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Consolidated Financial Results for the Year Ended March 31, 2024 [Japanese GAAP]

May 10, 2024

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 21, 2024

Scheduled date of commencing dividend payments: June 6, 2024

Scheduled date of filing annual securities report: June 21, 2024

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: Yes

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

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

(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	%
Fiscal year ended March 31, 2024	134,425	(15.7)	13,113	(38.1)	13,048	(38.4)	8,338	(43.6)
March 31, 2023	159,457	12.1	21,170	18.4	21,181	17.4	14,788	17.7

(Note) Comprehensive income: Fiscal year ended March 31, 2024: ¥ 14,018 million [(8.8) %]
Fiscal year ended March 31, 2023: ¥ 15,363 million [1.6%]

	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
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2024	124.94	-	6.7	6.6	9.8
March 31, 2023	221.76	-	12.9	11.8	13.3

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2024: ¥ - million
Fiscal year ended March 31, 2023: ¥ - million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2024	208,285	129,098	62.0	1,933.58
March 31, 2023	185,626	119,730	64.5	1,794.44

(Reference) Equity: As of March 31, 2024: ¥ 129,098 million
As of March 31, 2023: ¥ 119,730 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
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2024	7,600	(20,232)	13,055	27,740
March 31, 2023	11,049	(12,792)	(5,743)	26,654

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, 2023	-	42.00	-	47.00	89.00	5,937	40.1	5.2
March 31, 2024	-	24.00	-	26.00	50.00	3,337	40.0	2.7
Fiscal year ending March 31, 2025 (Forecast)	-	30.00	-	41.00	71.00		40.2	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% 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, 2024	69,000	3.7	7,500	23.7	7,500	23.5	5,000	26.2	74.89
Full year	148,000	10.1	17,500	33.4	17,500	34.1	11,800	41.5	176.74

* 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: No

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, 2024: 67,909,449 shares

March 31, 2023: 67,909,449 shares

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

March 31, 2024: 1,143,013 shares

March 31, 2023: 1,186,036 shares

3) Average number of shares outstanding during the period:

Fiscal Year ended March 31, 2024: 66,735,384 shares

Fiscal Year ended March 31, 2023: 66,689,061 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 to March 31, 2024)

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

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	106,849	(16.6)	9,998	(37.1)	12,125	(27.7)	8,640	(27.7)
March 31, 2023	128,137	10.1	15,899	24.2	16,771	21.9	11,945	22.0

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2024	129.47	-
March 31, 2023	179.12	-

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2024	169,875	105,723	62.2	1,583.48
March 31, 2023	151,093	99,701	66.0	1,494.24

(Reference) Equity: As of March 31, 2024: ¥ 105,723 million
As of March 31, 2023: ¥ 99,701 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 10, 2024. Any explanatory materials used in this session will be posted on the Company's website immediately afterward.

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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 continued a moderate recovery amid the acceleration in normalization of social and economic activities. However, optimism remained difficult due to sluggish exports against the backdrop of a slowdown in overseas economies, sustained spikes in energy and raw material prices, and chronic labor shortages.

With regards to capital investment, although investment in software for saving labor and digitalization remained strong, caution continued about investment for production equipment in the manufacturing industry due to deterioration in economic sentiment in China. In addition, although the price of semiconductor memory has stopped falling due to rising demand associated with the spread of generative AI and there are signs of recovery, semiconductor capital investment continued to be restrained with prolonged inventory adjustments and other factors.

In the overseas economies, the Chinese economy was impacted by recession and investment in the manufacturing industry was sluggish. However, export restrictions on advanced semiconductors due to trade friction between the U.S. and China led to increased demand for legacy semiconductor manufacturing equipment.

Inflation in Europe and the U.S. continued to slow, and capital investment demand remained firm as consumption and employment remained strong in the U.S. In Southeast Asia, the impact of sluggish exports due to the global economic slowdown continued.

Under such circumstances, in results of the consolidated fiscal year, the CKD Group recorded 134,425 million yen in net sales, down 15.7% year on year, 13,113 million yen in operating profit, down 38.1% year on year, 13,048 million yen in ordinary profit, down 38.4% year on year, and 8,338 million yen in profit attributable to owners of parent, down 43.6% year on year.

[2] Results of operations by segment

<Automatic Machineries>

In the industrial machinery products, sales of lithium-ion battery manufacturing systems and 3D solder paste inspection machines increased.

As a result, net sales were 17,674 million yen (up 13.5% year on year), and segment profit was 2,964 million yen (up 47.6% year on year), due to the effect of improved earnings and the sales mix.

<Components>

In the Japanese market, sales of semiconductor manufacturing equipment declined due to prolonged inventory adjustments of final products and components on the back of lower demand for PCs and smartphones in reaction to the exceptional demand during the COVID-19 pandemic.

Similarly, in overseas markets, sales declined in each region, in North America and East Asia, where semiconductor capital investment demand was lower, Europe, the U.S., and China where the manufacturing industry remained sluggish, and Southeast Asia, which was impacted by the economic slowdown.

As a result, net sales were 116,750 million yen (down 18.9% year on year), and segment profit was 14,842 million yen (down 37.5% year on year), due to the effect of the decrease in sales.

(2) Financial position

Total assets at the end of the fiscal year on the consolidated basis were 208,285 million yen, up 22,658 million yen from the end of the previous consolidated fiscal year. This was mainly due to increases of 2,914 million yen in merchandise and finished goods, 16,353 million yen in property, plant and equipment, 2,987 million yen in investment securities, and 1,851 million yen in retirement benefit asset despite decreases of 2,415 million yen in notes receivable - trade and 2,207 million yen in accounts receivable - trade.

Liabilities were 79,186 million yen, up 13,291 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 20,058 million yen in long-term borrowings despite a decrease of 6,691 million yen in notes and accounts payable - trade.

Net assets were 129,098 million yen, up 9,367 million yen from the end of the previous consolidated fiscal year.

Capital adequacy ratio was 62.0%, down 2.5 percentage points from the previous consolidated fiscal year.

(3) Cash flows

Cash and cash equivalents (hereinafter, cash) at the end of the consolidated fiscal year were 27,740 million yen, up 1,086 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 7,600 million yen (down 31.2% year on year).

Factors contributing positively to cash flows from operating activities were profit before income taxes of 12,904 million yen, depreciation of 6,815 million yen, a decrease in trade receivables and contract assets of 4,207 million yen and an increase in advances received 4,018 million yen. These cash flows were offset by a decrease in accounts payable - bonuses of 720 million yen, an increase in inventories 3,499 million yen, a decrease in trade payables of 8,715 million yen and income taxes paid 6,552 million yen.

Cash flows from investing activities

Through the consolidated fiscal year under review, net cash used in investing activities was 20,232 million yen (up 58.2% year on year).

The main factor accounting for the cash flows was purchase of property, plant and equipment of 19,856 million yen.

Cash flows from financing activities

Through the consolidated fiscal year under review, net cash provided by financing activities was 13,055 million yen (compared with 5,743 million yen used in the previous year).

Factors contributing positively to cash flows from financing activities were proceeds from long-term borrowings of 20,835 million yen. These cash flows were offset by net increase (decrease) in short-term borrowings of 3,071 million yen and dividends paid of 4,733 million yen.

Reference: Changes in cash flow-related indexes

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Capital adequacy ratio (%)	60.5	63.8	63.5	64.5	62.0
Capital adequacy ratio based on current market price (%)	67.7	100.7	72.9	77.3	96.6
Ratio of interest-bearing debt to cash flow (times)	1.4	1.2	1.4	1.7	4.9
Interest coverage ratio (times)	77.0	84.3	55.1	35.5	15.0

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 outlook of the global economy, despite the spikes in resource and energy prices due to the expansion of geopolitical risks, including the ongoing prolongation of the situation between Russia and Ukraine and tension in the Middle East, and concerns about economic downturn, inventory adjustments in IT-related goods have progressed and there are signs of a bottoming out in world trade and production.

Against this backdrop, the business environment surrounding the Group is expected to see the continuation of strong automation and labor saving demand in the manufacturing industry. However, a full-scale recovery in semiconductor capital investment is not expected until the second half of 2024. In addition, energy prices are expected to continue rising and purchase costs are expected to increase due to higher labor costs and prices. Therefore, the Group will work to reduce costs, increase productivity, and improve profitability by passing costs onto sales prices.

Based on the above, the consolidated financial forecasts for the next fiscal year are as below.

The exchange rate is estimated at USD1:JPY145.

	Six months ending September 30,2024	Full year
Net sales	Millions of yen 69,000	Millions of yen 148,000
Operating profit	7,500	17,500
Ordinary profit	7,500	17,500
Profit attributable to owners of parent	5,000	11,800

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 FY2023 and FY2024

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 10, 2024 that year-end dividends of ¥26 per share would be paid on June 6, 2024. Combined with the ¥24 per share paid as interim dividends in December 2023, the annual dividends for the fiscal year will amount to ¥50 per share, down ¥39 from the end of the previous consolidated fiscal year.

Projected dividends for the next fiscal year are ¥30 per share at the end of the 2nd quarter and year-end dividend of ¥41 per share, for a total of ¥71 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, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	28,568	28,303
Notes receivable - trade	4,443	2,028
Accounts receivable - trade	23,574	21,366
Contract assets	2,148	3,083
Electronically recorded monetary claims - operating	6,318	7,003
Trade accounts receivable	241	186
Merchandise and finished goods	11,443	14,357
Work in process	5,090	5,572
Raw materials and supplies	38,848	40,114
Other	2,430	2,350
Allowance for doubtful accounts	(53)	(39)
Total current assets	123,055	124,327
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	24,899	36,870
Machinery, equipment and vehicles, net	12,186	12,938
Tools, furniture and fixtures, net	1,891	2,099
Land	8,242	9,601
Leased assets, net	1,071	2,337
Construction in progress	1,040	1,837
Total property, plant and equipment	49,331	65,685
Intangible assets	1,524	1,630
Investments and other assets		
Investment securities	8,509	11,497
Retirement benefit asset	1,749	3,601
Deferred tax assets	409	363
Other	1,081	1,217
Allowance for doubtful accounts	(35)	(38)
Total investments and other assets	11,714	16,641
Total non-current assets	62,571	83,957
Total assets	185,626	208,285

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,017	15,325
Electronically recorded obligations - operating	5,349	4,351
Short-term borrowings	6,062	5,907
Current portion of long-term borrowings	2,398	1,166
Lease liabilities	329	411
Accrued expenses	4,765	3,860
Income taxes payable	3,696	821
Provision for bonuses	574	463
Provision for product warranties	427	413
Provision for loss on orders received	11	55
Other	6,385	10,206
Total current liabilities	52,018	42,985
Non-current liabilities		
Long-term borrowings	9,203	29,262
Lease liabilities	633	783
Deferred tax liabilities	1,250	3,352
Provision for environmental measures	2	2
Retirement benefit liability	503	462
Asset retirement obligations	235	272
Other	2,049	2,066
Total non-current liabilities	13,877	36,201
Total liabilities	65,895	79,186
Net assets		
Shareholders' equity		
Share capital	11,016	11,016
Capital surplus	16,548	16,626
Retained earnings	84,807	88,386
Treasury shares	(833)	(804)
Total shareholders' equity	111,538	115,225
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,486	5,498
Foreign currency translation adjustment	4,902	7,546
Remeasurements of defined benefit plans	(196)	827
Total accumulated other comprehensive income	8,192	13,873
Total net assets	119,730	129,098
Total liabilities and net assets	185,626	208,285

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Net sales	159,457	134,425
Cost of sales	113,059	96,383
Gross profit	46,398	38,042
Selling, general and administrative expenses		
Personnel expenses	11,738	11,851
Retirement benefit expenses	374	294
Packing and transportation costs	2,222	1,723
Rent expenses	1,178	1,304
Outsourcing expenses	1,616	1,706
Depreciation	898	992
Provision of allowance for doubtful accounts	(6)	(16)
Research and development expenses	3,808	3,554
Enterprise tax	568	468
Amortization of goodwill	21	14
Other	2,804	3,034
Total selling, general and administrative expenses	25,227	24,928
Operating profit	21,170	13,113
Non-operating income		
Interest income	94	90
Dividend income	222	271
Administrative service fee income	59	50
Insurance claim income	16	51
Subsidy income	145	88
Other	302	317
Total non-operating income	839	869
Non-operating expenses		
Interest expenses	331	572
Loss on valuation of derivatives	72	7
Foreign exchange losses	147	35
Loss on retirement of non-current assets	105	57
Other	171	261
Total non-operating expenses	829	934
Ordinary profit	21,181	13,048
Extraordinary income		
Gain on step acquisitions	62	-
Gain on sale of investment securities	149	20
Other	21	-
Total extraordinary income	233	20
Extraordinary losses		
Impairment losses	-	151
Loss on tax purpose reduction entry of non-current assets	21	-
Other	4	12
Total extraordinary losses	25	164
Profit before income taxes	21,388	12,904

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Income taxes - current	6,317	3,776
Income taxes - deferred	282	789
Total income taxes	6,599	4,566
Profit	14,788	8,338
Profit attributable to owners of parent	14,788	8,338

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Profit	14,788	8,338
Other comprehensive income		
Valuation difference on available-for-sale securities	212	2,011
Foreign currency translation adjustment	472	2,644
Remeasurements of defined benefit plans, net of tax	(110)	1,024
Total other comprehensive income	574	5,680
Comprehensive income	15,363	14,018
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,363	14,018
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2023

(Millions of 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
Changes during period					
Dividends of surplus			(5,401)		(5,401)
Profit attributable to owners of parent			14,788		14,788
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				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
Changes during period					
Dividends of surplus					(5,401)
Profit attributable to owners of parent					14,788
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

For the fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	11,016	16,548	84,807	(833)	111,538
Changes during period					
Dividends of surplus			(4,737)		(4,737)
Profit attributable to owners of parent			8,338		8,338
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		78		30	108
Employee incentive welfare funds			(21)		(21)
Net changes in items other than shareholders' equity					
Total changes during period	-	78	3,579	29	3,686
Balance at end of period	11,016	16,626	88,386	(804)	115,225

	Accumulated other comprehensive income				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	3,486	4,902	(196)	8,192	119,730
Changes during period					
Dividends of surplus					(4,737)
Profit attributable to owners of parent					8,338
Purchase of treasury shares					(1)
Disposal of treasury shares					108
Employee incentive welfare funds					(21)
Net changes in items other than shareholders' equity	2,011	2,644	1,024	5,680	5,680
Total changes during period	2,011	2,644	1,024	5,680	9,367
Balance at end of period	5,498	7,546	827	13,873	129,098

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	21,388	12,904
Depreciation	6,626	6,815
Impairment losses	-	151
Loss (gain) on step acquisitions	(62)	-
Increase (decrease) in provision for bonuses	68	(138)
Increase (decrease) in accounts payable - bonuses	13	(720)
Decrease (increase) in retirement benefit asset	(365)	(375)
Decrease (increase) in trade receivable and contract assets	(1,521)	4,207
Decrease (increase) in inventories	(10,286)	(3,499)
Increase (decrease) in trade payables	2,255	(8,715)
Increase (decrease) in advances received	(415)	4,018
Other, net	(187)	(374)
Subtotal	17,512	14,273
Interest and dividends received	313	359
Interest paid	(311)	(508)
Income taxes paid	(6,530)	(6,552)
Income taxes refund	12	12
Subsidies received	52	15
Net cash provided by (used in) operating activities	11,049	7,600
Cash flows from investing activities		
Payments into time deposits	(1,971)	(1,230)
Proceeds from withdrawal of time deposits	796	2,728
Purchase of property, plant and equipment	(11,056)	(19,856)
Purchase of intangible assets	(695)	(735)
Purchase of investment securities	(128)	(110)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	52	-
Other, net	209	(1,027)
Net cash provided by (used in) investing activities	(12,792)	(20,232)
Cash flows from financing activities		
Proceeds from short-term borrowings	-	2,823
Net increase (decrease) in short-term borrowings	368	(3,071)
Proceeds from long-term borrowings	5,731	20,835
Repayments of long-term borrowings	(6,080)	(2,402)
Purchase of treasury shares	(0)	(1)
Dividends paid	(5,393)	(4,733)
Other, net	(369)	(395)
Net cash provided by (used in) financing activities	(5,743)	13,055
Effect of exchange rate change on cash and cash equivalents	113	662
Net increase (decrease) in cash and cash equivalents	(7,373)	1,086
Cash and cash equivalents at beginning of period	34,027	26,654
Cash and cash equivalents at end of period	26,654	27,740

(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: 21 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.

(17 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.
CKD MALAYSIA SDN.BHD.

From the consolidated fiscal year under review, CKD MALAYSIA SDN.BHD. was included in the scope of consolidation upon completion of the payment of capital at the time of its establishment.

2. Application of equity method

Not applicable

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) Amortization method and amortization period of goodwill

Goodwill is amortized using the straight-line method over 10 years.

(8) 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

(Millions of yen)

Account	FY2023 Consolidated financial statement amount (before valuation)	FY2023 Write-down amount	FY2023 Consolidated financial statement amount
Merchandise and finished goods	7,212	(488)	6,723
Work in process	557	-	557
Raw materials and supplies	38,738	(1,688)	37,050
Total	46,508	(2,176)	44,332

(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 (408) 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.

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 the methods of presentation

(In relation to the consolidated statement of income)

Because “Loss on retirement of non-current assets” under “Extraordinary losses,” which was stated independently in the previous consolidated fiscal year, has become less important, it is 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 4 million yen of “Loss on retirement of non-current assets” that was presented under “Extraordinary losses” has been rearranged as the 4 million yen of “Other.”

(In relation to the consolidated statement of cash flows)

Because “Proceeds from sale of property, plant and equipment” and “Proceeds from sale and redemption of investment securities” under “Cash flows from investing activities,” which were stated independently in the previous consolidated fiscal year, have become less important, they are presented included in “Other, net” 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 12 million yen of “Proceeds from sale of property, plant and equipment,” the 199 million yen of “Proceeds from sale and redemption of investment securities” and the (2) million yen of “Other, net” that were presented under “Cash flows from investing activities” have been rearranged as the 209 million yen of “Other, net.”

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, 2023 (April 1, 2022 to March 31, 2023)

(Millions of 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
Amorization of goodwill	—	21	21	—	21
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.

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reporting segment			Amount Adjusted (Note 1)	Consolidated (Note 2)
	Automatic Machineries	Components	Total		
Net sales					
Sales to external customers	17,674	116,750	134,425	—	134,425
Intersegment sales or transfers	—	153	153	(153)	—
Total	17,674	116,904	134,579	(153)	134,425
Segment profit	2,964	14,842	17,806	(4,693)	13,113
Segment assets	23,802	166,500	190,303	17,982	208,285
Other items					
Depreciation and amortization	515	6,043	6,559	255	6,815
Amorization of goodwill	—	14	14	—	14
Increase in property, plant and equipment and intangible assets	329	20,463	20,792	1,335	22,128

Note 1: Details of the amount adjusted

- (1) The amount of adjustment for 'Net sales' of ¥(153) million is derived from elimination of transactions among segments.
- (2) The amount of adjustment for 'Segment profit' of ¥(4,693) million includes ¥31 million for elimination of transactions among segments and ¥(4,725) 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 ¥17,982 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 ¥255 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 ¥1,335 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, 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

(Millions of 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

(Millions of yen)

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

3. Information by principal customer

(Millions of yen)

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

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

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

(Millions of yen)

Japan	China	Rest of Asia	Other	Total
87,390	22,672	16,653	7,709	134,425

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

(Millions of yen)

Japan	China	Other	Total
49,214	7,870	8,600	65,685

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.

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

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

Not applicable

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reporting segments			Amount Adjusted (Note)	Consolidated
	Automatic Machineries	Components	Total		
Impairment loss	22	—	22	129	151

Note: The amount of adjustment of 129 million yen is the impairment loss for total company assets not allocated to each reporting segment.

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

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

(Millions of yen)

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

Fiscal year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reporting segments			Amount Adjusted	Consolidated
	Automatic Machineries	Components	Total		
Amortization	—	14	14	—	14
Balance at end of year	—	117	117	—	117

Information on gain on bargain purchase by reporting segment

Not applicable

Per share information

	FY2022 (April 1, 2022 to March,31 2023)	FY2023 (April 1, 2023 to March,31 2024)
	Yen	Yen
Net assets per share	1,794.44	1,933.58
Basic earnings per share	221.76	124.94

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.

	FY2022 (April 1, 2022 to March,31 2023)	FY2023 (April 1, 2023 to March,31 2024)
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	14,788	8,338
Amount not attributable to owners of ordinary shares (Millions of yen)	—	—
Profit attributable to owners of parent related to ordinary shares (Millions of yen)	14,788	8,338
Average number of ordinary shares over the period (Thousand shares)	66,689	66,735

Material subsequent events

Not applicable

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 (Millions of yen)	Change YoY (%)
Automatic machineries	22,070	+37.3
Components	118,006	(19.0)
Total	140,077	(13.4)

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 (Millions of yen)	Change YoY (%)	Order backlog (Millions of yen)	Change YoY (%)
Automatic machineries	21,482	+13.5	20,197	+23.4

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 (Millions of yen)	Change YoY (%)
Automatic machineries	17,674	+13.5
Components	116,750	(18.9)
Total	134,425	(15.7)

Note: Intersegment transactions have been offset and eliminated.