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Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]

November 12, 2024

Company name: CKD Corporation

Listing: Tokyo, Nagoya

Securities code: 6407

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Scheduled date to file semi-annual securities report: November 12, 2024

Scheduled date to commence dividend payments: December 9, 2024

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 Six Months Ended September 30, 2024 (April 1, 2024 to September 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	%
Six months ended September 30, 2024	75,761	13.9	9,164	51.2	9,223	51.9	6,340	60.1
September 30, 2023	66,519	(17.1)	6,062	(40.4)	6,073	(40.6)	3,961	(43.7)

(Note) Comprehensive income: Six months ended September 30, 2024: ¥ 4,076 million [(36.7) %]
Six months ended September 30, 2023: ¥ 6,444 million [(24.4) %]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2024	94.96		-	
September 30, 2023	59.36		-	

(2) Consolidated Financial Position

	Total assets		Net assets		Capital adequacy ratio	
	Millions of yen		Millions of yen		%	
As of September 30, 2024	209,075		131,461		62.9	
March 31, 2024	208,285		129,098		62.0	

(Reference) Equity: As of September 30, 2024: ¥ 131,461 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	-	38.00			
Fiscal year ending March 31, 2025 (Forecast)			-	41.00	79.00

(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
Full year	148,000	10.1	17,500	33.4	17,500	34.1	11,800	41.5	176.72

(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 semi-annual 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):

September 30, 2024: 67,909,449 shares

March 31, 2024: 67,909,449 shares

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

September 30, 2024: 1,136,375 shares

March 31, 2024: 1,143,013 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2024: 66,769,219 shares

Six months ended September 30, 2023: 66,729,481 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* 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 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 November 12, 2024. 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	2
(1) Overview of business results for the interim consolidated fiscal year	2
(2) Overview of financial position for the interim consolidated fiscal year	2
(3) Consolidated financial forecasts and outlook	3
2. Semi-annual Consolidated Financial Statements.....	4
(1) Semi-annual Consolidated Balance Sheets.....	4
(2) Semi-annual Consolidated Statements of Income and Comprehensive Income.....	6
Semi-annual Consolidated Statements of Income (For the six months).....	6
Semi-annual Consolidated Statements of Comprehensive Income (For the six months)	7
(3) Semi-annual Consolidated Statements of Cash Flows	8
(4) Notes to the Semi-annual Consolidated Financial Statements.....	9
Notes regarding assumptions as a going concern	9
Notes regarding any major change in the amount of consolidated shareholders' equity.....	9
Changes in accounting policies	9
Segment information	9
3. Others	10
Production, orders and sales	10

1. Overview of business results

(1) Overview of business results for the interim consolidated fiscal year

a. Review of the interim consolidated fiscal year

During the interim consolidated fiscal year under review, the Japanese economy experienced a recovery amid a gradual improvement in employment. Corporate capital investment remained firm although there was still some caution. In the semiconductor market, investment, particularly generative AI-related investment, 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 of automobiles led to continued investment by manufacturers in Japan and overseas. In the FA industry, inventories were being used up in the market overall, and the economy moved toward a gradual recovery.

In the overseas economy, in the U.S., demand in the semiconductor market remained weak other than for semiconductors related to generative AI and for automobiles. Meanwhile, in the automobile market, investment is expected to expand over the medium to long term despite move to review launch plans and production investment in response to sluggish demand for EVs. Moreover, in the Chinese economy, investment is expected to continue with the growing trend toward local production of semiconductors.

Under such circumstances, in the consolidated business results for the interim consolidated fiscal year, the CKD Group recorded 75,761 million yen in net sales, up 13.9% year on year, 9,164 million yen in operating profit, up 51.2% year on year, 9,223 million yen in ordinary profit, up 51.9% year on year, and 6,340 million yen in profit attributable to owners of parent, up 60.1% year on year.

b. Results of operations by segment

<Automatic Machineries>

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. In addition, sales of lithium ion battery manufacturing systems increased due to more investment in the automotive battery market by Japanese automobile manufacturers.

As a result, net sales were 13,386 million yen (up 87.1% year on year), and segment profit was 2,925 million yen (up 300.3% year on year), due to the effect of improved earnings and the sales mix.

<Components>

In the Japanese market, sales of components 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 generative AI-related demand. In addition, as in the Automatic Machineries segment, sales of components for rechargeable battery manufacturing systems increased due to more investment in the automotive battery market by Japanese manufacturers.

In the overseas market, sales increased in China where semiconductor manufacturing equipment is increasingly being produced domestically, in South Korea where HBM-related investment is strong and Singapore and Malaysia, which have become important hubs for supply of semiconductors and semiconductor manufacturing equipment.

As a result, net sales were 62,375 million yen (up 5.1% year on year), and segment profit was 8,576 million yen (up 12.3% year on year), due to the effect of the increase in sales.

(2) Overview of financial position for the interim consolidated fiscal year

a. Assets, liabilities, and net assets

Total assets during the interim consolidated fiscal year under review, 209,075 million yen, up 790 million yen from the end of the previous consolidated fiscal year. This was mainly due to increases of 3,860 million yen in notes and accounts receivable - trade, and contract assets, 5,122 million yen in electronically recorded monetary claims - operating, despite decreases of 180 million yen in cash and deposits, 2,634 million yen in merchandise and finished goods, 292 million yen in work in process, 1,530 million yen in raw materials and supplies, 596 million yen in consumption taxes refund receivable included in other, current assets, 226 million yen in intangible assets and 2,680 million yen in investment securities included in investments and other assets.

Liabilities were 77,614 million yen, down 1,572 million yen from the end of the previous consolidated fiscal year. This was mainly due to decreases of 846 million yen in accounts payable - facilities included in other, current liabilities, 2,422 million yen in accrued bonuses, 2,608 million yen in advances received, 621 million yen in long-term borrowings and 807 million yen in deferred tax liabilities included in other, non-current liabilities, despite a increases of 2,178 million yen in income taxes payable, 2,846 million yen in provision for bonuses and 1,020 million yen in accrued consumption taxes included in other, current liabilities.

Net assets were 131,461 million yen, up 2,362 million yen from the end of the previous consolidated fiscal year.

Capital adequacy ratio was 62.9%, up a 0.9 point from the previous consolidated fiscal year.

b. Cash flow

Cash and cash equivalents (hereinafter, cash) during the interim consolidated fiscal year under review, 27,054 million yen, down 685 million yen from the end of the previous consolidated fiscal year.

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

Cash flows from operating activities

Through the interim of the consolidated fiscal year under review, net cash provided by operating activities was 6,834 million yen (up 84.0% year on year).

Factors contributing positively to cash flows from operating activities were profit before income taxes of 9,223 million yen, depreciation of 3,182 million yen, increases in provision for bonuses of 2,848 million yen, decreases in inventories of 4,320 million yen and increases in trade payables of 771 million yen. These cash flows were offset by decreases in accounts payable-bonuses of 2,422 million yen, increases in trade receivables and contract assets of 9,256 million yen and decreases in advances received of 2,608 million yen.

Cash flows from investing activities

Through the interim of the consolidated fiscal year under review, net cash used in investing activities was 4,347 million yen (down 65.7% year on year).

The main factor accounting for the cash flows was purchase of property, plant and equipment of 3,803 million yen.

Cash flows from financing activities

Through the interim of the consolidated fiscal year under review, net cash used in financing activities was 2,956 million yen (compared with 14,781 million yen used in the same period of the previous year)

Factors contributing positively to cash flows from financing activities were net decrease in short-term borrowings of 418 million yen, repayment of long-term borrowings of 559 million yen and dividends paid of 1,734 million yen.

(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. Semi-annual Consolidated Financial Statements

(1) Semi-annual Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	28,303	28,122
Notes and accounts receivable - trade, and contract assets	26,478	30,338
Electronically recorded monetary claims - operating	7,003	12,125
Trade accounts receivable	186	220
Merchandise and finished goods	14,357	11,723
Work in process	5,572	5,280
Raw materials and supplies	40,114	38,583
Other	2,350	1,568
Allowance for doubtful accounts	(39)	(49)
Total current assets	124,327	127,913
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	36,870	36,016
Other, net	28,814	29,652
Total property, plant and equipment	65,685	65,668
Intangible assets	1,630	1,404
Investments and other assets	16,641	14,088
Total non-current assets	83,957	81,162
Total assets	208,285	209,075

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,325	15,206
Electronically recorded obligations - operating	4,351	5,037
Short-term borrowings	7,074	6,580
Income taxes payable	821	2,999
Provision for bonuses	463	3,309
Other provisions	468	467
Other	14,478	9,464
Total current liabilities	42,985	43,066
Non-current liabilities		
Long-term borrowings	29,262	28,640
Other provisions	2	2
Retirement benefit liability	462	496
Other	6,475	5,408
Total non-current liabilities	36,201	34,547
Total liabilities	79,186	77,614
Net assets		
Shareholders' equity		
Share capital	11,016	11,016
Capital surplus	16,626	16,644
Retained earnings	88,386	92,991
Treasury shares	(804)	(799)
Total shareholders' equity	115,225	119,852
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,498	3,634
Foreign currency translation adjustment	7,546	7,172
Remeasurements of defined benefit plans	827	802
Total accumulated other comprehensive income	13,873	11,609
Total net assets	129,098	131,461
Total liabilities and net assets	208,285	209,075

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income

Semi-annual Consolidated Statements of Income (For the six months)

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	66,519	75,761
Cost of sales	47,972	53,721
Gross profit	18,546	22,040
Selling, general and administrative expenses	12,484	12,875
Operating profit	6,062	9,164
Non-operating income		
Interest income	53	54
Dividend income	159	162
Gain on valuation of derivatives	-	49
Foreign exchange gains	89	-
Other	214	295
Total non-operating income	517	561
Non-operating expenses		
Interest expenses	266	288
Loss on valuation of derivatives	50	-
Foreign exchange losses	-	71
Other	188	142
Total non-operating expenses	506	502
Ordinary profit	6,073	9,223
Extraordinary income		
Other	4	-
Total extraordinary income	4	-
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Other	10	-
Total extraordinary losses	11	0
Profit before income taxes	6,066	9,223
Income taxes - current	1,864	2,917
Income taxes - deferred	241	(33)
Total income taxes	2,105	2,883
Profit	3,961	6,340
Profit attributable to owners of parent	3,961	6,340

Semi-annual Consolidated Statements of Comprehensive Income (For the six months)

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	3,961	6,340
Other comprehensive income		
Valuation difference on available-for-sale securities	334	(1,864)
Foreign currency translation adjustment	2,123	(374)
Remeasurements of defined benefit plans, net of tax	25	(25)
Total other comprehensive income	2,483	(2,264)
Comprehensive income	6,444	4,076
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,444	4,076

(3) Semi-annual Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	6,066	9,223
Depreciation	3,219	3,182
Increase (decrease) in provision for bonuses	2,849	2,848
Increase (decrease) in accounts payable - bonuses	(3,143)	(2,422)
Decrease (increase) in retirement benefit asset	(1)	(81)
Decrease (increase) in accounts receivable - trade, and contract assets	6,067	(9,256)
Decrease (increase) in inventories	(4,734)	4,320
Increase (decrease) in trade payables	(5,179)	771
Increase (decrease) in advances received	1,259	(2,608)
Other, net	960	1,735
Subtotal	7,364	7,713
Interest and dividends received	215	222
Interest paid	(217)	(289)
Income taxes paid	(3,669)	(818)
Income taxes refund	12	0
Subsidies received	8	5
Net cash provided by (used in) operating activities	3,713	6,834
Cash flows from investing activities		
Payments into time deposits	(1,049)	(900)
Proceeds from withdrawal of time deposits	1,847	399
Purchase of property, plant and equipment	(12,946)	(3,803)
Purchase of intangible assets	(381)	(50)
Purchase of investment securities	(106)	(6)
Other, net	(21)	14
Net cash provided by (used in) investing activities	(12,657)	(4,347)
Cash flows from financing activities		
Proceeds from short-term borrowings	-	2,839
Repayments of short-term borrowings	-	(2,839)
Net increase (decrease) in short-term borrowings	(243)	(418)
Proceeds from long-term borrowings	20,826	-
Repayments of long-term borrowings	(1,437)	(559)
Dividends paid	(3,132)	(1,734)
Repayments of lease liabilities	(1,231)	(243)
Other, net	(0)	0
Net cash provided by (used in) financing activities	14,781	(2,956)
Effect of exchange rate change on cash and cash equivalents	523	(216)
Net increase (decrease) in cash and cash equivalents	6,361	(685)
Cash and cash equivalents at beginning of period	26,654	27,740
Cash and cash equivalents at end of period	33,015	27,054

(4) Notes to the Semi-annual 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

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 interim 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 semi-annual consolidated financial statements.

In addition, the Company has applied the 2022 Revised Guidance from the beginning of the interim 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 semi-annual 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 semi-annual consolidated financial statements and full-year consolidated financial statements for the previous fiscal year.

Segment information

I The interim consolidated fiscal year ended March 31, 2024 (April 1, 2023 to September 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	7,154	59,364	66,519	—	66,519
Intersegment sales or transfers	—	93	93	(93)	—
Total	7,154	59,458	66,612	(93)	66,519
Segment profit	730	7,634	8,365	(2,302)	6,062

Notes: 1. The amount of adjustment for segment profit of ¥(2,302) million includes ¥15 million for elimination of transactions among segments and ¥(2,318) 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 semi-annual consolidated statements of income.

II The interim consolidated fiscal year ending March 31, 2025 (April 1, 2024 to September 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	13,386	62,375	75,761	—	75,761
Intersegment sales or transfers	—	110	110	(110)	—
Total	13,386	62,485	75,872	(110)	75,761
Segment profit	2,925	8,576	11,501	(2,336)	9,164

Notes: 1. The amount of adjustment for segment profit of ¥(2,336) million includes ¥16 million for elimination of transactions among segments and ¥(2,352) 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 semi-annual consolidated statements of income.

3. Others

Production, orders and sales

[1] Actual production

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

Segment name	Production output (Millions of yen)	Change YoY(%)
Automatic machineries	11,600	+18.5
Components	60,948	+1.0
Total	72,549	+3.4

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

2. Amounts are based on sales prices.

[2] Actual orders

Actual orders by reporting segment for the interim 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	12,022	+7.0	18,836	(7.9)

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

[3] Actual sales

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

Segment name	Sales (Millions of yen)	Change YoY(%)
Automatic machineries	13,386	+87.1
Components	62,375	+5.1
Total	75,761	+13.9

Note: Intersegment transactions have been offset and eliminated.