Consolidated Financial Results for the Year Ended March 31, 2023 [Japanese GAAP]

May 12, 2023

Company name: CKD Corporation
Stock exchange listing: Tokyo, Nagoya
Code number: 6407
URL: https://www.ckd.co.jp/en/
Representative: Katsuhito Okuoka President and Chief Operating Officer
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Scheduled date of Annual General Meeting of Shareholders: June 23, 2023
Scheduled date of commencing dividend payments: June 5, 2023
Scheduled date of filing annual securities report: June 23, 2023
Availability of supplementary briefing material on annual financial results: Yes
Schedule of annual financial results briefing session: Yes

(Amounts of less than one millions of yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	159,457	12.1	21,170	18.4	21,181	17.4	14,788	17.7
March 31, 2022	142,199	33.2	17,879	132.2	18,043	130.6	12,567	138.3

(Note) Comprehensive income: Fiscal year ended March 31, 2023: ¥ 15,363 million [1.6%]
Fiscal year ended March 31, 2022: ¥ 15,127 million [64.9%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2023	221.76	-	12.9	11.8	13.3
March 31, 2022	188.58	-	12.1	11.1	12.6

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2023: ¥ - million
Fiscal year ended March 31, 2022: ¥ 3 million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2023	185,626	119,730	64.5	1,794.44
March 31, 2022	172,514	109,571	63.5	1,643.36

(Reference) Equity: As of March 31, 2023: ¥ 119,730 million
As of March 31, 2022: ¥ 109,571 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	11,049	(12,792)	(5,743)	26,654
March 31, 2022	12,352	(8,544)	(6,264)	34,027

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2022	-	28.00	-	39.00	67.00	4,466	35.5	4.3
March 31, 2023	-	42.00	-	47.00	89.00	5,937	40.1	5.2
Fiscal year ending March 31, 2024 (Forecast)	-	26.00	-	34.00	60.00		40.0	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2023	66,500	(17.1)	6,350	(37.6)	6,350	(37.9)	4,300	(38.9)	64.48
Full year	142,000	(10.9)	14,500	(31.5)	14,500	(31.5)	10,000	(32.4)	149.95

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) 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

(3) Total number of issued shares (common shares)
1) Total number of issued shares at the end of the period (including treasury shares):
March 31, 2023: 67,909,449 shares
March 31, 2022: 67,909,449 shares

2) Number of treasury shares at the end of the period:
March 31, 2023: 1,186,036 shares
March 31, 2022: 1,234,074 shares

3) Average number of shares outstanding during the period:
Fiscal Year ended March 31, 2023: 66,689,061 shares
Fiscal Year ended March 31, 2022: 66,643,626 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	128,137	10.1	15,899	24.2	16,771	21.9	11,945	22.0
March 31, 2022	116,400	31.8	12,804	166.0	13,758	142.5	9,792	148.4

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2023	179.12	-
March 31, 2022	146.94	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2023	151,093	99,701	66.0	1,494.24
March 31, 2022	143,420	92,726	64.7	1,390.72

(Reference) Equity: As of March 31, 2023: ¥ 99,701 million
As of March 31, 2022: ¥ 92,726 million

*This flash report is exempt from auditing by certified public accountants or audit firms.

*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.

CKD Corporation (the Company) is planning to hold a briefing session for institutional investors and analysts on May 12, 2023. Any explanatory materials used in this session will be posted on the Company's website immediately afterward.

Table of Contents of Supplementary Materials

1.Overview of business results

(1) Overview of business results for the fiscal year

[1] Review of the fiscal year

During the consolidated fiscal year under review, the Japanese economy recovered moderately against the backdrop of the easing of restrictions by balancing COVID-19 countermeasures and socioeconomic activities, but was affected by soaring raw material prices and constraints on supply of semiconductors and other components.

In addition, the economic outlook remains uncertain due to rising energy prices caused by the prolonged situation between Russia and Ukraine and rising prices stemming from the weak yen.

Capital investment trended up 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, but investment was restrained at the end of the term, including the occurrence of inventory adjustments due to the fall in semiconductor memory prices.

For the overseas economy, in Europe and the U.S., corporate capital expenditure was firm despite uncertainty about the future. In Southeast Asia, the normalization of economic activity advanced due to the easing of restrictions on activities, and economic recovery continued along with an increase in exports. In China, some capital investment mainly in the semiconductor and battery industries continued amid a slowdown in overall market capital investment.

Under such circumstances, in results of the consolidated fiscal year, the CKD Group recorded 159,457 million yen in net sales, up 12.1% year on year, 21,170 million yen in operating profit, up 18.4% year on year, 21,181 million yen in ordinary profit, up 17.4% year on year, and 14,788 million yen in profit attributable to owners of parent, up 17.7% year on year.

[2] Results of operations by segment

<Automatic Machineries>

Among industrial machinery products, sales of lithium-ion battery manufacturing systems and 3D solder paste inspection machines increased. Sales of automatic packaging systems for pharmaceuticals decreased.

As a result, net sales were 15,566 million yen (down 7.4% year on year), and segment profit was 2,008 million yen (down 16.8% year on year) due to changes in the sales mix.

<Components>

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

In overseas markets, sales increased in China, where investment continued mainly in the semiconductor and battery industries which use mature technology, and in South Korea and Taiwan, where semiconductor capital investment was steady, although demand decreased towards the end of the term. Sales also increased in Europe and the U.S., where capital investment was firm, and in Southeast Asia, where the recovery from the COVID-19 pandemic continued.

As a result, net sales were 143,891 million yen (up 14.8% year on year), and segment profit was 23,741 million yen (up 22.1% year on year) due to the increase in net sales and the depreciation of the yen.

(2) Financial position

Total assets at the end of the fiscal year on the consolidated basis were 185,626 million yen, up 13,111 million yen from the end of the previous consolidated fiscal year. The main factors included increases in trade receivables, contract assets, inventories and property, plant and equipment, despite decreases in cash and deposits.

Liabilities were 65,895 million yen, up 2,952 million yen from the end of the previous consolidated fiscal year. This was mainly due to increases in trade payables, borrowings, lease liabilities and deferred tax liabilities, despite decreases in accounts payable - facilities and advances received.

Net assets were 119,730 million yen, up 10,159 million yen from the end of the previous consolidated fiscal year.

Capital adequacy ratio was 64.5%, up a 1.0 point from the previous consolidated fiscal year.

(3) Cash flows

Cash and cash equivalents (hereinafter, cash) at the end of the consolidated fiscal year were 26,654 million yen, down 7,373 million yen from the end of the previous consolidated fiscal year.

Changes in cash flows by categories through the consolidated fiscal year were as follows.

Cash flows from operating activities

Through the consolidated fiscal year under review, net cash provided by operating activities was 11,049 million yen (down 10.6% year on year).

Factors contributing positively to cash flows from operating activities were profit before income taxes of 21,388 million yen, depreciation of 6,626 million yen and an increase in trade payables of 2,255 million yen. These cash flows were offset by an increase in trade receivables and contract assets of 1,521 million yen, an increase in inventories 10,286 million yen and income taxes paid 6,530 million yen.

Cash flows from investing activities

Through the consolidated fiscal year under review, net cash used in investing activities was 12,792 million yen (up 49.7% year on year).

The main factor accounting for the cash flows was purchase of property, plant and equipment of 11,056 million yen.

Cash flows from financing activities

Through the consolidated fiscal year under review, net cash used in financing activities was 5,743 million yen (down 8.3% year on year).

Factors contributing positively to cash flows from financing activities were proceeds from long-term borrowings of 5,731 million yen. These cash flows were offset by repayments of long-term borrowings of 6,080 million yen and dividends paid of 5,393 million yen.

Reference: Changes in cash flow-related indexes

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Capital adequacy ratio (%)	58.6	60.5	63.8	63.5	64.5
Capital adequacy ratio based on current market price (%)	45.1	67.7	100.7	72.9	77.3
Ratio of interest-bearing debt to cash flow (times)	(12.7)	1.4	1.2	1.4	1.7
Interest coverage ratio (times)	(22.6)	77.0	84.3	55.1	35.5

Capital adequacy ratio (%) = equity ÷ total assets
Capital adequacy ratio based on current market price (%) = total market value of common stock ÷ total assets
Ratio of interest-bearing debt to cash flow (times) = interest-bearing debt ÷ cash flow
Interest coverage ratio (times) = cash flows ÷ interest payments

Notes: 1. All indicators are calculated based on consolidated financial figures.
2. Total market value of common stock is calculated based on the number of shares outstanding, excluding treasury stock.
3. Cash flows from operating activities are used for figures for cash flow.
4. Interest-bearing debt includes all balance-sheet debt for which interest payments are being made.
For interest payment, interest paid from consolidated financial statements of cash flows are used.

(4) Consolidated financial forecasts and outlook

As for the global economy in the next fiscal period, although the mild recovery is expected to continue as the normalization of social and economic activity progresses due to the subsidence of COVID-19 infections, uncertainty is expected to remain high, including the tightening of financial policies to control inflation and the deterioration of financial conditions, and heightened geopolitical risks, including the ongoing problems in Russia and Ukraine.

Amid drastic changes in societal values and the market itself, the business environment surrounding the Group is expected to see the continuation of automation and labor saving demand in the manufacturing industry against the backdrop of labor shortages and soaring labor costs, and increases in demand in association with the electrification of automobiles in response to the climate change problem. On the other hand, restraint in semiconductor capital investment due to a decline in demand for PCs and smartphones due to the rebound from special demand due to COVID-19, and the prolongation of inventory adjustments, is also expected to have an impact.

Consequently, component shortages centered on semiconductors are expected to improve, but we will need to continue to focus on supply chain risks, the impact of trade friction between the U.S. and China, the impact of earthquakes and other natural disasters, the impact of foreign exchange fluctuations, etc.
Below are the consolidated projections for the next fiscal year.
The exchange rate is estimated at ¥130 to one U.S. dollar.

	Six months ending September 30,2023	Full year
Net sales	Million yen 66,500	Million yen 142,000
Operating profit	6,350	14,500
Ordinary profit	6,350	14,500
Profit attributable to owners of parent	4,300	10,000

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

(5) Basic policy for allocation of profit and dividends for FY2022 and FY2023

Regarding to the return of profit to shareholders, while the company tries to increase corporate value through capital investment and R&D investment that strengthen the management base and further expand business, in the return of profit to shareholders the company has a dividend payout ratio of 40% as a rough target.

Under this policy, it was decided at Board of Directors of CKD Corporation on May 12, 2023 that year-end dividends of ¥47 per share would be paid on June 5, 2023. Combined with the ¥42 per share paid as interim dividends in December 2022, the annual dividends for the fiscal year will amount to ¥89 per share, up ¥22 from the end of the previous consolidated fiscal year.

Projected dividends for the next fiscal year are ¥26 per share at the end of the 2nd quarter and year-end dividend of ¥34 per share, for a total of ¥60 per share.

2. Basic approach to selection of accounting standards

To enable comparison between companies and years, the CKD Group creates its consolidated financial statements according to "the Rules for Terminology, Forms, and Preparation of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 in 1976)" (excluding Chapter 7 and 8).

When applying international accounting standards, domestic and overseas information is considered and applied as appropriate.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	34,527	28,568
Notes receivable - trade	4,291	4,443
Accounts receivable - trade	23,554	23,574
Contract assets	856	2,148
Electronically recorded monetary claims - operating	5,961	6,318
Trade accounts receivable	243	241
Merchandise and finished goods	10,468	11,443
Work in process	4,159	5,090
Raw materials and supplies	30,135	38,848
Other	2,044	2,430
Allowance for doubtful accounts	(55)	(53)
Total current assets	116,188	123,055
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,510	24,899
Machinery, equipment and vehicles, net	11,362	12,186
Tools, furniture and fixtures, net	1,760	1,891
Land	6,940	8,242
Leased assets, net	652	1,071
Construction in progress	1,792	1,040
Total property, plant and equipment	44,019	49,331
Intangible assets	1,107	1,524
Investments and other assets		
Investment securities	8,124	8,509
Retirement benefit asset	1,543	1,749
Deferred tax assets	328	409
Other	1,237	1,081
Allowance for doubtful accounts	(34)	(35)
Total investments and other assets	11,199	11,714
Total non-current assets	56,326	62,571
Total assets	172,514	185,626

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,354	22,017
Electronically recorded obligations - operating	4,387	5,349
Short-term borrowings	5,665	6,062
Current portion of long-term borrowings	6,070	2,398
Lease liabilities	255	329
Accrued expenses	4,741	4,765
Income taxes payable	3,908	3,696
Provision for bonuses	495	574
Provision for product warranties	374	427
Provision for loss on orders received	11	11
Provision for environmental measures	1	-
Other	7,236	6,385
Total current liabilities	53,503	52,018
Non-current liabilities		
Long-term borrowings	5,634	9,203
Lease liabilities	269	633
Deferred tax liabilities	847	1,250
Provision for environmental measures	2	2
Retirement benefit liability	458	503
Asset retirement obligations	233	235
Other	1,994	2,049
Total non-current liabilities	9,439	13,877
Total liabilities	62,942	65,895
Net assets		
Shareholders' equity		
Share capital	11,016	11,016
Capital surplus	16,364	16,548
Retained earnings	75,440	84,807
Treasury shares	(867)	(833)
Total shareholders' equity	101,954	111,538
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,274	3,486
Foreign currency translation adjustment	4,429	4,902
Remeasurements of defined benefit plans	(85)	(196)
Total accumulated other comprehensive income	7,617	8,192
Total net assets	109,571	119,730
Total liabilities and net assets	172,514	185,626

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net sales	142,199	159,457
Cost of sales	101,308	113,059
Gross profit	40,890	46,398
Selling, general and administrative expenses		
Personnel expenses	10,867	11,738
Retirement benefit expenses	341	374
Packing and transportation costs	1,866	2,222
Rent expenses	1,242	1,178
Outsourcing expenses	1,399	1,616
Depreciation	805	898
Provision of allowance for doubtful accounts	(8)	(6)
Research and development expenses	3,639	3,808
Enterprise tax	545	568
Amortization of goodwill	-	21
Other	2,312	2,804
Total selling, general and administrative expenses	23,011	25,227
Operating profit	17,879	21,170
Non-operating income		
Interest income	19	94
Dividend income	151	222
Share of profit of entities accounted for using equity method	3	-
Administrative service fee income	58	59
Insurance claim income	17	16
Subsidy income	99	145
Other	229	302
Total non-operating income	579	839
Non-operating expenses		
Interest expenses	228	331
Loss on valuation of derivatives	102	72
Foreign exchange losses	15	147
Loss on retirement of non-current assets	-	105
Other	67	171
Total non-operating expenses	414	829
Ordinary profit	18,043	21,181
Extraordinary income		
Gain on step acquisitions	-	62
Gain on sale of investment securities	0	149
Other	285	21
Total extraordinary income	286	233
Extraordinary losses		
Loss on retirement of non-current assets	138	4
Loss on tax purpose reduction entry of non-current assets	242	21
Other	1	-
Total extraordinary losses	382	25
Profit before income taxes	17,947	21,388

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Income taxes - current	5,201	6,317
Income taxes - deferred	145	282
Total income taxes	5,347	6,599
Profit	12,600	14,788
Profit attributable to non-controlling interests	32	-
Profit attributable to owners of parent	12,567	14,788

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit	12,600	14,788
Other comprehensive income		
Valuation difference on available-for-sale securities	(112)	212
Foreign currency translation adjustment	2,588	472
Remeasurements of defined benefit plans, net of tax	50	(110)
Share of other comprehensive income of entities accounted for using equity method	0	-
Total other comprehensive income	2,527	574
Comprehensive income	15,127	15,363
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,089	15,363
Comprehensive income attributable to non-controlling interests	37	-

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2022

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	11,016	16,358	65,921	(895)	92,401
Cumulative effects of changes in accounting policies			(10)		(10)
Restated balance	11,016	16,358	65,910	(895)	92,390
Changes during period					
Dividends of surplus			(2,998)		(2,998)
Profit attributable to owners of parent			12,567		12,567
Change in scope of consolidation		(2)	(37)		(39)
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		8		28	37
Employee incentive welfare funds			(2)		(2)
Net changes in items other than shareholders' equity					
Total changes during period	-	6	9,529	27	9,563
Balance at end of period	11,016	16,364	75,440	(867)	101,954

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,386	1,845	(136)	5,095	120	97,617
Cumulative effects of changes in accounting policies						(10)
Restated balance	3,386	1,845	(136)	5,095	120	97,607
Changes during period						
Dividends of surplus						(2,998)
Profit attributable to owners of parent						12,567
Change in scope of consolidation						(39)
Purchase of treasury shares						(1)
Disposal of treasury shares						37
Employee incentive welfare funds						(2)
Net changes in items other than shareholders' equity	(112)	2,583	50	2,522	(120)	2,401
Total changes during period	(112)	2,583	50	2,522	(120)	11,964
Balance at end of period	3,274	4,429	(85)	7,617	-	109,571

For the fiscal year ended March 31, 2023

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	11,016	16,364	75,440	(867)	101,954
Cumulative effects of changes in accounting policies					-
Restated balance	11,016	16,364	75,440	(867)	101,954
Changes during period					
Dividends of surplus			(5,401)		(5,401)
Profit attributable to owners of parent			14,788		14,788
Change in scope of consolidation					-
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		183		33	217
Employee incentive welfare funds			(20)		(20)
Net changes in items other than shareholders' equity					
Total changes during period	-	183	9,366	33	9,584
Balance at end of period	11,016	16,548	84,807	(833)	111,538

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,274	4,429	(85)	7,617	-	109,571
Cumulative effects of changes in accounting policies						-
Restated balance	3,274	4,429	(85)	7,617	-	109,571
Changes during period						
Dividends of surplus						(5,401)
Profit attributable to owners of parent						14,788
Change in scope of consolidation						-
Purchase of treasury shares						(0)
Disposal of treasury shares						217
Employee incentive welfare funds						(20)
Net changes in items other than shareholders' equity	212	472	(110)	574		574
Total changes during period	212	472	(110)	574	-	10,159
Balance at end of period	3,486	4,902	(196)	8,192	-	119,730

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	17,947	21,388
Depreciation	5,910	6,626
Share of loss (profit) of entities accounted for using equity method	(3)	-
Loss (gain) on step acquisitions	-	(62)
Increase (decrease) in provision for bonuses	75	68
Increase (decrease) in accounts payable - bonuses	939	13
Decrease (increase) in retirement benefit asset	(658)	(365)
Decrease (increase) in trade receivables and contract assets	(5,492)	(1,521)
Decrease (increase) in inventories	(7,337)	(10,286)
Increase (decrease) in trade payables	5,278	2,255
Increase (decrease) in advances received	(2,187)	(415)
Other, net	659	(187)
Subtotal	15,130	17,512
Interest and dividends received	170	313
Interest paid	(224)	(311)
Income taxes paid	(3,066)	(6,530)
Income taxes refund	5	12
Subsidies received	336	52
Net cash provided by (used in) operating activities	12,352	11,049
Cash flows from investing activities		
Payments into time deposits	(4)	(1,971)
Proceeds from withdrawal of time deposits	-	796
Purchase of property, plant and equipment	(7,879)	(11,056)
Proceeds from sale of property, plant and equipment	11	12
Purchase of intangible assets	(358)	(695)
Purchase of investment securities	(207)	(128)
Proceeds from sale and redemption of investment securities	104	199
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	52
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(128)	-
Other, net	(82)	(2)
Net cash provided by (used in) investing activities	(8,544)	(12,792)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(565)	368
Proceeds from long-term borrowings	1,105	5,731
Repayments of long-term borrowings	(3,520)	(6,080)
Redemption of bonds	(16)	-
Purchase of treasury shares	(1)	(0)
Dividends paid	(2,995)	(5,393)
Other, net	(271)	(369)
Net cash provided by (used in) financing activities	(6,264)	(5,743)
Effect of exchange rate change on cash and cash equivalents	570	113
Net increase (decrease) in cash and cash equivalents	(1,885)	(7,373)
Cash and cash equivalents at beginning of period	35,913	34,027
Cash and cash equivalents at end of period	34,027	26,654

(5) Notes to the consolidated financial statements

Notes regarding assumptions as a going concern

Not applicable

Material items which form the basis for preparation of the consolidated financial statements

1. Scope of consolidation

Consolidated subsidiaries: 20 companies

The names of companies:

(4 Japanese companies)

CKD Shikoku Seiko Corporation
CKD Global Service Corporation
CKD Field Engineering Corporation
CKD NIKKI DENSO CO., LTD.

(16 overseas companies)

CKD THAI CORPORATION LTD.
CKD SINGAPORE PTE. LTD.
CKD USA CORPORATION
CKD Korea Corporation
M-CKD PRECISION SDN. BHD.
CKD (China) Corporation
CKD (Shanghai) Corporation
Taiwan CKD Corporation
CKD VIETNAM ENGINEERING CO., LTD.
PT CKD TRADING INDONESIA
PT CKD MANUFACTURING INDONESIA
CKD ILLINOIS LLC
CKD MEXICO, S. de R.L. de C.V.
CKD India Private Limited
CKD Europe B.V.
CKD ITALIA S.R.L.

From the consolidated fiscal year under review, EPSITEC S.R.L. (changed trade name to CKD ITALIA S.R.L., as of July 5, 2022), which was formerly a company accounted for using the equity method, is included within the scope of consolidation in association with the acquisition of equity interest.

2. Application of equity method

Because EPSITEC S.R.L. (changed trade name to CKD ITALIA S.R.L., as of July 5, 2022) became a subsidiary in association with the acquisition of equity interest from the consolidated fiscal year under review, it has been excluded from the scope of application of the equity method and included within the scope of consolidation.

3. Fiscal year of consolidated subsidiaries

Out of our consolidated subsidiaries, the fiscal year-ends on December 31 for CKD (China) Corporation, CKD (Shanghai) Corporation, and CKD MEXICO S. de R.L. de C.V., and we provisionally close their accounts on the consolidated closing date (March 31).

4. Accounting policies

(1) Basis and method of evaluation of significant assets

[1] Securities

Available-for-sale securities

Other than shares without market value, etc.:

At fair market value (changes in fair value are accounted for under the direct addition to the net assets method, and the moving average method is used to calculate the sale value.)

Shares without market value, etc.:

At cost, as determined by the moving average method

[2] Derivatives

At fair value

[3] Inventories

a. Merchandise and finished goods	Automatic machineries finished goods	Recorded at cost using the individual method (values on the balance sheet are subject to the book value reduction method based on decreased profitability)
	Components merchandise and finished goods	Mainly recorded at cost using the periodic average method (values on the balance sheet are subject to the book value reduction method based on decreased profitability)
b. Work in process	Automatic machineries work in process	Recorded at cost using the individual method (values on the balance sheet are subject to the book value reduction method based on decreased profitability)
	Components work in process	Mainly recorded at cost using the periodic average method (values on the balance sheet are subject to the book value reduction method based on decreased profitability)
c. Raw materials and supplies	Raw materials	Mainly recorded at cost using the periodic average method (values on the balance sheet are subject to the book value reduction method based on decreased profitability)
	Supplies	Mainly recorded at cost using the last purchase price method (values on the balance sheet are subject to the book value reduction method based on decreased profitability)

(2) Depreciation methods for material depreciable assets

[1] Property, plant and equipment (excluding lease assets)

Mainly calculated by the declining-balance method.

Useful lives of property, plant and equipment are as follows:

Buildings and structures: 3-50 years

Machinery, equipment and vehicles: 3-17 years

[2] Intangible assets (excluding lease assets)

Calculated by the straight-line method.

Capitalized software for internal use is amortized by the straight-line method over the estimated internal useful life (5 years).

[3] Lease assets

The method employed is to take the useful life of the asset as the term of the lease and depreciate the residual value to zero.

(3) Accounting for reserves and allowances

[1] Allowance for doubtful accounts

To prepare for the possible losses on doubtful accounts, provisions for normal accounts in good standing are calculated using historical default ratios. Provisions for specific doubtful accounts are calculated by examining the probability of recovery for individual accounts and setting aside an amount equivalent to the portion deemed to be unrecoverable.

[2] Provision for bonuses

To cover bonus payments to employees, a provision for bonuses is made based on an estimated amount of payment for the year under review.

[3] Provision for product warranties

To prepare for claims regarding products delivered to customers, a provision for a reasonably projectable amount of expenses to be incurred in the future is made.

[4] Provision for losses on order received

To prepare for losses related to future order contracts, a provision for the estimated losses at the end of the current consolidated fiscal year is made.

[5] Provision for environmental Measures

To prepare for expenses related to the management of waste and removal of harmful substances obligated under laws and regulations, a provision for a reasonably projectable amount of expenses is made.

(4) Accounting treatment of retirement benefits

[1] Method of attributing expected benefit to periods

In calculating retirement benefit obligations, expected benefits are attributed to periods on a payment calculation basis.

[2] Accounting method of actuarial gains and losses and prior service costs

Prior service costs are amortized on a straight-line basis over a certain period (12 years) within the average remaining service years for employees at the time of recognition.

Actuarial gains and losses are amortized on a straight-line basis over a certain period (12 years) within the average remaining service years for employees at the time of recognition and allocated proportionately from the fiscal year following the respective fiscal year of recognition.

[3] Adoption of simplified method for small-scale companies

The simplified method payment, which assumes benefit obligations to be equal to the benefits payable assuming the voluntary retirement of all employees at fiscal year-end, is applied to some consolidated subsidiaries in the calculation of liabilities regarding the payment of retirement benefits and retirement benefit expenses.

(5) Accounting method of material revenues and expenses

The CKD Group applies the following five steps to recognize revenue.

Step 1: Identify contracts with customers.

Step 2: Identify performance obligations in contracts.

Step 3: Calculate transaction price.

Step 4: Allocate transaction price to performance obligations in contracts.

Step 5: Recognize revenue when or as performance obligations are satisfied.

The CKD Group's principal business is the manufacture, sale, installation, and maintenance of various types of automatic machineries and components.

Regarding the timing of revenue recognition, the specific circumstances of each reporting segment are as follows.

(Automatic Machineries)

For automatic machineries equipment, when the performance of an obligation in a contract with a customer results in an asset that cannot be assigned to another customer or another use, and the Company has the right to receive payment for work completed, the Company estimates the degree of progress in meeting the performance obligation and recognizes revenue based on such progress over a specified period. Progress is calculated based on the ratio of the actual costs incurred to the total cost expected to meet the performance obligation. For other contracts, revenue is recognized upon inspection by a customer.

However, in domestic sales of maintenance parts, if the period from the time of shipment to the transfer of control of the finished goods to the customer is the normal period, profits are recognized at the time of shipment.

In export sales, revenue is recognized when control and risk are transferred to the customer based mainly on the terms of trade stipulated by Incoterms and other regulations.

Consideration for these performance obligations is generally received within approximately one year after fulfillment of the performance obligation, based on separately determined payment terms, and does not include a significant financial component.

(Components)

At the time of delivery of finished goods, the Company considers that the customer has acquired control and the Company has satisfied its performance obligation, and therefore recognizes revenue at the time of such delivery. For domestic sales, revenue is recognized at the time of shipment if the period from the time of shipment to the time when control of finished goods is transferred to the customer is a normal period.

In export sales, revenue is recognized when control and risk are transferred to the customer based mainly on the terms of trade stipulated by Incoterms and other regulations.

Net sales are measured at the amount of consideration promised in the contract with the customer, less any incentives, sales discounts, or other payments based on sales. Revenue is recognized to the extent it is probable that significant reversals will not occur, based on estimates of historical trends and other known factors at the time of sale.

For transactions in which the Company receives compensation that fall under the repurchase agreements, the Company recognizes revenue on a net basis only for the amount equivalent to the processing fee.

Consideration for these performance obligations is generally received within approximately one year after fulfillment of the performance obligation, based on separately determined payment terms, and does not include a significant financial component.

(6) Foreign currency translation of material assets and liabilities

Monetary assets and liabilities denominated in foreign currencies are translated at the current exchange rates in effect at each fiscal year-end date and the resulting foreign exchange gains or losses are recognized as income or expenses.

Assets and liabilities of the foreign consolidated subsidiaries are translated at the current exchange rates in effect at each fiscal year-end date, and revenue and expense accounts are translated at the average rate of exchange in effect during the year. The amounts of translation adjustments are included in the foreign currency translation adjustments under net assets.

(7) Scope of cash equivalents in consolidated statements of cash flows

Currency on hand, bank deposits, and all highly liquid short-term investments with a maturity of three months or less when purchased and which are readily convertible into cash and are exposed to insignificant risk of changes in value are considered cash equivalents.

Significant accounting estimates

Valuation of inventories in the Company's component segment

(1) Amount recorded on consolidated financial statements for the fiscal year under review

(Million yen)

Account	FY2022 Consolidated financial statement amount (before valuation)	FY2022 Write-down amount	FY2022 Consolidated financial statement amount
Merchandise and finished goods	6,592	(356)	6,236
Work in process	537	-	537
Raw materials and supplies	36,940	(1,408)	35,532
Total	44,070	(1,765)	42,305

(Note) The Company and CKD (China) Corporation have adopted the reversal method of previous write-down.
The difference between the balance at the beginning and the end of the period has an impact of 2 million yen on operating profit for the current consolidated fiscal year.

(2) Information concerning the content of significant accounting estimates for the issue identified

The inventories of the Components business of the Company and CKD (China) Corporation are primarily composed of a wide variety of components, and as many types and variations of products are produced, certain volumes of inventories are held for the leading components in order to respond to fluctuations in order volume and short delivery deadlines. Calculation of the write-down of the Component product inventories of the Company and CKD (China) Corporation combines automatic calculation based on a system that uses comparisons with net selling prices in the market and write-down rates based on retention periods, etc., and a method for inventories whose turnover period is prolonged that calculates write-down amounts after judging the future sales outlook by adding consideration of environmental changes to past payout results.

The Company estimates the future sales prospects of inventories under this assumption based on conditions in the semiconductor, automobile and machine tool markets, to which the leading customers belong, and the associated investment plans of customers, in an environment of uncertainties including inventory adjustments by semiconductor manufacturers whose main business is memory, export restrictions on cutting-edge semiconductors and related manufacturing equipment to China led by the U.S., and the heightening of geopolitical risks.

When it is necessary to revise the assumptions used in these estimates due to deterioration in market conditions in the semiconductor, automobile, machine tool etc., there may be a material write-down of inventories judged to have no sales prospects in the next fiscal year.

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 consolidated fiscal year was not material.

Changes in the methods of presentation

(In relation to the consolidated statement of income)

Because "Subsidy income," "Gain on sale of non-current assets" and "Gain on sale of shares of subsidiaries and associates" under "Extraordinary income," and "Loss on sale of non-current assets" and "Loss on sale of investment securities" under "Extraordinary losses," which were stated independently in the previous consolidated fiscal year, have become less important, they are presented included in "Other" from the consolidated fiscal year under review. In order to reflect this change in the methods of presentation, the consolidated financial statements for the previous consolidated fiscal year have been rearranged.

As a result, the 276 million yen of "Subsidy income," the 5 million yen of "Gain on sale of non-current assets" and the 3 million yen of "Gain on sale of shares of subsidiaries and associates" that were presented under "Extraordinary income" in the consolidated statement of income for the previous consolidated fiscal year have been rearranged as the 285 million yen of "Other." In addition, the 0 million yen of "Loss on sale of non-current assets" and 0 million yen of "Loss on sale of investment securities" that were presented under "Extraordinary losses" have been rearranged as the 1 million yen of "Other."

Segment information, etc.

Segment information

1. Outline of reporting segments

The reporting segments of the CKD Group refers to the constituents of CKD and its subsidiaries that separate financial statements are available and that are the scope of regular discussion by the Board of Directors of CKD to determine how corporate resources are to be allocated and to evaluate business performance.

The constituents of the CKD Group consist of product segments, which include two reporting segments of 'Automatic machineries' and 'Components' separated based on the type, properties, and sales method of products.

In 'Automatic machineries', automatic packing system, lithium-ion battery manufacturing system, and other large-scale facilities are manufactured and sold. They are produced upon receiving an order.

In 'Components', functional parts that can be applied to semiconductor-related businesses, automobile-related industries, and other markets of diversified kinds are manufactured and sold. They are produced by forecasting demands of each item.

2. Calculation methods of net sales, profit/loss, assets, liabilities and other accounting items for each reporting segment

The accounting methods used for financial statements of respective reporting segments are basically the same as those stated in "Important matters fundamental to the preparation of consolidated financial statements."

The income in each reporting segment are based on operating profit. Internal gains and amount of transfer among segments are based on current market prices.

3. Information on reporting-segment-wise sales, profit/loss, assets, liabilities, and other accounting items
Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Million yen)

	Reporting segment			Amount Adjusted (Note 1)	Consolidated (Note 2)
	Automatic Machineries	Components	Total		
Net sales					
Sales to external customers	16,808	125,390	142,199	—	142,199
Intersegment sales or transfers	—	101	101	(101)	—
Total	16,808	125,492	142,300	(101)	142,199
Segment profit	2,413	19,443	21,856	(3,977)	17,879
Segment assets	18,369	126,029	144,398	28,116	172,514
Other items					
Depreciation and amortization	542	5,094	5,636	273	5,910
Increase in property, plant and equipment and intangible assets	325	9,037	9,362	233	9,596

Note 1: Details of the amount adjusted

(1) The amount of adjustment for ‘Net sales’ of ¥(101) million is derived from elimination of transactions among segments.
(2) The amount of adjustment for ‘Segment profit’ of ¥(3,977) million includes ¥27 million for elimination of transactions among segments and ¥(4,004) 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.
(3) The amount of adjustment for ‘Segment assets’ of ¥28,116 million is the total company assets not allocated to each reporting segment. This mainly consists of working surplus funds (cash and deposits) and long-term investment funds (investment securities) and assets of management department.
(4) The amount adjusted for depreciation of ¥273 million consists of depreciation related to assets for the entire company.
(5) The amount adjusted for increase in property, plant and equipment and intangible assets of ¥233 million consists of the amount of property, plant and equipment and intangible assets for the entire company.

Note 2: ‘Segment profit’ has already been adjusted with operating profit shown in the consolidated statement of income.
‘Segment assets’ has already been adjusted with total assets shown in the consolidated balance sheets.

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Million yen)

	Reporting segment			Amount Adjusted (Note 1)	Consolidated (Note 2)
	Automatic Machineries	Components	Total		
Net sales					
Sales to external customers	15,566	143,891	159,457	—	159,457
Intersegment sales or transfers	—	141	141	(141)	—
Total	15,566	144,033	159,599	(141)	159,457
Segment profit	2,008	23,741	25,749	(4,578)	21,170
Segment assets	19,913	145,434	165,348	20,277	185,626
Other items					
Depreciation and amortization	515	5,838	6,354	272	6,626
Increase in property, plant and equipment and intangible assets	505	10,387	10,892	555	11,447

Note 1: Details of the amount adjusted

(1) The amount of adjustment for 'Net sales' of ¥(141) million is derived from elimination of transactions among segments.
(2) The amount of adjustment for 'Segment profit' of ¥(4,578) million includes ¥29 million for elimination of transactions among segments and ¥(4,608) 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.
(3) The amount of adjustment for 'Segment assets' of ¥20,277 million is the total company assets not allocated to each reporting segment. This mainly consists of working surplus funds (cash and deposits) and long-term investment funds (investment securities) and assets of management department.
(4) The amount adjusted for depreciation of ¥272 million consists of depreciation related to assets for the entire company.
(5) The amount adjusted for increase in property, plant and equipment and intangible assets of ¥555 million consists of the amount of property, plant and equipment and intangible assets for the entire company.

Note 2: 'Segment profit' has already been adjusted with operating profit shown in the consolidated statement of income.
'Segment assets' has already been adjusted with total assets shown in the consolidated balance sheets.

Related information

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

1. Information regarding products and services
   Disclosure is omitted as the same information is disclosed in segment information.

2. Information regarding each region
   [1] Net sales

(Million yen)

Japan	China	Rest of Asia	Other	Total
96,552	22,343	18,155	5,148	142,199

Notes: 1. Net sales are classified by country or region based on the customer's location.
2. The amount under "Rest of Asia" is net sales in Asia excluding both Japan and China.

[2] Property, plant and equipment

(Million yen)

Japan	China	Other	Total
32,556	7,742	3,720	44,019

3. Information by principal customer
   Of the net sales to outside customers, there are no customers accounting for 10% or more of total net sales under the consolidated statements of income.

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

1. Information regarding products and services
   Disclosure is omitted as the same information is disclosed in segment information.

2. Information regarding each region
   [1] Net sales

(Million yen)

Japan	China	Rest of Asia	Other	Total
104,779	27,665	20,930	6,082	159,457

Notes: 1. Net sales are classified by country or region based on the customer's location.
2. The amount under "Rest of Asia" is net sales in Asia excluding both Japan and China.

[2] Property, plant and equipment

(Million yen)

Japan	China	Other	Total
36,310	8,030	4,991	49,331

3. Information by principal customer

(Million yen)

Principal customer name	Net sales	Segment
Tokyo Electron Kyushu Ltd.	16,064	Components

Information on impairment losses on non-current assets by reporting segment

Not applicable

Information related to the amount of amortization of goodwill and the unamortized amount of goodwill by reporting segment

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

Not applicable

Fiscal year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(Million yen)

	Reporting segments			Amount Adjusted	Consolidated
	Automatic Machineries	Components	Total		
Amortization	—	21	21	—	21
Balance at end of year	—	118	118	—	118

Information on gain on bargain purchase by reporting segment

Not applicable

Per share information

	FY2021 (April 1, 2021 to March,31 2022)	FY2022 (April 1, 2022 to March,31 2023)
	Yen	Yen
Net assets per share	1,643.36	1,794.44
Basic earnings per share	188.58	221.76

Notes: 1. There are no latent shares and no figures for net income per share after adjustment for latent shares has been disclosed.

2. Below is basis for calculations of basic earnings per share.

	FY2021 (April 1, 2021 to March,31 2022)	FY2022 (April 1, 2022 to March,31 2023)
Basic earnings per share		
Profit attributable to owners of parent (Million yen)	12,567	14,788
Amount not attributable to owners of ordinary shares (Million yen)	—	—
Profit attributable to owners of parent related to ordinary shares (Million yen)	12,567	14,788
Average number of ordinary shares over the period (Thousand shares)	66,643	66,689

Material subsequent events

(Establishment of a subsidiary)

At the meeting of the Board of Directors held on November 11, 2022, the Company decided to establish a subsidiary in Malaysia as follows, and completed the payment of initial capital on May 8, 2023.

1. Purpose of establishment
   Considering medium to long-term growth and the improvement of corporate value, the Company established the subsidiary aimed at advancing investment to build business infrastructure for the future and to strengthen its production system in anticipation of the expansion of demand for Component products in the Asia region.

2. Overview of the subsidiary to be established
   (1) Name: CKD Malaysia Sdn. Bhd.
   (2) Address: Lot H.S (D) 70252, PT 2489, Jalan Hi-Tech 11, Industrial Zone Phase 3, Kulim Hi-Tech Park, 09000 Kulim, Kedah, Malaysia
   (3) Business description: Manufacture and sale of Component products
   (4) Timing of start of business: End 2024 (plan)
   (5) Capital: 132 million MYR
   (6) Investment ratio: The Company: 100%

4. Others

Production, orders and sales

[1] Actual production

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

Segment name	Production output (Million yen)	Change YoY (%)
Automatic machineries	16,079	+0.6
Components	145,604	+14.1
Total	161,683	+12.6

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 consolidated fiscal year under review are as follows.

Segment name	Orders (Million yen)	Change YoY (%)	Order backlog (Million yen)	Change YoY (%)
Automatic machineries	18,931	+9.3	16,369	+25.9

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

[3] Actual sales

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

Segment name	Sales (Million yen)	Change YoY (%)
Automatic machineries	15,566	(7.4)
Components	143,891	+14.8
Total	159,457	+12.1

Note: Intersegment transactions have been offset and eliminated.