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Consolidated Financial Results for the Three Months Ended June 30, 2021 [Japanese GAAP]

August 11, 2021

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

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Scheduled date of filing quarterly securities report: August 11, 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 and Chief Operating Officer
General Manager, Accounting Dept

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2021 (April 01, 2021 to June 30, 2021)

(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, 2021	33,375	29.4	4,427	246.6	4,488	262.2	3,207	302.3
June 30, 2020	25,783	10.8	1,277	349.2	1,239	311.3	797	267.5

(Note) Comprehensive income: Three months ended June 30, 2021: ¥ 3,049 million [90.3%]
Three months ended June 30, 2020: ¥ 1,602 million [-%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2021	48.13	-
June 30, 2020	12.51	12.50

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
June 30, 2021	159,452	99,517	62.3
March 31, 2021	152,726	97,617	63.8

(Reference) Equity: As of June 30, 2021: ¥ 99,400 million
As of March 31, 2021: ¥ 97,497 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, 2021	-	8.00	-	17.00	25.00
Fiscal year ending March 31, 2022	-				
Fiscal year ending March 31, 2022 (Forecast)		17.00	-	18.00	35.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022(April 01, 2021 to March 31, 2022)

(% 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, 2021	66,500	33.2	8,450	251.2	8,520	244.5	5,910	265.1	88.69
Full year	128,000	19.9	14,500	88.3	14,600	86.6	10,000	89.6	150.07

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

* Notes:

(1) Changes in significant subsidiaries during the three months ended June 30, 2021

(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: Yes

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, 2021: 67,909,449 shares

March 31, 2021: 67,909,449 shares

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

June 30, 2021: 1,274,510 shares

March 31, 2021: 1,274,439 shares

3) Average number of shares during the period:

Three months ended June 30, 2021: 66,634,981 shares

Three months ended June 30, 2020: 63,736,867 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 August 11, 2021. Any explanatory materials used in this session will be posted on the Company's website immediately afterward.

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1. Quarterly business results

(1) Results of operations

During the first quarter of the current fiscal year, the Japanese economy witnessed a significant recovery in production activity in manufacturing industry, backed by such factors as an increase in exports alongside economic recovery overseas.

Capital expenditure began to increase due to the recovery in corporate earnings, and there was also a trend toward resumption of investments that had been postponed. In addition, investments in the electronics industry remained robust and continued to be made against the backdrop of expanding applications of information and communications technology, such as 5G and IoT.

Overseas, the U.S. economy showed signs of expansion on the back of the vaccine rollout and economic measures, and demand increased in the semiconductor and automobile markets, among others. Moreover, in China, demand increased in a large number of markets, including the 5G-related and rechargeable battery markets, and capital expenditure continued to be robust in the manufacturing industry overall. In Southeast Asia, despite restrictions on activities due to the renewed spread of COVID-19, the economy was underpinned by sales growth in a rebound from the decrease in the previous year and an increase in exports.

Under such circumstances, in results for the 1st quarter of the consolidated fiscal year, the CKD Group recorded 33,375 million yen in net sales, up 29.4% year on year, 4,427 million yen in operating profit, up 246.6% year on year, 4,488 million yen in ordinary profit, up 262.2% year on year, and 3,207 million yen in profit attributable to owners of parent, up 302.3% year on year.

Due to the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, (hereinafter referred to as the "Revenue Recognition Accounting Standard."), etc., net sales decreased by 57 million yen, cost of sales increased by 7 million yen, selling, general and administrative expenses decreased by 30 million yen, operating profit decreased by 34 million yen, and ordinary profit and profit before income taxes increased by 3 million yen respectively.

Results of operations by segment

a. Automatic Machineries

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

As a result, net sales were 3,262 million yen (down 13.1% year on year), and segment profit was 321 million yen (down 8.7% year on year), mainly due to decrease in net sales.

In addition, as a result of the application of the Revenue Recognition Accounting Standard, net sales in the first quarter of the consolidated fiscal year increased by 11 million yen, and segment profit increased by 3 million yen.

b. Components

In the Japanese market, net sales of semiconductor manufacturing equipment increased as semiconductor demand remained strong driven by the 5G rollout and demand for teleworking related products. In addition, there were increases in net sales of both products for use in manufacturing equipment related to environmentally-friendly vehicles in the automobile market and sales of products for use in machine tools, where there was robust demand for equipment for use in semiconductors and automobiles.

Overseas, net sales increased in China, where capital expenditure continued in manufacturing industry overall, as well as South Korea and Taiwan, where semiconductor capital expenditure was robust. Net sales also increased in Europe and the United States, which are recovering from the COVID-19 pandemic, and in Southeast Asia, which restrictions on activities were relaxed.

As a result, net sales were 30,113 million yen (up 36.7% year on year), and segment profit was 5,104 million yen (up 150.4% year on year), due to the effect of productivity improvements and cost reductions in addition to the increase in net sales.

In addition, as a result of the application of the Revenue Recognition Accounting Standard, net sales in the first quarter of the consolidated fiscal year decreased by 68 million yen, selling, general and administrative expenses decreased by 30 million yen, and segment profit decreased by 38 million yen.

(2) Financial position

Total assets at the end of the first quarter on the consolidated basis were ¥159,452 million, up ¥6,726 million from the end of the previous consolidated fiscal year. The main factors included increases in cash and deposits, trade receivables and inventories.

Liabilities were ¥59,934 million, up ¥4,825 million from the end of the previous consolidated fiscal year. This was mainly due to increases in trade payables and provision for bonuses.

Net assets were ¥99,517 million, up ¥1,900 million from the end of the previous consolidated fiscal year.

Capital adequacy ratio was 62.3%, down a 1.5 point from the previous consolidated fiscal year.

(3) Consolidated financial forecasts and outlook

The global economy continues to be unpredictable with the risk factors including a renewed spread of COVID-19 due to variants despite high expectations for the control of the pandemic through vaccine rollouts, soaring prices for raw materials, and supply shortages of some components, such as semiconductors.

Against this backdrop, the market environment surrounding the Company has seen a steady recovery in investment in manufacturing industry overall both in Japan and overseas and demand has remained high, driven by rising automation and labor saving demand and an expansion in investment in the electronics industry, including semiconductor capital expenditure.

As a result, orders in the Components business are continuing to exceed expectations, and the Company has revised upward the consolidated financial forecasts for the second quarter of the consolidated fiscal year and the full year announced on May 13, 2021 as follows.

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 assumption for the period from July 1, 2021 to March 31, 2022 is USD1:JPY105.

The 2nd quarter of the fiscal year ending March 31, 2022(April 1, 2021 to September 30, 2021)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Previous forecast (A)	Million yen 59,000	Million yen 5,500	Million yen 5,500	Million yen 3,700
Revised forecast (B)	66,500	8,450	8,520	5,910
Change (B - A)	7,500	2,950	3,020	2,210
Percentage change	12.7	53.6	54.9	59.7
For reference: Previous performance (Though the 2nd quarter of the fiscal year ended March 31, 2021)	49,942	2,405	2,473	1,618

The full fiscal year (April 1, 2021 to March 31, 2022)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Previous forecast (A)	Million yen 118,000	Million yen 11,000	Million yen 11,000	Million yen 7,500
Revised forecast (B)	128,000	14,500	14,600	10,000
Change (B - A)	10,000	3,500	3,600	2,500
Percentage change	8.5	31.8	32.7	33.3
For reference: Previous performance (Though the full fiscal year ended March 31, 2021)	106,723	7,698	7,823	5,273

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 August 11, 2021.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2021	As of June 30,2021
Assets		
Current assets		
Cash and deposits	36,375	37,970
Notes and accounts receivable - trade	23,492	-
Notes and accounts receivable - trade, and contract assets	-	25,123
Electronically recorded monetary claims - operating	4,134	5,528
Trade accounts receivable	227	240
Merchandise and finished goods	10,018	10,270
Work in process	4,012	4,648
Raw materials and supplies	22,298	24,218
Other	1,286	1,171
Allowance for doubtful accounts	(55)	(60)
Total current assets	101,789	109,113
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,443	19,250
Other, net	19,549	19,854
Total property, plant and equipment	38,992	39,105
Intangible assets	1,433	1,319
Investments and other assets	10,510	9,914
Total non-current assets	50,936	50,339
Total assets	152,726	159,452

(Million yen)

	As of March 31,2021	As of June 30,2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,360	18,476
Electronically recorded obligations - operating	2,833	3,645
Short-term borrowings	9,678	9,671
Current portion of bonds payable	16	16
Income taxes payable	1,624	1,639
Provision for bonuses	389	1,871
Other provisions	485	393
Other	11,252	11,870
Total current liabilities	41,640	47,584
Non-current liabilities		
Long-term borrowings	10,244	9,358
Other provisions	4	2
Retirement benefit liability	424	430
Other	2,795	2,558
Total non-current liabilities	13,468	12,349
Total liabilities	55,108	59,934
Net assets		
Shareholders' equity		
Share capital	11,016	11,016
Capital surplus	16,358	16,364
Retained earnings	65,921	67,985
Treasury shares	(895)	(895)
Total shareholders' equity	92,401	94,471
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,386	3,069
Foreign currency translation adjustment	1,845	1,996
Remeasurements of defined benefit plans	(136)	(135)
Total accumulated other comprehensive income	5,095	4,929
Non-controlling interests	120	116
Total net assets	97,617	99,517
Total liabilities and net assets	152,726	159,452

(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 30,2020	For the three months ended June 30,2021
Net sales	25,783	33,375
Cost of sales	19,189	23,431
Gross profit	6,593	9,943
Selling, general and administrative expenses	5,316	5,516
Operating profit	1,277	4,427
Non-operating income		
Interest income	5	3
Dividend income	62	63
Share of profit of entities accounted for using equity method	2	3
Gain on valuation of derivatives	11	-
Other	83	104
Total non-operating income	164	174
Non-operating expenses		
Interest expenses	51	52
Loss on valuation of derivatives	-	3
Foreign exchange losses	52	37
Other	98	20
Total non-operating expenses	202	113
Ordinary profit	1,239	4,488
Extraordinary income		
Gain on sale of non-current assets	0	0
Subsidy income	25	176
Total extraordinary income	26	176
Extraordinary losses		
Loss on sale of non-current assets	0	-
Loss on retirement of non-current assets	10	10
Loss on tax purpose reduction entry of non-current assets	25	142
Total extraordinary losses	36	153
Profit before income taxes	1,229	4,511
Income taxes - current	705	1,543
Income taxes - deferred	(272)	(247)
Total income taxes	433	1,295
Profit	795	3,215
Profit (loss) attributable to non-controlling interests	(1)	8
Profit attributable to owners of parent	797	3,207

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

(Million yen)

	For the three months ended June 30,2020	For the three months ended June 30,2021
Profit	795	3,215
Other comprehensive income		
Valuation difference on available-for-sale securities	688	(316)
Foreign currency translation adjustment	71	149
Remeasurements of defined benefit plans, net of tax	47	0
Share of other comprehensive income of entities accounted for using equity method	0	0
Total other comprehensive income	807	(166)
Comprehensive income	1,602	3,049
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,603	3,041
Comprehensive income attributable to non-controlling interests	(0)	8

(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

Accounting Standard for Revenue Recognition

Accounting Standard for Revenue Recognition(ASBJ Statement No. 29, March 31, 2020) Hereinafter referred to as the "Revenue Recognition Accounting Standard." The Company adopted the Accounting Standard for Revenue Recognition Accounting Standard, etc. from the beginning of the first quarter of the consolidated fiscal year, and recognized revenue in the amount expected to be received in exchange for promised goods and services at the point when control of the goods and services is transferred to the customer. As a result, in the past, the percentage-of-completion method was applied to construction contracts in which certainty of outcome is recognized through progress, and the completed-contract method was applied to other construction contracts. However, in cases when the performance of an obligation under a contract with a customer results in an asset that cannot be converted to another use, the Company has changed to a method of recognizing revenue over a period of time as performance obligations are fulfilled. Also, a portion of sales incentives, etc., previously included in selling expenses and sales discounts, previously included in non-operating expenses, have been deducted from net sales.

In accordance with the transitional treatment prescribed in the provisional clause of paragraph 84 of the Accounting Standard for Revenue Recognition for the adoption of the standard, the cumulative effect of applying the new accounting policy retrospectively prior to the beginning of the first quarter of the consolidated fiscal year is added to or subtracted from retained earnings at the beginning of the first quarter of the consolidated fiscal year, and the new accounting policy is applied starting with the said balance at the beginning of the current fiscal year. However, the Company applied the method prescribed in paragraph 86 of the Revenue Recognition Accounting Standard and did not apply the new accounting policy retrospectively to contracts for which almost all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the first quarter of the consolidated fiscal year. The Company also applied the method prescribed in provisional clause (1) of paragraph 86 of the Revenue Recognition Accounting Standard and contractual changes made prior to the beginning of the first quarter of the consolidated fiscal year were accounted for based on the contract terms after reflection of all contractual changes, and the cumulative effect of such changes was added to or deducted from retained earnings at the beginning of the first quarter of the consolidated fiscal year.

As a result of this change, in the first quarter of the current fiscal year, net sales decreased by 57 million yen, cost of sales increased by 7 million yen, selling, general and administrative expenses decreased by 30 million yen, operating profit decreased by 34 million yen, and ordinary profit and profit before income taxes increased by 3 million yen respectively. The balance of retained earnings at the beginning of the fiscal year also decreased by 10 million yen.

Due to the application of the Revenue Recognition Accounting Standard, etc., "trade notes and accounts receivable" presented in "current assets" on the consolidated balance sheet for the previous fiscal year has been included in "trade notes, accounts receivable and contract assets" from the first quarter of the current fiscal year. In accordance with the transitional treatment prescribed in paragraph 89-2 of the Revenue Recognition Accounting Standard, the consolidated balance sheet for the previous fiscal year has not been reclassified based on the new presentation method.

Accounting Standard for Fair Value Measurement

The Company applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the "Fair Value Measurement Accounting Standard"), etc. from the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment prescribed in paragraph 19 of the "Fair Value Measurement Accounting Standard" and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement 10, July 4, 2019), the Company decided to apply the new accounting policy prescribed in the Fair Value Measurement Accounting Standard, etc. prospectively. There is no impact on the quarterly consolidated financial statements.

Segment information, etc.

Segment information

I 1st quarter of the fiscal year ended 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.

II 1st quarter of the fiscal year ending March 31, 2022 (April 1, 2021 to June 30, 2021)

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	3,262	30,113	33,375	—	33,375
Intersegment sales or transfers	—	26	26	(26)	—
Total	3,262	30,139	33,401	(26)	33,375
Segment income	321	5,104	5,426	(999)	4,427

Notes: 1. The amount of adjustment for Segment income of ¥(999) million includes ¥7 million for elimination of transactions among segments and ¥(1,006) 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.

Matters related to changes in reporting segments

As described in Changes in Accounting Policies, the Company applied the Revenue Recognition Accounting Standard from the beginning of the first quarter of the consolidated fiscal year and changed the accounting treatment for revenue recognition. Therefore, the Company has also changed the method for calculating profit or loss for reportable segments.

As a result of this change, in the first quarter of the current fiscal year, compared with the previous method, net sales in the “Automatic machineries segment” increased by 11 million yen and segment profit increased by 3 million yen. Net sales in the “Components segment” decreased by 68 million yen and segment profit decreased by 38 million yen.

3. Others

Production, orders, and sales

[1] Actual production

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

Segment name	Production output (Million yen)	Change YoY (%)
Automatic machineries	3,056	(21.0)
Components	30,639	+35.1
Total	33,696	+26.9

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 first 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	3,664	+91.6	12,884	+15.0

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 first quarter of the consolidated fiscal year under review are as follows..

Segment name	Sales (Million yen)	Change YoY (%)
Automatic machineries	3,262	(13.1)
Components	30,113	+36.7
Total	33,375	+29.4

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

2. Above figures are exclusive of consumption tax.