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Consolidated Financial Results for the Nine Months Ended December 31, 2020 [Japanese GAAP]

February 12, 2021

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

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Scheduled date of filing quarterly securities report: February 12, 2021

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

President
General Manager, Accounting Dept

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2020 (April 01, 2020 to December 31, 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	%
Nine months ended December 31, 2020	75,638	3.5	4,447	40.4	4,474	42.1	2,943	44.0
December 31, 2019	73,061	(18.4)	3,167	(24.1)	3,148	(24.6)	2,043	(28.6)

(Note) Comprehensive income: Nine months ended December 31, 2020: ¥ 5,042 million [130.8%]
Nine months ended December 31, 2019: ¥ 2,184 million [87.7%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2020	44.97	44.96
December 31, 2019	33.00	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
December 31, 2020	142,078	93,485	65.7
March 31, 2020	136,059	82,465	60.5

(Reference) Equity: As of December 31, 2020: ¥ 93,379 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: No

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	104,000	3.3	6,500	24.3	6,520	21.3	4,310	16.8	65.58

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

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 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):

December 31, 2020: 67,909,449 shares

March 31, 2020: 67,909,449 shares

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

December 31, 2020: 1,305,096 shares

March 31, 2020: 5,630,407 shares

3) Average number of shares during the period:

Nine months ended December 31, 2020: 65,457,380 shares

Nine months ended December 31, 2019: 61,927,058 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 financial 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 financial forecasts, refer to "1. Quarterly business results (3) Consolidated financial forecasts and outlook" on page 3 of the attached materials.

CKD Corporation (the Company) is planning to hold a briefing session for institutional investors and analysts on the conference call on February 12, 2021. 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 third quarter of the current fiscal year, the Japanese economy experienced an uptick in exports and production activity and a trend of recovery, albeit moderate, despite the effect of the prolonged COVID-19 pandemic in addition to the impact of the U.S. – China trade issue.

The trend of postponement or cancellation of capital expenditure due to deterioration in corporate earnings and the uncertain outlook continued. 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., although the recovery in employment and consumption slowed because of stronger restrictions on activities due to a renewed spread of COVID-19 infections, the recovery trend in manufacturing industry continued. In addition, in China, production activity in manufacturing industry has proceeded to normalize overall, and there was active capital expenditure, including investments related to 5G and rechargeable batteries. Meanwhile, in Southeast Asia, economic activity resumed as measures were taken to prevent the spread of COVID-19 infections, but the pace of the recovery was only moderate.

Under such circumstances, in results for the third quarter of the consolidated fiscal year, the CKD Group recorded 75,638 million yen in net sales, up 3.5% year on year, 4,447 million yen in operating profit, up 40.4% year on year, 4,474 million yen in ordinary profit, up 42.1% year on year, and 2,943 million yen in profit attributable to owners of parent, up 44.0% year on year.

Results of operations by segment

a. Automatic Machineries

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

As a result, sales amounted to 10,441 million yen, down 3.6 % year on year, and segment profit was 1,123 million yen, down 44.6 % 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 decrease in sales for both automobile manufacturing equipment and machine tools although a recovery in demand was observed for some products.

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 65,196 million yen, up 4.8% year on year, and segment profit was 6,272 million yen, up 53.9% year on year, due to the effect of productivity improvements and cost reductions.

(2) Financial position

Total assets at the end of the third quarter on the consolidated basis were 142,078 million yen, up 6,019 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, property, plant and equipment and deferred tax assets.

Liabilities were 48,592 million yen, down 5,001 million yen from the end of the previous consolidated fiscal year. This was mainly due to decreases in trade payables, loan payable, accrued bonuses and accrued consumption taxes, despite increases in advances received, deposits received and provision for bonuses.

Net assets were 93,485 million yen, up 11,020 million yen from the end of the previous consolidated fiscal year.

Capital adequacy ratio was 65.7%, up a 5.2 point from the previous consolidated fiscal year.

(3) Consolidated financial forecasts and outlook

Going into the third quarter, the market environment surrounding the Company showed a stronger-than-expected recovery in Components business as investment in the electronics industry remained robust and capital expenditure in East Asia, including China also continued to be strong. In addition, manufacturing industry experienced a trend of recovery backed by rising automation and labor-saving demand, and the Company believes that demand trends are steadily improving after bottoming out in the second quarter.

Nevertheless, amid a renewed spread of COVID-19 infections referred to as the third wave, it will still take considerable time for a fully-fledged economic recovery. Also delays to the installation of automation machinery is concerned. The Company will continue its efforts for rigorous cost reductions and productivity improvements and strive for further increases in profitability.

Based on these factors, the Company has upwardly revised the figures in the full-year consolidated financial forecasts for the fiscal year ending March 31, 2021, announced on November 13, 2020 as shown below.

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 of the pandemic. The Company will provide notification of any impact on results promptly in the event that any important matters that 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
Previous forecast (A)	Million yen 100,000	Million yen 4,900	Million yen 4,960	Million yen 3,440
Revised forecast (B)	104,000	6,500	6,520	4,310
Change (B - A)	4,000	1,600	1,560	870
Percentage change	4.0	32.7	31.5	25.3
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 from now onwards.

These revised forecasts are mentioned in "Notice of Revisions in Financial Forecasts", announced on February 12, 2021.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2020	As of December 31,2020
Assets		
Current assets		
Cash and deposits	18,987	27,929
Notes and accounts receivable - trade	24,777	22,053
Electronically recorded monetary claims - operating	4,031	4,906
Trade accounts receivable	215	203
Merchandise and finished goods	9,652	10,987
Work in process	5,132	3,763
Raw materials and supplies	21,190	21,349
Other	1,456	1,162
Allowance for doubtful accounts	(22)	(61)
Total current assets	85,420	92,294
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,793	19,338
Other, net	20,439	19,312
Total property, plant and equipment	40,232	38,651
Intangible assets	1,869	1,517
Investments and other assets	8,537	9,614
Total non-current assets	50,639	49,783
Total assets	136,059	142,078

(Million yen)

	As of March 31,2020	As of December 31,2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,994	11,803
Electronically recorded obligations - operating	2,369	2,213
Short-term borrowings	9,651	9,679
Current portion of bonds payable	129	31
Income taxes payable	1,199	424
Provision for bonuses	279	1,327
Other provisions	469	459
Other	10,666	8,779
Total current liabilities	37,760	34,718
Non-current liabilities		
Bonds payable	16	-
Long-term borrowings	13,270	10,928
Other provisions	65	10
Retirement benefit liability	414	428
Other	2,067	2,505
Total non-current liabilities	15,833	13,874
Total liabilities	53,594	48,592
Net assets		
Shareholders' equity		
Share capital	11,016	11,016
Capital surplus	12,017	16,380
Retained earnings	61,992	63,591
Treasury shares	(3,952)	(916)
Total shareholders' equity	81,074	90,071
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,898	3,290
Foreign currency translation adjustment	206	766
Remeasurements of defined benefit plans	(891)	(749)
Total accumulated other comprehensive income	1,213	3,307
Share acquisition rights	71	-
Non-controlling interests	105	106
Total net assets	82,465	93,485
Total liabilities and net assets	136,059	142,078

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

(Million yen)

	For the nine months ended December 31,2019	For the nine months ended December 31,2020
Net sales	73,061	75,638
Cost of sales	54,349	55,541
Gross profit	18,711	20,096
Selling, general and administrative expenses	15,543	15,648
Operating profit	3,167	4,447
Non-operating income		
Interest income	13	13
Dividend income	140	118
Subsidy income	37	143
Other	277	275
Total non-operating income	468	550
Non-operating expenses		
Interest expenses	168	153
Sales discounts	113	101
Share of loss of entities accounted for using equity method	2	0
Loss on valuation of derivatives	13	-
Foreign exchange losses	98	146
Other	91	121
Total non-operating expenses	487	523
Ordinary profit	3,148	4,474
Extraordinary income		
Gain on sales of non-current assets	3	0
Gain on sales of investment securities	9	-
Subsidy income	32	525
Reversal of provision for environmental measures	10	-
Total extraordinary income	56	526
Extraordinary losses		
Loss on sales of non-current assets	1	-
Impairment loss	130	-
Loss on retirement of non-current assets	34	28
Loss on tax purpose reduction entry of non-current assets	32	505
Loss on valuation of investment securities	-	1
Provision for environmental measures	-	15
Total extraordinary losses	199	550
Profit before income taxes	3,005	4,450
Income taxes - current	566	1,033
Income taxes - deferred	391	474
Total income taxes	957	1,508
Profit	2,048	2,942
Profit (loss) attributable to non-controlling interests	4	(1)
Profit attributable to owners of parent	2,043	2,943

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

(Million yen)

	For the nine months ended December 31,2019	For the nine months ended December 31,2020
Profit	2,048	2,942
Other comprehensive income		
Valuation difference on available-for-sale securities	504	1,391
Foreign currency translation adjustment	(559)	566
Remeasurements of defined benefit plans, net of tax	192	141
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total other comprehensive income	136	2,099
Comprehensive income	2,184	5,042
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,184	5,036
Comprehensive income attributable to non-controlling interests	(0)	5

(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 The third quarter of the consolidated fiscal year ended March 31, 2020 (April 1, 2019 to December 31, 2019)

1. 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	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 profit	2,026	4,076	6,102	(2,934)	3,167

Notes: 1. The amount of adjustment for segment profit 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 profit has already been adjusted with operating profit shown in the consolidated statement of income.

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

Significant impairment loss of non-current 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.

II The third quarter of the consolidated fiscal year ending March 31, 2021 (April 1, 2020 to December 31, 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	10,441	65,196	75,638	—	75,638
Intersegment sales or transfers	—	53	53	(53)	—
Total	10,441	65,250	75,691	(53)	75,638
Segment profit	1,123	6,272	7,395	(2,948)	4,447

Notes: 1. The amount of adjustment for segment profit of ¥(2,948) million includes ¥22 million for elimination of transactions among segments and ¥(2,970) 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 third quarter of the consolidated fiscal year under review are as follows.

Segment name	Production output (Million yen)	Change YoY (%)
Automatic machineries	13,733	+3.0
Components	66,169	+8.8
Total	79,903	+7.7

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 consolidated fiscal year under review are as follows.

Segment name	Orders (Million yen)	Change YoY (%)	Order backlog (Million yen)	Change YoY (%)
Automatic machineries	9,463	(26.7)	12,077	(16.5)

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 consolidated fiscal year under review are as follows.

Segment name	Net sales (Million yen)	Change YoY (%)
Automatic machineries	10,441	(3.6)
Components	65,196	+4.8
Total	75,638	+3.5

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

2. Above figures are exclusive of consumption tax.