in the scope of consolidation)
- (2) The application of special accounting treatment for the preparation of the quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatements
 - a. Changes in accounting policies due to revisions of accounting standards: Yes
 - b. Changes in accounting policies other than above a.: No
 - c. Changes in accounting estimates: No
 - d. Restatements: No

(4) Number of shares outstanding (common stock)

a. Number of shares outstanding at the end of period (treasury stock included)	3Q FY2019	68,909,449 shares	FY2018	68,909,449 shares
b. Number of treasury stock at the end of period	3Q FY2019	6,978,050 shares	FY2018	6,989,136 shares
c. Average number of shares over the period (quarterly accumulation period)	3Q FY2019	61,927,058 shares	3Q FY2018	61,918,424 shares

***This quarterly flash report is exempt from the quarterly review procedures by certified public accountants or accounting auditors.**

***Notes on the appropriate use of business forecasts and other special instructions**

The financial forecasts and other forward-looking statements presented in this report are based on information currently available and certain assumptions deemed to be reasonable. Actual performance, etc. may differ substantially due to various factors.

For the special instructions regarding the appropriate use of business forecasts, refer to "1. Quarterly business results (3) Consolidated financial forecasts and outlook" on page 3 of the attached materials.

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1. Quarterly business results

(1) Results of operations

During the third quarter of the consolidated fiscal year, Japan's economic growth slowed down even though both employment opportunities and income continued to increase steadily. Corporate earnings in manufacturing remained stagnant mainly because exports to China declined while some businesses deferred their capital investment decisions.

Also, in overseas, the US economic expansion slowed despite steady consumer spending. This was mainly because the growing impact of the long-running US-China trade dispute involving tariff expanded, which weakened capital investment and production. On the other hand, China's economic growth took a downturn mainly because its exports to the US declined although the Chinese market seems to have bottomed out due to its government's economic measures. Furthermore, in Europe, manufacturers continued to perform poorly because of reduced exports.

The CKD Group's performance in this economic climate during the third quarter of the consolidated fiscal year was as follows: Net sales were ¥73,061 million, down 18.4% year on year, operating income was ¥3,167 million, down 24.1% year on year, ordinary income was ¥3,148 million, down 24.6% year on year, and net income attributable to owners of the parent was ¥2,043 million, down 28.6% year on year.

Results of operations by segment

a. Automatic Machineries

Sales of automatic packing systems for pharmaceutical products fell. In the industrial machinery, sales of lithium-ion battery manufacturing systems increased while sales of 3D solder paste inspection machines in China declined.

As a result, sales in this segment declined by 7.7% year on year to ¥10,831 million, but segment income reached ¥2,026 million, up 276.1% year on year, due to the effect of improved profitability.

b. Components

Domestic sales fell sharply, because sales of semiconductor manufacturing equipment were adversely affected by decisions to defer memory capital investment and sales of machine tools declined due to China's economic slowdown.

Similarly, overseas sales dropped as semiconductor equipment investment was delayed and China's automation investment slowed.

As a result, sales in this segment declined by 20.0% year on year to ¥62,229 million and segment income fell by 42.8% year on year to ¥4,076 million due to lower sales.

(2) Financial position

The total assets at the end of the third quarter on a consolidated basis were ¥134,993 million, down ¥1,968 million from the end of the previous consolidated fiscal year. The main factors included decreases in notes and accounts receivable-trade, inventories, and property, plant and equipment despite increases in cash and deposits.

The total liabilities were ¥53,196 million, down ¥3,320 million from the end of the previous consolidated fiscal year. This was mainly due to decreases in notes and accounts payable-trade and loans payable.

The total net assets were ¥81,796 million, up ¥1,351 million from the end of the previous consolidated fiscal year.

The shareholders' equity to asset ratio was 60.5%, up a 1.9 point from the previous consolidated fiscal year.

(3) Consolidated financial forecasts and outlook

During the full fiscal year, in the components segment we expect both sales and profit to grow mainly because postponed semiconductor equipment investment partially resumed, capital investment in next-generation communication systems is expected. In the automatic machinery segment, we expect sales to be lower due to delay in a part of acceptance inspections of automatic packaging systems on the side of customers. Nevertheless, we expect profit to go up as a result of our efforts to improve profitability. However, we are considering the temporary economic stagnation affected by the spread of the newly emerged coronavirus.

Given the above forecasts, the CKD Group's sales are expected to be lower than previously forecast. Nevertheless, operating income, ordinary income, and net income attributable to owners of parent are all expected to be higher than previously forecast. We have, therefore, revised our consolidated financial forecasts for the full fiscal year from the forecasts announced on November 12, 2019 as follows.:

Please note that the assumption for an exchange rate of ¥105 to one U.S. dollar has been used for the period from January 1, 2020, to March 31, 2020.

Revisions in the consolidated financial forecasts for the full fiscal year (April 1, 2019 to March 31, 2020)

(Million yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent
Previous forecast (A)	99,500	2,500	2,460	1,720
Revised forecast (B)	99,000	4,700	4,680	3,010
Difference (B –A)	(500)	2,200	2,220	1,290
Percentage change	(0.5)	88.0	90.2	75.0
For reference: Previous performance (Though the full fiscal year ended March 31, 2019)	115,665	5,429	5,425	4,793

These projections are based on the information available as of the time of this release. The actual results may differ due to various factors.

These revised forecasts are mentioned in “Notice of Revisions in Financial Forecasts”, announced on February 12, 2020.

2. Consolidated financial statements and major notes

(1) Consolidated balance sheets

(Million yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	12,463	17,004
Notes and accounts receivable-trade	22,958	21,656
Electronically recorded monetary claims - operating	4,933	4,837
Operating accounts receivable	242	206
Merchandise and finished goods	10,020	9,611
Work-in-process	4,170	5,625
Raw materials and supplies	25,678	22,019
Other	3,009	1,490
Allowance for doubtful accounts	(30)	(18)
Total current assets	83,447	82,433
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (net)	20,799	20,075
Other (net)	21,845	21,057
Total property, plant and equipment	42,644	41,133
Intangible assets	2,376	1,917
Investments and other assets	8,492	9,508
Total noncurrent assets	53,513	52,559
Total assets	136,961	134,993

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable-trade	12,681	11,332
Electronically recorded obligations-operating	2,326	2,036
Short-term loans payable	11,789	12,024
Current portion of bonds	45	129
Income taxes payable	582	284
Provision for bonuses	2,157	1,238
Other provision	580	477
Other	7,168	8,877
Total current liabilities	37,332	36,400
Noncurrent liabilities		
Bonds payable	146	31
Long-term loans payable	16,645	14,179
Other provision	89	68
Net defined benefit liabilities	408	425
Other	1,893	2,090
Total noncurrent liabilities	19,183	16,796
Total liabilities	56,516	53,196
Net assets		
Shareholders' equity		
Capital stock	11,016	11,016
Capital surplus	12,390	12,394
Retained earnings	59,119	60,346
Treasury stock	(4,905)	(4,898)
Total shareholders' equity	77,619	78,858
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,117	2,621
Foreign currency translation adjustment	1,427	872
Remeasurements of defined benefit plans	(858)	(665)
Total accumulated other comprehensive income	2,686	2,827
Non-controlling interests	138	110
Total net assets	80,444	81,796
Total liabilities and net assets	136,961	134,993

(2) Consolidated statements of income/Consolidated statements of comprehensive income

Consolidated statements of income

(Million yen)

	FY2018 (April 1, 2018 to December 31, 2018)	FY2019 (April 1, 2019 to December 31, 2019)
Net sales	89,504	73,061
Cost of sales	67,699	54,349
Gross profit	21,804	18,711
Selling, general and administrative expenses	17,629	15,543
Operating income	4,174	3,167
Non-operating income		
Interest income	13	13
Dividends income	162	140
Share of profit of entities accounted for using equity method	0	—
Other	365	315
Total non-operating income	542	468
Non-operating expenses		
Interest expenses	54	168
Sales discounts	130	113
Share of loss of entities accounted for using equity method	—	2
Loss on valuation of derivatives	108	13
Foreign exchange losses	148	98
Other	96	91
Total non-operating expenses	538	487
Ordinary income	4,177	3,148
Extraordinary income		
Gain on sales of noncurrent assets	2	3
Gain on sales of investment securities	20	9
Subsidy income	144	32
Reversal of provision for environmental measures	—	10
Total extraordinary income	167	56
Extraordinary loss		
Loss on sales of noncurrent assets	0	1
Impairment loss	—	130
Loss on retirement of noncurrent assets	34	34
Loss on reduction of noncurrent assets	144	32
Total extraordinary loss	179	199
Income before income taxes	4,166	3,005
Income taxes-current	633	566
Income taxes-deferred	647	391
Total income taxes	1,281	957
Net income	2,885	2,048
Net income attributable to non-controlling interests	22	4
Net income attributable to owners of parent	2,862	2,043

Consolidated statements of comprehensive income

(Million yen)

	FY2018 (April 1, 2018 to December 31, 2018)	FY2019 (April 1, 2019 to December 31, 2019)
Net income	2,885	2,048
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,426)	504
Foreign currency translation adjustment	(489)	(559)
Remeasurements of defined benefit plans	195	192
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)
Total other comprehensive income	(1,721)	136
Comprehensive income	1,163	2,184
(Details)		
Comprehensive income attributable to owners of the parent	1,142	2,184
Comprehensive income attributable to non-controlling interests	21	(0)

(3) Notes to the consolidated financial statements

Notes regarding assumptions as a going concern

Not applicable

Notes regarding any major change in the amount of consolidated shareholders' equity

Not applicable

Changes in accounting policies

Effective as from the first quarter of the consolidated fiscal year under review, the International Financial Reporting Standard 16 Lease ("IFRS 16") has been applied to the subsidiaries which apply the International Financial Reporting Standard. With this change, a lessee, in principle, reports all the leases as the Assets and the Liabilities, and transfers certain assets reported in the "Intangible assets" to the "Property, plant and equipment". To apply IFRS 16, the Company observes transition practices, and the cumulative changes affected by this change are reported in the "Retained earnings" at the beginning of the first quarter of the consolidated fiscal year under review.

As a result, the "Other" account under the "Property, plant and equipment" was increased by ¥497 million, and the "Other" account under the "Current liabilities" was increased by ¥184 million, and the "Other" account under the "Noncurrent liabilities" was increased by ¥184 million respectively, and the "Intangible assets" was decreased by ¥136 million at the end of this third quarter of the consolidated fiscal year under review. Effect of these changes to the "Consolidated statement of income" is insignificant.

Segment information, etc.

Segment information

I Third quarter of the fiscal year ended March 31, 2019 (April 1, 2018 to December 31, 2018)

Information on reporting-segment-wise sales, income (loss)

(Million yen)

	Reporting segment			Amount Adjusted (Note 1)	Consolidated (Note 2)
	Automatic Machineries	Components	Total		
Net sales					
Sales to external customers	11,739	77,764	89,504	—	89,504
Intersegment sales or transfers	—	72	72	(72)	—
Total	11,739	77,837	89,576	(72)	89,504
Segment income	538	7,121	7,660	(3,485)	4,174

Notes: 1. The amount of adjustment for 'Segment income' of ¥(3,485) million includes ¥23 million for elimination of transactions among segments and ¥(3,508) million as the total company expenses that are not allocated to each reporting segment. The total company expenses mainly refers to expenses related to administration and long-term R&D expenses of CKD and costs related to CKD Global Service Corporation.

2. 'Segment income' has already been adjusted with operating income shown in the consolidated statement of income.

II Third quarter of the fiscal year ending March 31, 2020 (April 1, 2019 to December 31, 2019)

1. Information on reporting-segment-wise sales, income (loss)

(Million yen)

	Reporting segment			Amount Adjusted (Note 1)	Consolidated (Note 2)
	Automatic Machineries	Components	Total		
Net sales					
Sales to external customers	10,831	62,229	73,061	—	73,061
Intersegment sales or transfers	—	114	114	(114)	—
Total	10,831	62,343	73,175	(114)	73,061
Segment income	2,026	4,076	6,102	(2,934)	3,167

Notes: 1. The amount of adjustment for 'Segment income' of ¥(2,934) million includes ¥23 million for elimination of transactions among segments and ¥(2,958) million as the total company expenses that are not allocated to each reporting segment. The total company expenses mainly refers to expenses related to administration and long-term R&D expenses of CKD and costs related to CKD Global Service Corporation.

2. 'Segment income' has already been adjusted with operating income shown in the consolidated statement of income.

2. Information on impairment loss of noncurrent assets or goodwill, etc. for each reporting segment

Significant impairment loss of noncurrent assets

During the third quarter of the consolidated fiscal year, impairment loss of intangible assets amounting to ¥130 million is reported in the automatic machinery segment.

3. Others

Production, orders, and sales

[1] Actual production

Actual production by reporting segment in the third quarter of the fiscal year under review are as follows.

Segment name	Production output (Million yen)	Change YoY (%)
Automatic machineries	13,339	5.9
Components	60,844	(23.2)
Total	74,183	(19.2)

Notes: 1. Intersegment transactions have been offset and eliminated.

2. Amounts are based on sales prices.

3. Above figures are exclusive of consumption tax.

[2] Actual orders

Actual orders by reporting segment in the third quarter of the fiscal year under review are as follows.

Segment name	Orders (Million yen)	Change YoY (%)	Order backlog (Million yen)	Change YoY (%)
Automatic machineries	12,907	(4.5)	14,470	16.3

Notes: 1. Production is carried out by expected demand, excluding the Automatic machineries segment.

2. Above figures are exclusive of consumption tax.

[3] Actual sales

Actual sales by business segment in the third quarter of the fiscal year under review are as follows.

Segment name	Sales (Million yen)	Change YoY (%)
Automatic machineries	10,831	(7.7)
Components	62,229	(20.0)
Total	73,061	(18.4)

Notes: 1. Intersegment transactions have been offset and eliminated.

2. Above figures are exclusive of consumption tax.