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Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]

August 9, 2024

Company name: CKD Corporation

Listing: Tokyo, Nagoya

Securities code: 6407

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

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Scheduled date to commence dividend payments: -

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: Yes

President, Corporate Officer and Chief Executive Officer
General Manager, Accounting Dept

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024 to June 30, 2024)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	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, 2024	38,078	15.3	4,365	52.0	4,544	54.4	3,062	63.6
June 30, 2023	33,023	(13.2)	2,871	(37.5)	2,943	(36.9)	1,871	(40.3)

(Note) Comprehensive income: Three months ended June 30, 2024: ¥ 4,424 million [13.4%]
Three months ended June 30, 2023: ¥ 3,899 million [(17.8)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	45.87	-
June 30, 2023	28.06	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	212,019	131,785	62.2
March 31, 2024	208,285	129,098	62.0

(Reference) Equity: As of June 30, 2024: ¥ 131,785 million
As of March 31, 2024: ¥ 129,098 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, 2024	-	24.00	-	26.00	50.00
Fiscal year ending March 31, 2025	-				
Fiscal year ending March 31, 2025 (Forecast)		30.00	-	41.00	71.00

(Note) Revision to the forecast for dividends announced most recently: None

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

(Percentages indicate year-on-year changes.)

	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

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

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

1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: None

4) Restatement: None

(4) Number of issued shares (common shares)

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

June 30, 2024: 67,909,449 shares

March 31, 2024: 67,909,449 shares

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

June 30, 2024: 1,143,245 shares

March 31, 2024: 1,143,013 shares

3) Average number of shares outstanding during the period:

Three months ended June 30, 2024: 66,766,328 shares

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

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Proper use of earnings forecasts, and other special matters

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. Overview of result of operations (3) Consolidated financial forecasts and outlook" on page 2 of the attached materials.

CKD Corporation (the Company) is planning to hold a briefing session for institutional investors and analysts on the conference call on August 9, 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 result of operations

(1) Overview of result of operations for the three months ended June 30, 2024

[1] Review of the 1st quarter of the consolidated fiscal year

During the 1st quarter of the consolidated fiscal year under review, the Japanese economy experienced a recovery amid a gradual improvement in employment and an increase in wages. Corporate capital investment remained firm although there were still some caution. In the semiconductor and electronic components market, AI-related investment, particularly high bandwidth memory (HBM), is increasing, but a full-scale recovery is expected from the second half of the year onward. In the automobile market, the global trend toward electrification led to an increase in investment projects by manufacturers in Japan and overseas.

In the overseas economy, in the U.S., demand in the semiconductor market remained weak other than for semiconductors related to AI and for automobiles. In the automobile market, the market for EVs is expected to expand over the medium to long term, and there was an increase in local investment projects. The European economy faces a slump in production and exports due to high energy prices, and there are also geopolitical risks. However, there are signs of economic recovery due to lower inflations and improvement employment and wages. In the Chinese economy, strong investment continued due to the trend toward local production of semiconductors.

Under such circumstances, in the consolidated business results for the 1st quarter of the consolidated fiscal year, the CKD Group recorded 38,078 million yen in net sales, up 15.3% year on year, 4,365 million yen in operating profit, up 52.0% year on year, 4,544 million yen in ordinary profit, up 54.4% year on year, and 3,062 million yen in profit attributable to owners of parent, up 63.6% year on year.

[2] Results of operations by segment

<Automatic Machineries>

Sales of lithium ion battery manufacturing systems increased on the back of more investment in the automotive battery market in Japan and overseas. In addition, sales of packaging systems for pharmaceuticals increased due to continued investment to ensure stable supply against the backdrop of concerns over the stable supply of generic drugs in Japan.

As a result, net sales were 7,179 million yen (up 156.7% year on year), and segment profit was 1,418 million yen (up 1,993.3% year on year), due to the effect of improved earnings and the sales mix.

<Components>

In the Japanese market, sales of products for use in semiconductor manufacturing equipment increased as some customers in the semiconductor and electronic component industries used up inventories against a backdrop of strong global AI-related demand.

In overseas markets, sales increased in East Asia, where signs of recovery in semiconductor-related demand have been seen since the second half of the previous fiscal year, and in India, where the FA market continues to grow.

As a result, net sales were 30,899 million yen (up 2.2% year on year), and segment profit was 4,216 million yen (up 4.1% year on year), due to the effect of the increase in sales.

(2) Overview of financial position for the three months ended June 30, 2024

Total assets at the end of the 1st quarter on the consolidated basis were 212,019 million yen, up 3,734 million yen from the end of the previous consolidated fiscal year. This was mainly due to increases of 2,991 million yen in notes and accounts receivable - trade, and contract assets, 2,549 million yen in electronically recorded monetary claims - operating and 888 million yen in property, plant and equipment, despite decreases of 1,928 million yen in merchandise and finished goods and 1,069 million yen in investment securities.

Liabilities were 80,233 million yen, up 1,046 million yen from the end of the previous consolidated fiscal year. This was mainly due to increases of 1,279 million yen in income taxes payable, 1,388 million yen in provision for bonuses and 668 million yen in accrued expenses, despite a decrease of 1,994 million yen in advances received.

Net assets were 131,785 million yen, up 2,687 million yen from the end of the previous consolidated fiscal year.

Capital adequacy ratio was 62.2%, up a 0.2 point from the previous consolidated fiscal year.

(3) Consolidated financial forecasts and outlook

No changes have been made to the consolidated financial forecasts for the fiscal year ending March 31, 2025 announced on May 10, 2024.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	28,303	28,052
Notes and accounts receivable - trade, and contract assets	26,478	29,470
Electronically recorded monetary claims - operating	7,003	9,552
Trade accounts receivable	186	210
Merchandise and finished goods	14,357	12,429
Work in process	5,572	5,757
Raw materials and supplies	40,114	40,399
Other	2,350	2,373
Allowance for doubtful accounts	(39)	(39)
Total current assets	124,327	128,207
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	36,870	37,007
Other, net	28,814	29,565
Total property, plant and equipment	65,685	66,573
Intangible assets	1,630	1,527
Investments and other assets	16,641	15,712
Total non-current assets	83,957	83,812
Total assets	208,285	212,019

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,325	15,541
Electronically recorded obligations - operating	4,351	4,552
Short-term borrowings	7,074	6,849
Income taxes payable	821	2,101
Provision for bonuses	463	1,852
Other provisions	468	489
Other	14,478	13,471
Total current liabilities	42,985	44,857
Non-current liabilities		
Long-term borrowings	29,262	29,144
Other provisions	2	2
Retirement benefit liability	462	494
Other	6,475	5,735
Total non-current liabilities	36,201	35,376
Total liabilities	79,186	80,233
Net assets		
Shareholders' equity		
Share capital	11,016	11,016
Capital surplus	16,626	16,626
Retained earnings	88,386	89,713
Treasury shares	(804)	(804)
Total shareholders' equity	115,225	116,551
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,498	4,754
Foreign currency translation adjustment	7,546	9,664
Remeasurements of defined benefit plans	827	815
Total accumulated other comprehensive income	13,873	15,234
Total net assets	129,098	131,785
Total liabilities and net assets	208,285	212,019

(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, 2023	For the three months ended June 30, 2024
Net sales	33,023	38,078
Cost of sales	23,836	27,160
Gross profit	9,186	10,917
Selling, general and administrative expenses	6,315	6,551
Operating profit	2,871	4,365
Non-operating income		
Interest income	25	15
Dividend income	131	130
Gain on valuation of derivatives	-	5
Foreign exchange gains	107	82
Other	119	154
Total non-operating income	383	389
Non-operating expenses		
Interest expenses	116	149
Loss on valuation of derivatives	43	-
Other	151	61
Total non-operating expenses	311	211
Ordinary profit	2,943	4,544
Extraordinary income		
Other	4	-
Total extraordinary income	4	-
Extraordinary losses		
Other	10	-
Total extraordinary losses	10	-
Profit before income taxes	2,937	4,544
Income taxes - current	1,486	1,872
Income taxes - deferred	(421)	(391)
Total income taxes	1,065	1,481
Profit	1,871	3,062
Profit attributable to owners of parent	1,871	3,062

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

(Millions of yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Profit	1,871	3,062
Other comprehensive income		
Valuation difference on available-for-sale securities	636	(743)
Foreign currency translation adjustment	1,378	2,117
Remeasurements of defined benefit plans, net of tax	12	(12)
Total other comprehensive income	2,027	1,361
Comprehensive income	3,899	4,424
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,899	4,424

(3) Notes to the consolidated financial statements

Notes regarding assumptions as a going concern

Not applicable

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

Not applicable

Changes in accounting policies

(Application of Revised Accounting Standard for Current Income Taxes, etc.)

The Company applied the Revised Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; the "2022 Revised Accounting Standard") from the beginning of the 1st quarter of the consolidated fiscal year under review.

With regard to the revision concerning the accounting classification of income taxes, etc. (taxation of other comprehensive income), the Company followed the transitional treatment set out in the provisional clause of Paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment set out in the provisional clause of Paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; the "2022 Revised Guidance"). This change in accounting policy has no impact on the quarterly consolidated financial statements.

In addition, the Company has applied the 2022 Revised Guidance from the beginning of the 1st quarter of the consolidated fiscal year under review with regard to the revision of the treatment in consolidated financial statements of the deferral for tax purposes of gains or losses on sales of investments in subsidiaries among consolidated companies. This change in accounting policy has been applied retrospectively, and the quarterly consolidated financial statements and full-year consolidated financial statements for the previous fiscal year are presented on a retrospective basis. This change in accounting policy has no impact on the quarterly consolidated financial statements and full-year consolidated financial statements for the previous fiscal year.

Notes on Segment information, etc.

Segment information

I The 1st quarter of the consolidated fiscal year ended 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.

II The 1st quarter of the consolidated fiscal year ending March 31, 2025 (April 1, 2024 to June 30, 2024)

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	7,179	30,899	38,078	—	38,078
Intersegment sales or transfers	—	61	61	(61)	—
Total	7,179	30,960	38,140	(61)	38,078
Segment profit	1,418	4,216	5,635	(1,269)	4,365

Notes: 1. The amount of adjustment for segment profit of ¥(1,269) million includes ¥7 million for elimination of transactions among segments and ¥(1,277) 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.

Notes on Cash Flow Statement

The Company has not prepared a quarterly consolidated statement of cash flows for the 1st quarter of the consolidated fiscal year under review. Depreciation (including amortization relating to intangible fixed assets, excluding goodwill) and amortization of goodwill for the 1st quarter of the consolidated fiscal year under review are as follows.

	For the three months ended June 30, 2023		For the three months ended June 30, 2024	
Depreciation	1,542	Millions of yen	1,587	Millions of yen
Amortization of goodwill	3	"	3	"

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	5,814	+37.9
Components	30,172	(2.9)
Total	35,986	+2.0

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	7,049	+33.4	20,084	+6.5

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	7,179	+156.7
Components	30,899	+2.2
Total	38,078	+15.3

Note: Intersegment transactions have been offset and eliminated.