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Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]

August 10, 2022

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

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

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Scheduled date of filing quarterly securities report: August 10, 2022

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, 2022 (April 01, 2022 to June 30, 2022)

(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, 2022	38,040	14.0	4,592	3.7	4,662	3.9	3,133	(2.3)
June 30, 2021	33,375	29.4	4,427	246.6	4,488	262.2	3,207	302.3

(Note) Comprehensive income: Three months ended June 30, 2022: ¥ 4,744 million [55.6%]
Three months ended June 30, 2021: ¥ 3,049 million [90.3%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2022	47.00	-
June 30, 2021	48.13	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of June 30, 2022	176,982	111,730	63.1
March 31, 2022	172,514	109,571	63.5

(Reference) Equity: As of June 30, 2022: ¥ 111,730 million
As of March 31, 2022: ¥ 109,571 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, 2022	-	28.00	-	39.00	67.00
Fiscal year ending March 31, 2023	-				
Fiscal year ending March 31, 2023 (Forecast)		39.00	-	39.00	78.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023(April 01, 2022 to March 31, 2023)

(% 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, 2022	72,500	6.9	9,210	7.3	9,210	6.3	6,490	6.7	97.38
Full year	146,000	2.7	18,500	3.5	18,500	2.5	13,000	3.4	195.07

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the three months ended June 30, 2022

(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, 2022: 67,909,449 shares

March 31, 2022: 67,909,449 shares

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

June 30, 2022: 1,234,085 shares

March 31, 2022: 1,234,074 shares

3) Average number of shares during the period:

Three months ended June 30, 2022: 66,675,372 shares

Three months ended June 30, 2021: 66,634,981 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 2 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 10, 2022. Any explanatory materials used in this session will be posted on the Company's website immediately afterward.

Table of Contents of Supplementary Materials

1. Quarterly business results	2
(1) Results of operations	2
(2) Financial position	2
(3) Consolidated financial forecasts and outlook	2
2. Quarterly Consolidated Financial Statements	3
(1) Quarterly Consolidated Balance Sheets	3
(2) Quarterly Consolidated Statements of Income and Comprehensive Income.....	5
Quarterly Consolidated Statements of Income (For the three months).....	5
Quarterly Consolidated Statements of Comprehensive Income (For the three months)	6
(3) Notes to the consolidated financial statements	7
Notes regarding assumptions as a going concern	7
Notes regarding any major change in the amount of consolidated shareholders' equity.....	7
Changes in accounting policies	7
Segment information, etc.	8
3. Others	9
Production, orders, and sales	9

1. Quarterly business results

(1) Results of operations

During the 1st quarter of the current fiscal year, the Japanese economy recovered moderately, supported by the easing of restrictions by balancing measures against COVID-19 and socioeconomic activities. However, it was affected by soaring raw material prices and supply constraints for semiconductors and other components. Also, the prolonged situation in Russia and Ukraine, the rise of energy prices, the rise of prices due to the progress of the yen's depreciation and others have caused a sense of uncertainty in the economic outlook.

Capital investment recovered as corporate earnings picked up and efforts were made in growth areas such as the environment. In addition, investment in automation in the manufacturing industry as a whole and investment against background of a growing range of applications in information and communications technology in the electronics industry continued to be strong.

Overseas economies continued to recover steadily, mainly in Europe and the U.S., as a result of the quick recovery from COVID-19 pandemic. Southeast Asia also saw economic activity normalize as restrictions on activities were eased, and the economy recovered along with an increase in exports. In China, on the other hand, capital investment appeared to be at a standstill due to logistical disruptions caused by lockdowns.

Under such circumstances, in results for the 1st quarter of the consolidated fiscal year, the CKD Group recorded 38,040 million yen in net sales, up 14.0% year on year, 4,592 million yen in operating profit, up 3.7% year on year, 4,662 million yen in ordinary profit, up 3.9% year on year, and 3,133 million yen in profit attributable to owners of parent, down 2.3% year on year.

Results of operations by segment

a. Automatic Machineries

As for automatic packaging systems, sales to the pharmaceutical industry and the food industry increased. In addition, in industrial machinery, sales of 3D solder paste inspection machines and lithium-ion battery manufacturing systems increased.

As a result, net sales were 3,613 million yen (up 10.8% year on year), while segment profit was 280 million yen (down 12.8% year on year) due to an increase in sales mix and development expenses.

b. Components

In the domestic market, sales for semiconductor manufacturing equipment increased, supported by solid demand for semiconductors in data centers and automotive applications. Sales for machine tools and manufacturing equipment related to environmentally friendly vehicles remained strong.

In overseas markets, sales declined in China, where demand, although high, has settled down compared to the strength of demand in the 1st quarter of the previous consolidated fiscal year. On the other hand, sales increased in South Korea and Taiwan, where semiconductor capital investment is strong, Europe and the U.S., where economic activity is on a recovery trend, and Southeast Asia, where activity restrictions have been relaxed.

As a result, net sales were 34,427 million yen (up 14.3% year on year), and segment profit was 5,513 million yen (up 8.0% year on year) due to increased sales.

(2) Financial position

Total assets at the end of the 1st quarter on the consolidated basis were 176,982 million yen, up 4,467 million yen from the end of the previous consolidated fiscal year. The main factors included increases in trade receivables, inventories and property, plant and equipment, despite decreases in cash and deposits and consumption taxes refund receivable.

Liabilities were 65,251 million yen, up 2,308 million yen from the end of the previous consolidated fiscal year. This was mainly due to increases in trade payables, accrued expenses and provision for bonuses, despite decreases in income taxes payable.

Net assets were 111,730 million yen, up 2,158 million yen from the end of the previous consolidated fiscal year.

Capital adequacy ratio was 63.1%, down a 0.4 point from the previous consolidated fiscal year.

(3) Consolidated financial forecasts and outlook

As for the consolidated financial forecasts for the 2nd quarter and the full year, although production has been affected by supply constraints of parts and raw materials, orders have remained strong due to continued investment in automation in the manufacturing industry in general, and there is no change from the forecast announced on May 13, 2022.

The exchange rate assumption for the period from July 1, 2022 to March 31, 2023 is USD1:JPY120, which also remains unchanged.

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

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2022	As of June 30,2022
Assets		
Current assets		
Cash and deposits	34,527	32,010
Notes and accounts receivable - trade, and contract assets	28,702	30,207
Electronically recorded monetary claims - operating	5,961	6,684
Trade accounts receivable	243	236
Merchandise and finished goods	10,468	10,641
Work in process	4,159	5,110
Raw materials and supplies	30,135	32,839
Other	2,044	1,501
Allowance for doubtful accounts	(55)	(60)
Total current assets	116,188	119,171
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,510	22,270
Other, net	22,509	23,360
Total property, plant and equipment	44,019	45,630
Intangible assets	1,107	1,190
Investments and other assets	11,199	10,990
Total non-current assets	56,326	57,811
Total assets	172,514	176,982

(Million yen)

	As of March 31,2022	As of June 30,2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,354	21,873
Electronically recorded obligations - operating	4,387	4,588
Short-term borrowings	11,735	11,561
Income taxes payable	3,908	2,240
Provision for bonuses	495	2,293
Other provisions	388	386
Other	12,233	12,807
Total current liabilities	53,503	55,752
Non-current liabilities		
Long-term borrowings	5,634	5,654
Other provisions	2	2
Retirement benefit liability	458	496
Other	3,344	3,345
Total non-current liabilities	9,439	9,498
Total liabilities	62,942	65,251
Net assets		
Shareholders' equity		
Share capital	11,016	11,016
Capital surplus	16,364	16,379
Retained earnings	75,440	75,973
Treasury shares	(867)	(867)
Total shareholders' equity	101,954	102,502
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,274	3,209
Foreign currency translation adjustment	4,429	6,091
Remeasurements of defined benefit plans	(85)	(72)
Total accumulated other comprehensive income	7,617	9,228
Total net assets	109,571	111,730
Total liabilities and net assets	172,514	176,982

(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 30,2021	For the three months ended June 30,2022
Net sales	33,375	38,040
Cost of sales	23,431	27,038
Gross profit	9,943	11,002
Selling, general and administrative expenses	5,516	6,410
Operating profit	4,427	4,592
Non-operating income		
Interest income	3	5
Dividend income	63	90
Share of profit of entities accounted for using equity method	3	-
Foreign exchange gains	-	92
Other	104	92
Total non-operating income	174	281
Non-operating expenses		
Interest expenses	52	71
Loss on valuation of derivatives	3	42
Foreign exchange losses	37	-
Loss on retirement of non-current assets	-	43
Other	20	54
Total non-operating expenses	113	211
Ordinary profit	4,488	4,662
Extraordinary income		
Gain on step acquisitions	-	62
Gain on sale of non-current assets	0	-
Subsidy income	176	12
Total extraordinary income	176	75
Extraordinary losses		
Loss on tax purpose reduction entry of non-current assets	142	12
Other	10	0
Total extraordinary losses	153	13
Profit before income taxes	4,511	4,724
Income taxes - current	1,543	2,039
Income taxes - deferred	(247)	(449)
Total income taxes	1,295	1,590
Profit	3,215	3,133
Profit attributable to non-controlling interests	8	-
Profit attributable to owners of parent	3,207	3,133

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

(Million yen)

	For the three months ended June 30,2021	For the three months ended June 30,2022
Profit	3,215	3,133
Other comprehensive income		
Valuation difference on available-for-sale securities	(316)	(65)
Foreign currency translation adjustment	149	1,661
Remeasurements of defined benefit plans, net of tax	0	13
Share of other comprehensive income of entities accounted for using equity method	0	-
Total other comprehensive income	(166)	1,610
Comprehensive income	3,049	4,744
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,041	4,744
Comprehensive income attributable to non-controlling interests	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

(Application of ASU 2016-02 "Leases")

Effective from the beginning of the 1st quarter of the consolidated fiscal year, ASU No. 2016 - 02 Leases (February 25, 2016. Hereinafter referred to as "ASU No. 2016-02.") has been applied to foreign subsidiaries that have adopted U.S. GAAP.

As a result of adopting ASU No. 2016-02, lessee generally recognizes assets and liabilities for all leases. The Company has adopted a method to recognize the cumulative effect of the adoption of the accounting standard, which is recognized as a transitional measure, on the effective date.

The effect of the change on the quarterly consolidated financial statements for the 1st quarter of the consolidated fiscal year was not material.

Segment information, etc.

Segment information

I The 1st quarter of the consolidated fiscal year ended March 31, 2022 (April 1, 2021 to June 30, 2021)
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	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 profit	321	5,104	5,426	(999)	4,427

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

II The 1st quarter of the consolidated fiscal year ending March 31, 2023 (April 1, 2022 to June 30, 2022)
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	3,613	34,427	38,040	—	38,040
Intersegment sales or transfers	—	19	19	(19)	—
Total	3,613	34,446	38,059	(19)	38,040
Segment profit	280	5,513	5,794	(1,202)	4,592

Notes: 1. The amount of adjustment for segment profit of ¥(1,202) million includes ¥7 million for elimination of transactions among segments and ¥(1,209) 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 1st quarter of the consolidated fiscal year under review are as follows.

Segment name	Production output (Million yen)	Change YoY(%)
Automatic machineries	3,114	+1.9
Components	35,207	+14.9
Total	38,321	+13.7

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

2. Amounts are based on sales prices.

[2] Actual orders

Actual orders by reporting segment in the 1st 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	3,864	+5.5	13,266	+3.0

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

[3] Actual sales

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

Segment name	Sales (Million yen)	Change YoY(%)
Automatic machineries	3,613	+10.8
Components	34,427	+14.3
Total	38,040	+14.0

Note: Intersegment transactions have been offset and eliminated.