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Consolidated Financial Results for the Six Months Ended September 30, 2020 [Japanese GAAP]

November 13, 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: November 13, 2020

Scheduled date of commencing dividend payments: December 10, 2020

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2020 (April 01, 2020 to September 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	%
Six months ended September 30, 2020	49,942	5.4	2,405	112.7	2,473	127.5	1,618	136.9
September 30, 2019	47,382	(21.6)	1,130	(62.0)	1,087	(63.6)	683	(69.4)

(Note) Comprehensive income: Six months ended September 30, 2020: ¥ 2,885 million [-%]
Six months ended September 30, 2019: ¥ (477) million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2020	24.91	24.91
September 30, 2019	11.03	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of September 30, 2020	143,083	91,861	64.1
March 31, 2020	136,059	82,465	60.5

(Reference) Equity: As of September 30, 2020: ¥ 91,760 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	-	8.00			
Fiscal year ending March 31, 2021 (Forecast)			-	9.00	17.00

(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
Full year	100,000	(0.7)	4,900	(6.3)	4,960	(7.7)	3,440	(6.8)	52.34

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

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 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):

September 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:

September 30, 2020: 1,305,062 shares

March 31, 2020: 5,630,407 shares

3) Average number of shares during the period:

Six months ended September 30, 2020: 64,965,820 shares

Six months ended September 30, 2019: 61,925,148 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.

CKD Corporation is planning to hold a briefing session for institutional investors and analysts on the conference call on November 13, 2020.

Any explanatory materials used in this session will be posted on the Company's website immediately afterward.

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1. Quartely business results

(1) Results of operations

During the second quarter of the current fiscal year, the Japanese economy experienced an uptick in exports and production activity, and there were signs that the economy had bottomed out despite the effect of the prolonged COVID-19 pandemic in addition to the impact of the U.S. – China trade issue. There was a trend of postponement or cancellation of capital expenditure due to deterioration in corporate earnings and the uncertain outlook. 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 and the economic remained robust.

Overseas, in the U.S., the employment environment continued to improve, and manufacturing industry maintained its recovery trend. In addition, in China, where economic activity has resumed, production activity in manufacturing industry has proceeded to normalize overall, and there was active capital expenditure, including an expansion in demand related to 5G. Meanwhile, in Southeast Asia, although measures were taken to prevent the spread of COVID-19 infections and economic activity resumed in stages, the pace of the recovery was moderate.

Under such circumstances, in results for the second quarter of the consolidated fiscal year, the CKD Group recorded 49,942 million yen in net sales, up 5.4% year on year, 2,405 million yen in operating profit, up 112.7% year on year, 2,473 million yen in ordinary profit, up 127.5% year on year, and 1,618 million yen in profit attributable to owners of parent, up 136.9% 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 7,633 million yen, up 15.2% year on year, and segment profit was 856 million yen, down 19.1 % year on year, mainly due to changes in the sales mix and an increase in development expenses related to new equipment for the Chinese market.

b. Components

In the Japanese market, teleworking-related demand overlapped with the spread of 5G, and sales for semiconductor manufacturing equipment increased due to growth in capital expenditure. 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 has normalized overall, and in South Korea and Taiwan, 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 42,309 million yen, up 3.8% year on year, and segment profit was 3,603 million yen, up 72.9% year on year, due to the effect of productivity improvements and cost reductions.

(2) Financial position

a. Assets, liabilities, and net assets

Total assets at the end of the second quarter on the consolidated basis were 143,083 million yen, up 7,024 million yen from the end of the previous consolidated fiscal year. The main factors included increases in cash and deposits and investment securities despite decreases in trade receivables and property, plant and equipment.

Liabilities were 51,222 million yen, down 2,371 million yen from the end of the previous consolidated fiscal year. This was mainly due to decreases in trade payables, accrued bonuses and accrued consumption taxes, despite increases in loan payable and provision for bonuses.

Net assets were 91,861 million yen, up 9,396 million yen from the end of the previous consolidated fiscal year.

Capital adequacy ratio was 64.1%, up a 3.7 point from the previous consolidated fiscal year.

b. Cash flows

Cash and cash equivalents (hereinafter, cash) at the end of the second quarter were 28,812 million yen, up 10,402 million yen from the end of the previous consolidated fiscal year.

Changes in cash flows by categories through the second quarter were as follows.

Cash flows from operating activities

Through the second quarter of the fiscal year under review, net cash provided by operating activities was 5,160 million yen (down 32.6% year on year).

Factors contributing positively to cash flows from operating activities were profit before income taxes of 2,437 million yen, depreciation of 2,684 million yen, an increase in provision for bonuses of 2,049 million yen and a decrease in trade receivables of 3,598 million yen. These cash flows were offset by a decrease in accounts payable- bonuses of 2,025 million yen, a decrease in trade payables of 1,445 million yen and income taxes paid of 1,105 million yen.

Cash flows from investing activities

Through the second quarter of the fiscal year under review, net cash used in investing activities was 1,492 million yen (down 45.6% year on year).

The main factor accounting for the cash flows was purchase of property, plant and equipment of 1,521 million yen.

Cash flows from financing activities

Through the second quarter of the fiscal year under review, net cash provided by financing activities was 6,746 million yen (compared with 1,966 million yen used in the same period of the previous year).

Factors contributing positively to cash flows from financing activities were net increase in short-term borrowings of 2,290 million yen and exercise of share acquisition rights of 7,309 million yen. These cash flows were offset by repayments of long-term borrowings of 1,790 million yen and dividends paid of 808 million yen.

(3) Consolidated financial forecasts and outlook

As for the full-year consolidated financial forecasts for the fiscal year ending March 31, 2021, the Company will revise upward from the most recent forecasts as the demand environment in components segment has been recovering gradually.

However, these forecasts assume gradual improvement in the current status of COVID-19 infections and could change significantly depending on such factors as the extent of the spread of COVID-19 going forward and the timing of containment. The Company will provide notification of impacts on performances promptly in case that important matters should be disclosed arise.

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

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

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
	Million yen	Million yen	Million yen	Million yen
Previous forecast (A)	96,500	3,210	3,270	2,270
Revised forecast (B)	100,000	4,900	4,960	3,440
Change (B - A)	3,500	1,690	1,690	1,170
Percentage change	3.6	52.6	51.7	51.5
For reference: Previous performance (Though 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.

These revised forecasts are mentioned in "Notice of Difference between Financial Forecasts and Actual Results for the Second Quarter of the Consolidated Fiscal Year and Revisions in Consolidated Financial Forecasts for the Full Fiscal Year, Dividend from Retained Earnings (Interim Dividend) and Revisions in the Forecast of Dividend for the Full Fiscal Year", announced on November 13, 2020.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2020	As of September 30,2020
Assets		
Current assets		
Cash and deposits	18,987	29,242
Notes and accounts receivable - trade	24,777	21,159
Electronically recorded monetary claims - operating	4,031	4,195
Trade accounts receivable	215	178
Merchandise and finished goods	9,652	10,496
Work in process	5,132	3,978
Raw materials and supplies	21,190	21,872
Other	1,456	1,145
Allowance for doubtful accounts	(22)	(20)
Total current assets	85,420	92,249
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,793	19,987
Other, net	20,439	19,781
Total property, plant and equipment	40,232	39,768
Intangible assets	1,869	1,657
Investments and other assets	8,537	9,407
Total non-current assets	50,639	50,834
Total assets	136,059	143,083

(Million yen)

	As of March 31,2020	As of September 30,2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,994	11,566
Electronically recorded obligations - operating	2,369	2,420
Short-term borrowings	9,651	11,915
Current portion of bonds payable	129	31
Income taxes payable	1,199	839
Provision for bonuses	279	2,331
Other provisions	469	522
Other	10,666	7,506
Total current liabilities	37,760	37,133
Non-current liabilities		
Bonds payable	16	-
Long-term borrowings	13,270	11,493
Other provisions	65	18
Retirement benefit liability	414	418
Other	2,067	2,157
Total non-current liabilities	15,833	14,088
Total liabilities	53,594	51,222
Net assets		
Shareholders' equity		
Share capital	11,016	11,016
Capital surplus	12,017	16,380
Retained earnings	61,992	62,799
Treasury shares	(3,952)	(916)
Total shareholders' equity	81,074	89,279
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,898	2,895
Foreign currency translation adjustment	206	382
Remeasurements of defined benefit plans	(891)	(796)
Total accumulated other comprehensive income	1,213	2,481
Share acquisition rights	71	-
Non-controlling interests	105	100
Total net assets	82,465	91,861
Total liabilities and net assets	136,059	143,083

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

(Million yen)

	For the six months ended September 30,2019	For the six months ended September 30,2020
Net sales	47,382	49,942
Cost of sales	35,750	37,005
Gross profit	11,631	12,937
Selling, general and administrative expenses	10,500	10,531
Operating profit	1,130	2,405
Non-operating income		
Interest income	8	8
Dividend income	92	80
Share of profit of entities accounted for using equity method	-	1
Subsidy income	28	135
Other	151	198
Total non-operating income	280	424
Non-operating expenses		
Interest expenses	110	103
Sales discounts	74	67
Share of loss of entities accounted for using equity method	0	-
Loss on valuation of derivatives	15	-
Foreign exchange losses	40	78
Other	83	107
Total non-operating expenses	324	356
Ordinary profit	1,087	2,473
Extraordinary income		
Gain on sales of non-current assets	2	0
Subsidy income	32	25
Reversal of provision for environmental measures	10	-
Total extraordinary income	45	26
Extraordinary losses		
Loss on retirement of non-current assets	33	20
Loss on tax purpose reduction entry of non-current assets	32	25
Provision for environmental measures	-	15
Total extraordinary losses	65	62
Profit before income taxes	1,067	2,437
Income taxes - current	309	740
Income taxes - deferred	73	80
Total income taxes	383	820
Profit	684	1,616
Profit (loss) attributable to non-controlling interests	1	(2)
Profit attributable to owners of parent	683	1,618

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

(Million yen)

	For the six months ended September 30,2019	For the six months ended September 30,2020
Profit	684	1,616
Other comprehensive income		
Valuation difference on available-for-sale securities	(127)	996
Foreign currency translation adjustment	(1,162)	177
Remeasurements of defined benefit plans, net of tax	128	94
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total other comprehensive income	(1,162)	1,268
Comprehensive income	(477)	2,885
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(468)	2,885
Comprehensive income attributable to non-controlling interests	(9)	(0)

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30,2019	For the six months ended September 30,2020
Cash flows from operating activities		
Profit before income taxes	1,067	2,437
Depreciation	2,816	2,684
Share of loss (profit) of entities accounted for using equity method	0	(1)
Increase (decrease) in provision for bonuses	104	2,049
Increase (decrease) in accounts payable - bonuses	(40)	(2,025)
Decrease (increase) in retirement benefit asset	262	92
Decrease (increase) in trade receivables	2,263	3,598
Decrease (increase) in inventories	1,758	(297)
Increase (decrease) in trade payables	(2,316)	(1,445)
Increase (decrease) in advances received	636	377
Other, net	422	(1,300)
Subtotal	6,974	6,169
Interest and dividends received	102	90
Interest paid	(109)	(102)
Income taxes paid	(443)	(1,105)
Income taxes refund	1,099	82
Subsidies received	32	25
Net cash provided by (used in) operating activities	7,656	5,160
Cash flows from investing activities		
Payments into time deposits	(157)	(0)
Proceeds from withdrawal of time deposits	-	152
Purchase of property, plant and equipment	(2,281)	(1,521)
Purchase of intangible assets	(332)	(156)
Other, net	26	32
Net cash provided by (used in) investing activities	(2,744)	(1,492)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	231	2,290
Proceeds from long-term borrowings	272	-
Repayments of long-term borrowings	(1,790)	(1,790)
Purchase of treasury shares	(0)	(0)
Dividends paid	(495)	(808)
Repayments of lease obligations	(134)	(135)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	-	7,309
Other, net	(49)	(119)
Net cash provided by (used in) financing activities	(1,966)	6,746
Effect of exchange rate change on cash and cash equivalents	(249)	(12)
Net increase (decrease) in cash and cash equivalents	2,695	10,402
Cash and cash equivalents at beginning of period	12,028	18,409
Cash and cash equivalents at end of period	14,723	28,812

(4) 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 The second quarter of the fiscal year ended March 31, 2020 (April 1, 2019 to September 30, 2019)

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

(Million yen)

	Reporting segment			Amount Adjusted (Note 1)	Consolidated (Note 2)
	Automatic Machineries	Components	Total		
Net sales					
Sales to external customers	6,626	40,755	47,382	—	47,382
Intersegment sales or transfers	—	87	87	(87)	—
Total	6,626	40,843	47,469	(87)	47,382
Segment profit	1,057	2,084	3,142	(2,011)	1,130

Notes: 1. The amount of adjustment for segment profit of ¥(2,011) million includes ¥15 million for elimination of transactions among segments and ¥(2,026) 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 profit has already been adjusted with operating profit shown in the consolidated statement of income.

II The second quarter of the fiscal year ending March 31, 2021 (April 1, 2020 to September 30, 2020)

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

(Million yen)

	Reporting segment			Amount Adjusted (Note 1)	Consolidated (Note 2)
	Automatic Machineries	Components	Total		
Net sales					
Sales to external customers	7,633	42,309	49,942	—	49,942
Intersegment sales or transfers	—	40	40	(40)	—
Total	7,633	42,349	49,983	(40)	49,942
Segment profit	856	3,603	4,459	(2,053)	2,405

Notes: 1. The amount of adjustment for segment profit of ¥(2,053) million includes ¥15 million for elimination of transactions among segments and ¥(2,069) 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 profit has already been adjusted with operating profit shown in the consolidated statement of income.

3. Others

Production orders, and sales

[1] Actual production

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

Segment name	Production output (Million yen)	Change YoY (%)
Automatic machineries	8,522	(4.7)
Components	43,072	+9.6
Total	51,594	+6.9

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 second 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	6,165	(35.3)	11,585	(24.3)

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 second quarter of the fiscal year under review are as follows.

Segment name	Sales (Million yen)	Change YoY (%)
Automatic machineries	7,633	+15.2
Components	42,309	+3.8
Total	49,942	+5.4

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

2. Above figures are exclusive of consumption tax.