



Business Results for the Second Quarter of the Fiscal Year Ending March 31, 2020 Consolidated Basis (Japanese GAAP)

November 12, 2019
TSE, NSE

Company: CKD Corporation Listed
 Stock code: 6407 URL <https://www.ckd.co.jp/english/>
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 Expected starting date of dividend payment: December 9, 2019
 Preparation of supplementary financial document: Yes
 Briefing session to explain the financial statements: Yes (for institutional investors and analysts)
 (Figures of less than ¥1 million have been omitted.)

1. Consolidated business results for the Second Quarter of the fiscal year ending March 31, 2020 (April 1, 2019 to September 30, 2019)

(1) Consolidated operating results (Cumulative)

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2Q FY2019	47,382	(21.6)	1,130	(62.0)	1,087	(63.6)	683	(69.4)
2Q FY2018	60,455	11.5	2,979	(49.0)	2,988	(49.3)	2,235	(47.6)

(Note) Comprehensive income Second quarter of FY2019: ¥ (477) million —%
 Second quarter of FY2018: ¥2,270 million (59.8)%

	Net income per share	Diluted net income per share
	Yen	Yen
2Q FY2019	11.03	—
2Q FY2018	36.11	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of September 30, 2019	131,807	79,444	60.2
As of March 31, 2019	136,961	80,444	58.6

(Reference) Shareholders' equity As of September 30, 2019: ¥79,342 million
 As of March 31, 2019: ¥80,306 million

2. Dividends

	Annual dividends				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2018 ended March 31, 2019	—	20.00	—	8.00	28.00
FY2019 ending March 31, 2020	—	5.00	—	—	—
FY2019 ending March 31, 2020 (forecast)	—	—	—	6.00	11.00

(Note) Revisions from recently announced dividend forecast: No

3. Consolidated financial forecasts for the fiscal year ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2019 ending March 31, 2020	99,500	(14.0)	2,500	(54.0)	2,460	(54.7)	1,720	(64.1)	27.77

(Note) Revisions from recently announced consolidated financial forecasts: Yes

Notes:

- (1) Changes in significant subsidiaries during the period: No
(changes in specified subsidiaries resulting in a change in the scope of consolidation)
- (2) The application of special accounting treatment
for the preparation of the quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatements
 - a. Changes in accounting policies due to revisions of accounting standards: Yes
 - b. Changes in accounting policies other than above a.: No
 - c. Changes of accounting estimates: No
 - d. Restatements: No

(4) Number of shares outstanding (common stock)

a. Number of shares outstanding at the end of period (treasury stock included)	2Q FY2019	68,909,449 shares	FY2018	68,909,449 shares
b. Number of treasury stock at the end of period	2Q FY2019	6,977,799 shares	FY2018	6,989,136 shares
c. Average number of shares over the period (quarterly accumulation period)	2Q FY2019	61,925,148 shares	2Q FY2018	61,917,604 shares

***This quarterly flash report is exempt from the quarterly review procedures by certified public accountants or accounting auditors.**

***Notes on the appropriate use of business forecasts and other special instructions**

The financial 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 business forecasts, refer to "1. Quarterly business results (3) Consolidated financial forecasts and outlook" on page 3 of the attached materials.

CKD corporation is planning to hold a briefing session for institutional investors and analysts on November 12, 2019. Explanatory materials used in this session will be posted on the Company's website immediately afterward.

Table of Contents of Supplementary Materials

1. Quarterly business results	2
(1) Results of operations	2
(2) Financial position	2
(3) Consolidated financial forecasts and outlook	3
2. Consolidated financial statements and major notes	4
(1) Consolidated balance sheets	4
(2) Consolidated statements of income/Consolidated statements of comprehensive income	6
Consolidated statements of income	6
Consolidated statements of comprehensive income	7
(3) Consolidated statements of cash flows	8
(4) Notes to the 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, etc.	10
3. Others	11
Production, orders, and sales	11

1. Quarterly business results

(1) Results of operations

During the second quarter of the consolidated fiscal year, Japan's economic growth slowed down despite the fact that both employment opportunities and income continued to increase steadily. Corporate earnings in manufacturing fell as exports to China declined while some businesses deferred their capital investment decisions.

Also in overseas, US exports, including those to China, fell due to higher tariffs between the US and China, but US domestic demand continued to grow steadily backed by strong consumer spending in the improved employment and income environment. On the other hand, the Chinese economy took a downturn as recovery in its domestic demand was slow due to investment restrictions imposed by the Chinese government. A decline in China's exports to the US was another factor for its economic slowdown. In Europe, manufacturers continued to perform poorly because of reduced exports.

The CKD Group's performance in this economic climate during the second quarter of the consolidated fiscal year was as follows: Net sales were ¥47,382 million, down 21.6% year on year, operating income was ¥1,130 million, down 62.0% year on year, ordinary income was ¥1,087 million, 63.6% down year on year, and net income attributable to owners of the parent was ¥683 million, down 69.4% year on year.

Results of operations by segment

a. Automatic Machineries

Sales of spare parts in the automatic packing systems increased. On the other hand, sales of lithium-ion battery production systems and 3D solder paste inspection machines in the industrial machinery declined.

As a result, sales in this segment decreased by 6.8% year on year to ¥6,626 million, but segment income, with improved profitability and reduced cost, reached ¥1,057 million, compared to segment loss of ¥99 million in the same quarter of the previous year.

b. Components

Domestic sales fell sharply. Sales in semiconductor manufacturing equipment industry were adversely affected by deferred capital investment decisions, while sales in machine tools industry declined due to China's economic slowdown.

Similarly, overseas sales dropped as semiconductor equipment investment was delayed and China's automation investment slowed down.

As a result, sales in this segment declined by 23.6% year on year to ¥40,755 million and segment income fell by 61.9% year on year to ¥2,084 million due to lower sales.

(2) Financial position

a. Asset, liabilities, and net assets

The total assets at the end of the second quarter on a consolidated basis were ¥131,807 million, down ¥5,154 million from the end of the previous consolidated fiscal year. The main factors included decreases in notes and accounts receivable-trade and inventories, and income taxes receivable despite increases in cash and deposits.

The total liabilities were ¥52,362 million, down ¥4,153 million from the end of the previous consolidated fiscal year. This was mainly due to decreases in notes and accounts payable-trade and loans.

The total net assets were ¥79,444 million, down ¥1,000 million from the end of the previous consolidated fiscal year.

The shareholders' equity to asset ratio was 60.2%, a 1.6 point increase from the previous consolidated fiscal year.

b. Cash flows

Cash and cash equivalents (hereinafter, cash) at the end of the second quarter was ¥14,723 million, which was ¥2,695 million higher than that at the end of the previous consolidated fiscal year.

Changes in consolidated cash flows by categories through the second quarter were as follows.

Cash flows from operating activities

Through the second quarter of the fiscal year under review, net cash provided by operating activities was ¥7,656 million (compared with ¥318 million used in operating activities in the same period of the previous year).

Factors contributing positively to cash flows from operating activities were income before income taxes of ¥1,067 million, depreciation and amortization of ¥2,816 million, a decrease in notes and accounts receivable-trade of ¥2,263 million, a decrease in inventories of ¥1,758 million and income taxes refund of ¥1,099 million. These cash flows were offset by a decrease in notes and accounts payable-trade of ¥2,316 million.

Cash flows from investing activities

Through the second quarter of the fiscal year under review, net cash used in investing activities was ¥2,744 million (down 59.6% year on year). The main factor accounting for this cash outflow was purchase of property, plant and equipment of ¥2,281 million.

Cash flows from financing activities

Through the second quarter of the fiscal year under review, net cash used in financing activities was ¥1,966 million (compared with ¥674 million provided by financing activities in the same period of the previous year). The main factor accounting for this cash outflow was repayments of long-term loans payable of ¥1,790 million.

(3) Consolidated financial forecasts and outlook

During the full fiscal year, the components segment may be affected by the long-running US-China trade dispute. Nevertheless, we still expect both sales and profit to grow as semiconductor equipment investment, which has been postponed for a while, is due to be partially resumed. We also expect profit from the automatic machineries segment to go up as a result of our efforts to improve profitability. The CKD Group's sales, operating income, ordinary income, and net income are all expected to be higher than previously forecast. We have, therefore, revised our consolidated financial forecasts for the full fiscal year from the forecasts announced on August 6, 2019 as follows:

Please note that the assumption for an exchange rate of ¥105 to one U.S. dollar has been used for the period from October 1, 2019, to March 31, 2020.

Revisions in the consolidated financial forecasts for the full fiscal year (April 1, 2019 to March 31, 2020)

(Million yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent
Previous forecast (A)	96,500	930	950	660
Revised forecast (B)	99,500	2,500	2,460	1,720
Change (B - A)	3,000	1,570	1,510	1,060
Percentage change	3.1	168.8	158.9	160.6
For reference: Previous performance (Though the full fiscal year ended March 31, 2019)	115,665	5,429	5,425	4,793

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

These revised forecasts are mentioned in "Notice of the difference between financial forecasts and actual results for the second quarter of the fiscal year and revised financial forecasts for the full fiscal year", announced on November 12, 2019.

2. Consolidated financial statements and major notes

(1) Consolidated balance sheets

(Million yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	12,463	15,133
Notes and accounts receivable-trade	22,958	20,971
Electronically recorded monetary claims - operating	4,933	4,163
Operating accounts receivable	242	191
Merchandise and finished goods	10,020	9,688
Work-in-process	4,170	5,235
Raw materials and supplies	25,678	22,801
Other	3,009	1,269
Allowance for doubtful accounts	(30)	(20)
Total current assets	83,447	79,435
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (net)	20,799	20,234
Other (net)	21,845	21,694
Total property, plant and equipment	42,644	41,929
Intangible assets	2,376	2,148
Investments and other assets	8,492	8,294
Total noncurrent assets	53,513	52,371
Total assets	136,961	131,807

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable-trade	12,681	10,328
Electronically recorded obligations-operating	2,326	1,963
Short-term loans payable	11,789	11,987
Current portion of bonds	45	38
Income taxes payable	582	467
Provision for bonuses	2,157	2,252
Other provision	580	469
Other	7,168	7,161
Total current liabilities	37,332	34,669
Noncurrent liabilities		
Bonds payable	146	131
Long-term loans payable	16,645	15,016
Other provision	89	68
Net defined benefit liabilities	408	422
Other	1,893	2,053
Total noncurrent liabilities	19,183	17,693
Total liabilities	56,516	52,362
Net assets		
Shareholders' equity		
Capital stock	11,016	11,016
Capital surplus	12,390	12,394
Retained earnings	59,119	59,295
Treasury stock	(4,905)	(4,897)
Total shareholders' equity	77,619	77,808
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,117	1,989
Foreign currency translation adjustment	1,427	274
Remeasurements of defined benefit plans	(858)	(729)
Total accumulated other comprehensive income	2,686	1,534
Non-controlling interests	138	101
Total net assets	80,444	79,444
Total liabilities and net assets	136,961	131,807

(2) Consolidated statements of income/Consolidated statements of comprehensive income

Consolidated statements of income

(Million yen)

	FY2018 (April 1, 2018 to September 30, 2018)	FY2019 (April 1, 2019 to September 30, 2019)
Net sales	60,455	47,382
Cost of sales	45,505	35,750
Gross profit	14,949	11,631
Selling, general and administrative expenses	11,970	10,500
Operating income	2,979	1,130
Non-operating income		
Interest income	9	8
Dividends income	103	92
Other	216	179
Total non-operating income	329	280
Non-operating expenses		
Interest expenses	33	110
Sales discounts	87	74
Share of loss of entities accounted for using equity method	1	0
Loss on valuation of derivatives	67	15
Foreign exchange losses	72	40
Other	57	83
Total non-operating expenses	319	324
Ordinary income	2,988	1,087
Extraordinary income		
Gain on sales of noncurrent assets	2	2
Gain on sales of investment securities	20	—
Subsidy income	144	32
Reversal of provision for environmental measures	—	10
Total extraordinary income	167	45
Extraordinary loss		
Loss on sales of noncurrent assets	0	—
Loss on retirement of noncurrent assets	19	33
Loss on reduction of noncurrent assets	144	32
Total extraordinary loss	165	65
Income before income taxes	2,990	1,067
Income taxes-current	775	309
Income taxes-deferred	(40)	73
Total income taxes	734	383
Net income	2,255	684
Net income attributable to non-controlling interests	20	1
Net income attributable to owners of parent	2,235	683

Consolidated statements of comprehensive income

(Million yen)

	FY2018 (April 1, 2018 to September 30, 2018)	FY2019 (April 1, 2019 to September 30, 2019)
Net income	2,255	684
Other comprehensive income		
Valuation difference on available-for-sale securities	(28)	(127)
Foreign currency translation adjustment	(87)	(1,162)
Remeasurements of defined benefit plans	130	128
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)
Total other comprehensive income	14	(1,162)
Comprehensive income	2,270	(477)
(Details)		
Comprehensive income attributable to owners of the parent	2,247	(468)
Comprehensive income attributable to non- controlling interests	23	(9)

(3) Consolidated statements of cash flows

(Million yen)

	FY2018 (April 1, 2018 to September 30, 2018)	FY2019 (April 1, 2019 to September 30, 2019)
Cash flows from operating activities		
Income before income taxes	2,990	1,067
Depreciation and amortization	2,375	2,816
Share of (profit) loss of entities accounted for using equity method	1	0
Increase (decrease) in provision for bonuses	2,293	104
Increase (decrease) in accounts payable-bonuses	(2,403)	(40)
Decrease (increase) in net defined benefit assets	131	262
Decrease (increase) in notes and accounts receivable-trade	2,265	2,263
Decrease (increase) in inventories	(7,123)	1,758
Increase (decrease) in notes and accounts payable-trade	1,635	(2,316)
Increase (decrease) in advances received	(537)	636
Other	(69)	422
Sub-total	1,559	6,974
Interest and dividends income received	113	102
Interest expenses paid	(32)	(109)
Income taxes paid	(2,103)	(443)
Income taxes refund	—	1,099
Subsidy income	144	32
Net cash provided by (used in) operating activities	(318)	7,656
Cash flows from investing activities		
Payments into time deposits	(7)	(157)
Purchase of property, plant and equipment	(6,899)	(2,281)
Purchase of intangible assets	(221)	(332)
Other	326	26
Net cash provided by (used in) investing activities	(6,802)	(2,744)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	271	231
Proceeds from long-term loans payable	2,612	272
Repayments of long-term loans payable	(895)	(1,790)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(1,236)	(495)
Repayments of lease obligations	(44)	(134)
Other	(33)	(49)
Net cash provided by (used in) financing activities	674	(1,966)
Effect of exchange rate change on cash and cash equivalents	70	(249)
Net increase (decrease) in cash and cash equivalents	(6,376)	2,695
Cash and cash equivalents at beginning of period	14,799	12,028
Cash and cash equivalents at end of period	8,423	14,723

(4) 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

Effective as from the first quarter of the consolidated fiscal year under review, the International Financial Reporting Standard 16 Lease ("IFRS 16") has been applied to the subsidiaries which apply the International Financial Reporting Standard. With this change, a lessee, in principle, reports all the leases as the Assets and the Liabilities, and transfers certain assets reported in the "Intangible assets" to the "Property, plant and equipment". To apply IFRS 16, the Company observes transition practices, and the cumulative changes affected by this change are reported in the "Retained earnings" at the beginning of the first quarter of the consolidated fiscal year under review.

As a result, the "Other" account under the "Property, plant and equipment" was increased by ¥506 million, and the "Other" account under the "Current liabilities" was increased by ¥189 million, and the "Other" account under the "Noncurrent liabilities" was increased by ¥191 million respectively, and the "Intangible assets" was decreased by ¥133 million at the end of this second quarter of the consolidated fiscal year under review. Effect of these changes to the "Consolidated statement of income" is insignificant.

Segment information, etc.

Segment information

1. Second quarter of the fiscal year ended March 31, 2019 (April 1, 2018 to September 30, 2018)

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

(Million yen)

	Reporting segment			Amount Adjusted (Note 1)	Consolidated (Note 2)
	Automatic Machineries	Components	Total		
Net sales					
Sales to external customers	7,106	53,348	60,455	—	60,455
Intersegment sales or transfers	—	50	50	(50)	—
Total	7,106	53,398	60,505	(50)	60,455
Segment income (loss)	(99)	5,473	5,374	(2,395)	2,979

Notes: 1. The amount of adjustment for 'Segment income (loss)' of ¥(2,395) million includes ¥15 million for elimination of transactions among segments and ¥(2,410) 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 income (loss)' has already been adjusted with operating income shown in the consolidated statement of income.

2. Second quarter of the fiscal year ending March 31, 2020 (April 1, 2019 to September 30, 2019)

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

(Million yen)

	Reporting segment			Amount Adjusted (Note 1)	Consolidated (Note 2)
	Automatic Machineries	Components	Total		
Net sales					
Sales to external customers	6,626	40,755	47,382	—	47,382
Intersegment sales or transfers	—	87	87	(87)	—
Total	6,626	40,843	47,469	(87)	47,382
Segment income	1,057	2,084	3,142	(2,011)	1,130

Notes: 1. The amount of adjustment for 'Segment income' of ¥(2,011) million includes ¥15 million for elimination of transactions among segments and ¥(2,026) 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 income' has already been adjusted with operating income shown in the consolidated statement of income.

3. Others

Production, orders, and sales

[1] Actual production

Actual production by reporting segment in the second quarter of the fiscal year under review are as follows.

Segment name	Production output (Million yen)	Change YoY (%)
Automatic machineries	8,944	18.4
Components	39,304	(28.7)
Total	48,249	(23.0)

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

2. Amounts are based on sales prices.

3. Above figures are exclusive of consumption tax.

[2] Actual orders

Actual orders by reporting segment in the second quarter of the fiscal year under review are as follows.

Segment name	Orders (Million yen)	Change YoY (%)	Order backlog (Million yen)	Change YoY (%)
Automatic machineries	9,532	18.6	15,295	31.9

Notes: 1. Production is carried out by expected demand, excluding the Automatic machineries segment.

2. Above figures are exclusive of consumption tax.

[3] Actual sales

Actual sales by business segment in the second quarter of the fiscal year under review are as follows.

Segment name	Sales (Million yen)	Change YoY (%)
Automatic machineries	6,626	(6.8)
Components	40,755	(23.6)
Total	47,382	(21.6)

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

2. Above figures are exclusive of consumption tax.