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Consolidated Financial Results for the Three Months Ended June 30, 2020 [Japanese GAAP]

August 12, 2020

Company name: CKD Corporation
Stock exchange listing: Tokyo, Nagoya
Code number: 6407

URL: <https://www.ckd.co.jp/english/>

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Scheduled date of filing quarterly securities report: August 12, 2020

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: No

Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Three Months Ended June 30, 2020 (April 01, 2020 to June 30, 2020)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2020	25,783	10.8	1,277	349.2	1,239	311.3	797	267.5
June 30, 2019	23,265	(24.4)	284	(89.8)	301	(89.4)	216	(89.9)

(Note) Comprehensive income: Three months ended June 30, 2020: ¥ 1,602 million [-%]
Three months ended June 30, 2019: ¥ (723) million [-%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2020	12.51	12.50
June 30, 2019	3.50	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
June 30, 2020	147,873	88,883	60.0
March 31, 2020	136,059	82,465	60.5

(Reference) Equity: As of June 30, 2020: ¥ 88,779 million
As of March 31, 2020: ¥ 82,287 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2020	-	5.00	-	13.00	18.00
Fiscal year ending March 31, 2021	-				
Fiscal year ending March 31, 2021 (Forecast)		6.00	-	6.00	12.00

(Note) Revision to the forecast for dividends announced most recently: Yes

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021(April 01, 2020 to March 31, 2021)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ended September 30, 2020	48,200	1.7	1,530	35.3	1,590	46.2	1,060	55.1	16.42
Full year	96,500	(4.2)	3,210	(38.6)	3,270	(39.2)	2,270	(38.5)	34.88

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

- (1) Changes in significant subsidiaries during the three months ended June 30, 2020
(changes in specified subsidiaries resulting in changes in scope of consolidation): No
- (2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: No
 - 2) Changes in accounting policies other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (4) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):

June 30, 2020:	67,909,449 shares
March 31, 2020:	67,909,449 shares
 - 2) Total number of treasury shares at the end of the period:

June 30, 2020:	2,243,509 shares
March 31, 2020:	5,630,407 shares
 - 3) Average number of shares during the period:

Three months ended June 30, 2020:	63,736,867 shares
Three months ended June 30, 2019:	61,920,249 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 performance 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. Quartely business results

(1) Results of operations

During the 1st quarter of the consolidated fiscal year, the Japanese economy deteriorated due to the spread of COVID-19 in addition to the impact of the U.S.-China trade issue. The manufacturing industry earnings environment was more severe owing to sluggish exports and production activity, and attitudes toward capital expenditure became more cautious. In this environment, in the electronics industry, investments were made against a background of expansion in applications of telecommunications technologies such as those for 5G and IoT.

Overseas, economic activity in the U.S. resumed in stages while restrictions on corporate activities were also relaxed, and there were signs of a recovery in manufacturing industry. In addition, in China, where economic activity resumed earliest, production activity in manufacturing industry overall normalized, and the economy headed toward recovery, including an expansion in 5G-related demand. On the other hand, the economy in Southeast Asia deteriorated due to the impact of measures to restrict activity accompanying the spread of COVID-19 infections.

Under such circumstances, in results for the 1st quarter of the consolidated fiscal year, the CKD Group recorded 25,783 million yen in net sales, up 10.8% year on year, 1,277 million yen in operating profit, up 349.2% year on year, 1,239 million yen in ordinary profit, up 311.3% year on year, and 797 million yen in profit attributable to owners of parent, up 267.5% year on year.

Results of operations by segment

a. Automatic Machineries

In the industrial machinery business, although sales of 3D solder print inspection equipment declined, sales of lithium ion battery manufacturing systems increased. Sales of automatic packaging systems also increased.

As a result, sales amounted to 3,755 million yen, up 34.4% year on year, and segment profit was 352 million yen, up 14.3% year on year, due to the impact of the increase in sales.

b. Components

In the Japanese market, 5G and teleworking-related demand expanded, and sales for semiconductor manufacturing equipment increased due to growth in memory semiconductor investment. Meanwhile, there was a large decrease in sales for both automobile manufacturing equipment and machine tools.

Overseas, sales increased in China, where production activity in manufacturing industry overall normalized, and South Korea, where semiconductor capital expenditure remained robust. On the other hand, sales decreased in Southeast Asia due to the spread of COVID-19.

As a result, sales amounted to 22,027 million yen, up 7.6% year on year, and segment profit was 2,038 million yen, up 95.9% year on year, due to the effect of productivity improvements and cost reductions.

(2) Financial position

Total assets at the end of the first quarter on the consolidated basis were ¥147,873 million, up ¥11,813 million from the end of the previous consolidated fiscal year. The main factors included an increase in cash and deposits despite a decrease in trade receivables.

Liabilities were ¥58,989 million, up ¥5,395 million from the end of the previous consolidated fiscal year. This was mainly due to increases in trade payables, loan payable and provision for bonuses, despite an decrease in accrued consumption taxes.

Net assets were ¥88,883 million, up ¥6,418 million from the end of the previous consolidated fiscal year.

Capital adequacy ratio was 60.0%, down a 0.4 point from the previous consolidated fiscal year.

(3) Consolidated financial forecasts and outlook

As the consolidated financial forecasts for the fiscal year ending March 31, 2021, the Company only disclosed the consolidated financial forecasts for the 1st quarter period in "Business Results for the Fiscal Year Ended March 31, 2020", published on May 14, 2020. This was due to the difficulties in reasonably predicting the extent of the spread of COVID-19 and the timing of its containment.

The Company has decided to announce the full-year consolidated financial forecasts, based on the currently available information although the impact of the spread of COVID-19 has been prolonged.

As the assumption of the forecasts, the impact of COVID-19 is taken into consideration based on the current order position.

Therefore, in automatic machineries segment, the company expects to decline sales on the assumption that installation works and acceptance inspections on the side of customers could be delayed.

In components segment, demands in the Japanese market are expected to continue to be sluggish for automobiles and the machinery industry such as machine tools. Meanwhile, as the electronics industry such as semiconductor capital expenditure, it is the assumption to remain its market steady thorough the full fiscal year although there is a risk of delay. Also, in the overseas market, the company expects that capital expenditure would remain steady in East Asia, mainly in China and the economic recovery would be slow in Southeast Asia due to the impact of the spread of COVID-19.

However, these forecasts could change significantly depending on the extent of the spread of COVID-19 going forward, the timing of its containment and others. The Company will provide notification of the impacts on performances promptly in the case important matters that should be disclosed arise.

The exchange rate is estimated at ¥105 to one U.S. dollar.

the 2nd quarter of the fiscal year ending March 31, 2021(April 1, 2020 to September 30, 2020)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Previous forecast	Million yen —	Million yen —	Million yen —	Million yen —
Forecast	48,200	1,530	1,590	1,060
For reference: Previous performance (Through the 2nd quarter of the fiscal year ended March 31, 2020)	47,382	1,130	1,087	683

the full fiscal year (April 1, 2020 to March 31, 2021)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Previous forecast	Million yen —	Million yen —	Million yen —	Million yen —
Forecast	96,500	3,210	3,270	2,270
For reference: Previous performance (Through the full fiscal year ended March 31, 2020)	100,717	5,230	5,374	3,689

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

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2020	As of June 30,2020
Assets		
Current assets		
Cash and deposits	18,987	32,635
Notes and accounts receivable - trade	24,777	22,046
Electronically recorded monetary claims - operating	4,031	4,177
Trade accounts receivable	215	201
Merchandise and finished goods	9,652	9,843
Work in process	5,132	4,912
Raw materials and supplies	21,190	22,194
Other	1,456	1,272
Allowance for doubtful accounts	(22)	(22)
Total current assets	85,420	97,262
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,793	19,621
Other, net	20,439	19,895
Total property, plant and equipment	40,232	39,517
Intangible assets	1,869	1,791
Investments and other assets	8,537	9,301
Total non-current assets	50,639	50,610
Total assets	136,059	147,873

(Million yen)

	As of March 31,2020	As of June 30,2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,994	13,873
Electronically recorded obligations - operating	2,369	2,596
Short-term borrowings	9,651	15,792
Current portion of bonds payable	129	129
Income taxes payable	1,199	807
Provision for bonuses	279	1,413
Other provisions	469	500
Other	10,666	8,860
Total current liabilities	37,760	43,974
Non-current liabilities		
Bonds payable	16	16
Long-term borrowings	13,270	12,379
Other provisions	65	67
Retirement benefit liability	414	438
Other	2,067	2,114
Total non-current liabilities	15,833	15,015
Total liabilities	53,594	58,989
Net assets		
Shareholders' equity		
Share capital	11,016	11,016
Capital surplus	12,017	15,338
Retained earnings	61,992	61,979
Treasury shares	(3,952)	(1,574)
Total shareholders' equity	81,074	86,759
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,898	2,587
Foreign currency translation adjustment	206	276
Remeasurements of defined benefit plans	(891)	(844)
Total accumulated other comprehensive income	1,213	2,019
Share acquisition rights	71	2
Non-controlling interests	105	100
Total net assets	82,465	88,883
Total liabilities and net assets	136,059	147,873

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the three months)

(Million yen)

	For the three months ended June 30,2019	For the three months ended June 30,2020
Net sales	23,265	25,783
Cost of sales	17,639	19,189
Gross profit	5,625	6,593
Selling, general and administrative expenses	5,341	5,316
Operating profit	284	1,277
Non-operating income		
Interest income	4	5
Dividend income	68	62
Share of profit of entities accounted for using equity method	0	2
Other	97	95
Total non-operating income	171	164
Non-operating expenses		
Interest expenses	51	51
Sales discounts	36	35
Loss on valuation of derivatives	1	-
Foreign exchange losses	41	52
Other	22	63
Total non-operating expenses	154	202
Ordinary profit	301	1,239
Extraordinary income		
Gain on sales of non-current assets	1	0
Subsidy income	-	25
Total extraordinary income	1	26
Extraordinary losses		
Loss on sales of non-current assets	-	0
Loss on retirement of non-current assets	24	10
Loss on tax purpose reduction entry of non-current assets	-	25
Total extraordinary losses	24	36
Profit before income taxes	278	1,229
Income taxes - current	268	705
Income taxes - deferred	(209)	(272)
Total income taxes	59	433
Profit	219	795
Profit (loss) attributable to non-controlling interests	2	(1)
Profit attributable to owners of parent	216	797

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Million yen)

	For the three months ended June 30,2019	For the three months ended June 30,2020
Profit	219	795
Other comprehensive income		
Valuation difference on available-for-sale securities	(290)	688
Foreign currency translation adjustment	(716)	71
Remeasurements of defined benefit plans, net of tax	64	47
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total other comprehensive income	(943)	807
Comprehensive income	(723)	1,602
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(719)	1,603
Comprehensive income attributable to non-controlling interests	(4)	(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

Segment information, etc.

Segment information

I 1st quarter of the fiscal year ended March 31, 2020 (April 1, 2019 to June 30, 2019)

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	2,793	20,471	23,265	—	23,265
Intersegment sales or transfers	—	46	46	(46)	—
Total	2,793	20,517	23,311	(46)	23,265
Segment income	308	1,040	1,349	(1,065)	284

Notes: 1. The amount of adjustment for Segment income of ¥(1,065) million includes ¥7 million for elimination of transactions among segments and ¥(1,072) 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 1st quarter of the fiscal year ending March 31, 2021 (April 1, 2020 to June 30, 2020)

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	3,755	22,027	25,783	—	25,783
Intersegment sales or transfers	—	17	17	(17)	—
Total	3,755	22,044	25,800	(17)	25,783
Segment income	352	2,038	2,391	(1,113)	1,277

Notes: 1. The amount of adjustment for Segment income of ¥(1,113) million includes ¥7 million for elimination of transactions among segments and ¥(1,121) 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.

3. Others

Production, orders, and sales

[1] Actual production

Actual production by reporting segment in the 1st quarter of the fiscal year under review are as follows.

Segment name	Production output (Million yen)	Change YoY (%)
Automatic machineries	3,870	+71.5
Components	22,686	+16.3
Total	26,557	+22.0

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 1st 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	1,912	(58.6)	11,206	(21.2)

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 1st quarter of the fiscal year under review are as follows.

Segment name	Sales (Million yen)	Change YoY (%)
Automatic machineries	3,755	+34.4
Components	22,027	+7.6
Total	25,783	+10.8

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

2. Above figures are exclusive of consumption tax.