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Consolidated Financial Results for the Three Months Ended June 30, 2023 [Japanese GAAP]

August 10, 2023

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, 2023

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, 2023 (April 1, 2023 to June 30, 2023)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|----------------------------------|-----------------|--------|------------------|--------|-----------------|--------|---|--------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Three months ended June 30, 2023 | 33,023 | (13.2) | 2,871 | (37.5) | 2,943 | (36.9) | 1,871 | (40.3) |
| June 30, 2022 | 38,040 | 14.0 | 4,592 | 3.7 | 4,662 | 3.9 | 3,133 | (2.3) |

(Note) Comprehensive income: Three months ended June 30, 2023: ¥ 3,899 million [(17.8)%]
Three months ended June 30, 2022: ¥ 4,744 million [55.6%]

| | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| Three months ended | Yen | Yen |
| June 30, 2023 | 28.06 | - |
| June 30, 2022 | 47.00 | - |

(2) Consolidated Financial Position

| | Total assets | Net assets | Capital adequacy ratio |
|----------------|-----------------|-----------------|------------------------|
| As of | Millions of yen | Millions of yen | % |
| June 30, 2023 | 205,477 | 120,494 | 58.6 |
| March 31, 2023 | 185,626 | 119,730 | 64.5 |

(Reference) Equity: As of June 30, 2023: ¥ 120,494 million
As of March 31, 2023: ¥ 119,730 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, 2023 | - | 42.00 | - | 47.00 | 89.00 |
| Fiscal year ending March 31, 2024 | - | | | | |
| Fiscal year ending March 31, 2024 (Forecast) | | 26.00 | - | 34.00 | 60.00 |

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

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) | 64.45 |
| Full year | 142,000 | (10.9) | 14,500 | (31.5) | 14,500 | (31.5) | 10,000 | (32.4) | 149.87 |

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

* Notes:

(1) Changes in significant subsidiaries during the three months ended June 30, 2023
(changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

June 30, 2023: 67,909,449 shares

March 31, 2023: 67,909,449 shares

2) Number of treasury shares at the end of the period:

June 30, 2023: 1,186,140 shares

March 31, 2023: 1,186,036 shares

3) Average number of shares outstanding during the period:

Three months ended June 30, 2023: 66,723,382 shares

Three months ended June 30, 2022: 66,675,372 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 10, 2023. 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 1st quarter of the consolidated fiscal year under review, the Japanese economy experienced a moderate recovery with the normalization of social and economic activities, but there was a decline in exports due to a slowdown in overseas economies.

With regards to capital investment, although investment in software for saving labor and digitalization remained strong, investment in production equipment in the manufacturing industry decreased due to weak external demand. Semiconductor capital investment also continued to be restrained with prolonged inventory adjustments against the backdrop of a cyclical decline in demand for semiconductor memories.

In the overseas economy, prolonged inflation and interest rate hikes in Europe and the U.S., which continued from the previous fiscal year, raised fears of recession. In Europe and the U.S., production activity in the manufacturing industry was sluggish, while in Southeast Asia, the impact of weak exports due to the global economic slowdown was seen. In China, the pace of recovery from the COVID-19 pandemic remained moderate.

Under such circumstances, in the results for the 1st quarter of the consolidated fiscal year, the CKD Group recorded 33,023 million yen in net sales, down 13.2% year on year, 2,871 million yen in operating profit, down 37.5% year on year, 2,943 million yen in ordinary profit, down 36.9% year on year, and 1,871 million yen in profit attributable to owners of parent, down 40.3% year on year.

Results of operations by segment

a. Automatic Machineries

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

As a result, net sales were 2,796 million yen (down 22.6% year on year), and segment profit was 67 million yen (down 75.9% year on year) due to the decrease in net sales and changes in the sales mix.

b. Components

In the Japanese market, sales for manufacturing equipment related to environmentally friendly vehicles remained strong. Meanwhile, sales for semiconductor manufacturing equipment declined on the back of lower demand for PCs and smartphones in reaction to the exceptional demand during the COVID-19 pandemic and prolonged inventory adjustments.

In overseas markets, sales increased in China due to a significant rebound from the lockdown that was in place a year earlier. Meanwhile, sales declined in South Korea and Taiwan, where demand in the semiconductor market was lower, Europe and the U.S., where the manufacturing industry remained sluggish, and Southeast Asia, which was impacted by the economic slowdown.

As a result, net sales were 30,226 million yen (down 12.2% year on year), and segment profit was 4,051 million yen (down 26.5% year on year), due to the decrease in net sales and other factors.

(2) Financial position

Total assets at the end of the 1st quarter on the consolidated basis were 205,477 million yen, up 19,850 million yen from the end of the previous consolidated fiscal year. The main factors included increases in cash and deposits, inventories and property, plant and equipment, despite decreases in trade receivables and contract assets.

Liabilities were 84,982 million yen, up 19,086 million yen from the end of the previous consolidated fiscal year. The main factors included increases in borrowings and provision for bonuses, despite decreases in trade payables and income taxes payable.

Net assets were 120,494 million yen, up 763 million yen from the end of the previous consolidated fiscal year.

Capital adequacy ratio was 58.6%, down a 5.9 point from the previous consolidated fiscal year.

(3) Consolidated financial forecasts and outlook

In the 2nd quarter of the consolidated fiscal year and the full-year consolidated financial forecasts, although the Company expects rising automation and labor saving demand in the manufacturing industry and increased demand associated with the electrification of automobiles in response to the problem of climate change, the impact of semiconductor capital investment restraint, including prolonged inventory adjustments, is anticipated. Therefore, no changes have been made to the financial forecasts announced on May 12, 2023.

The exchange rate for the period from July 1, 2023 to March 31, 2024 is estimated at USD1:JPY130, which is also 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

(Millions of yen)

| | As of March 31, 2023 | As of June 30, 2023 |
|--|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 28,568 | 39,592 |
| Notes and accounts receivable - trade, and contract assets | 30,167 | 24,580 |
| Electronically recorded monetary claims - operating | 6,318 | 8,523 |
| Trade accounts receivable | 241 | 213 |
| Merchandise and finished goods | 11,443 | 12,960 |
| Work in process | 5,090 | 5,700 |
| Raw materials and supplies | 38,848 | 40,638 |
| Other | 2,430 | 1,765 |
| Allowance for doubtful accounts | (53) | (47) |
| Total current assets | 123,055 | 133,927 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 24,899 | 25,568 |
| Other, net | 24,432 | 31,493 |
| Total property, plant and equipment | 49,331 | 57,061 |
| Intangible assets | 1,524 | 1,658 |
| Investments and other assets | 11,714 | 12,828 |
| Total non-current assets | 62,571 | 71,549 |
| Total assets | 185,626 | 205,477 |

(Millions of yen)

| | As of March 31, 2023 | As of June 30, 2023 |
|---|----------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 22,017 | 19,947 |
| Electronically recorded obligations - operating | 5,349 | 4,858 |
| Short-term borrowings | 8,461 | 8,203 |
| Income taxes payable | 3,696 | 1,609 |
| Provision for bonuses | 574 | 2,165 |
| Other provisions | 438 | 713 |
| Other | 11,480 | 13,090 |
| Total current liabilities | 52,018 | 50,587 |
| Non-current liabilities | | |
| Long-term borrowings | 9,203 | 29,740 |
| Other provisions | 2 | 2 |
| Retirement benefit liability | 503 | 519 |
| Other | 4,168 | 4,132 |
| Total non-current liabilities | 13,877 | 34,394 |
| Total liabilities | 65,895 | 84,982 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 11,016 | 11,016 |
| Capital surplus | 16,548 | 16,548 |
| Retained earnings | 84,807 | 83,543 |
| Treasury shares | (833) | (834) |
| Total shareholders' equity | 111,538 | 110,273 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 3,486 | 4,123 |
| Foreign currency translation adjustment | 4,902 | 6,281 |
| Remeasurements of defined benefit plans | (196) | (183) |
| Total accumulated other comprehensive income | 8,192 | 10,220 |
| Total net assets | 119,730 | 120,494 |
| Total liabilities and net assets | 185,626 | 205,477 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the three months)

(Millions of yen)

| | For the three months ended June 30, 2022 | For the three months ended June 30, 2023 |
|---|---|---|
| Net sales | 38,040 | 33,023 |
| Cost of sales | 27,038 | 23,836 |
| Gross profit | 11,002 | 9,186 |
| Selling, general and administrative expenses | 6,410 | 6,315 |
| Operating profit | 4,592 | 2,871 |
| Non-operating income | | |
| Interest income | 5 | 25 |
| Dividend income | 90 | 131 |
| Foreign exchange gains | 92 | 107 |
| Other | 92 | 119 |
| Total non-operating income | 281 | 383 |
| Non-operating expenses | | |
| Interest expenses | 71 | 116 |
| Loss on valuation of derivatives | 42 | 43 |
| Loss on retirement of non-current assets | 43 | 21 |
| Commission for syndicated loans | - | 92 |
| Other | 54 | 37 |
| Total non-operating expenses | 211 | 311 |
| Ordinary profit | 4,662 | 2,943 |
| Extraordinary income | | |
| Gain on step acquisitions | 62 | - |
| Gain on sale of investment securities | - | 4 |
| Other | 12 | - |
| Total extraordinary income | 75 | 4 |
| Extraordinary losses | | |
| Loss on tax purpose reduction entry of non-current assets | 12 | - |
| Loss on valuation of investment securities | - | 10 |
| Other | 0 | 0 |
| Total extraordinary losses | 13 | 10 |
| Profit before income taxes | 4,724 | 2,937 |
| Income taxes - current | 2,039 | 1,486 |
| Income taxes - deferred | (449) | (421) |
| Total income taxes | 1,590 | 1,065 |
| Profit | 3,133 | 1,871 |
| Profit attributable to owners of parent | 3,133 | 1,871 |

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

(Millions of yen)

| | For the three months ended June 30, 2022 | For the three months ended June 30, 2023 |
|---|---|---|
| Profit | 3,133 | 1,871 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (65) | 636 |
| Foreign currency translation adjustment | 1,661 | 1,378 |
| Remeasurements of defined benefit plans, net of tax | 13 | 12 |
| Total other comprehensive income | 1,610 | 2,027 |
| Comprehensive income | 4,744 | 3,899 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 4,744 | 3,899 |

(3) Notes to the consolidated financial statements

Notes regarding assumptions as a going concern

Not applicable

Notes regarding any major change in the amount of consolidated shareholders' equity

Not applicable

Segment information, etc.

Segment information

I The 1st quarter of the consolidated fiscal year ended March 31, 2023 (April 1, 2022 to June 30, 2022)

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

(Millions of 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.

II The 1st quarter of the consolidated fiscal year ending March 31, 2024 (April 1, 2023 to June 30, 2023)

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

(Millions of yen)

| | Reporting segment | | | Amount Adjusted (Note 1) | Consolidated (Note 2) |
|---------------------------------|-----------------------|------------|--------|--------------------------|-----------------------|
| | Automatic Machineries | Components | Total | | |
| Net sales | | | | | |
| Sales to external customers | 2,796 | 30,226 | 33,023 | — | 33,023 |
| Intersegment sales or transfers | — | 44 | 44 | (44) | — |
| Total | 2,796 | 30,270 | 33,067 | (44) | 33,023 |
| Segment profit | 67 | 4,051 | 4,119 | (1,248) | 2,871 |

Notes: 1. The amount of adjustment for segment profit of ¥(1,248) million includes ¥7 million for elimination of transactions among segments and ¥(1,255) 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 (Millions of yen) | Change YoY(%) |
|-----------------------|-------------------------------------|---------------|
| Automatic machineries | 4,214 | +35.3 |
| Components | 31,064 | (11.8) |
| Total | 35,278 | (7.9) |

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 (Millions of yen) | Change YoY(%) | Order backlog (Millions of yen) | Change YoY(%) |
|-----------------------|-----------------------------|---------------|------------------------------------|---------------|
| Automatic machineries | 5,285 | +36.8 | 18,864 | +42.2 |

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 (Millions of yen) | Change YoY(%) |
|-----------------------|-------------------------|---------------|
| Automatic machineries | 2,796 | (22.6) |
| Components | 30,226 | (12.2) |
| Total | 33,023 | (13.2) |

Note: Intersegment transactions have been offset and eliminated.