

***CKD Corporation and
Consolidated Subsidiaries***

*Consolidated Financial Statements
for the Years Ended
March 31, 2018 and 2017*

[Consolidated Financial Statements, etc.]

(1) [Consolidated Final Statement]

① [Consolidated Balance Sheet]

(Unit : million yen)

	Consolidated Accounting Year (as of March 31, 2017)	Consolidated Accounting Year (as of March 31, 2018)
Assets		
Current assets		
Cash and deposits	13,336	15,245
Notes and accounts receivable-trade	23,758	26,721
Electronically recorded monetary claims-operating	3,693	5,215
Operating accounts receivable	263	249
Short-term investment securities	1,000	—
Merchandise and finished goods	5,526	8,840
Work-in-process	3,956	4,782
Raw materials and supplies	14,472	21,094
Deferred tax assets	1,521	2,045
Other	1,455	1,687
Allowance for doubtful accounts	(99)	(109)
Total current assets	68,883	85,772
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (net)	11,517	13,350
Machinery, equipment and vehicles (net)	8,799	10,449
Tools, furniture and fixtures (net)	1,401	1,903
Land	4,570	6,206
Lease assets (net)	122	134
Construction in progress	651	1,153
Total property, plant and equipment	27,062	33,199
Intangible assets	1,756	2,612
Investments and other assets		
Investment securities	7,229	9,411
Net defined benefit assets	454	768
Deferred tax assets	223	122
Other	782	966
Allowance for doubtful accounts	(31)	(31)
Total investments and other assets	8,658	11,237
Total noncurrent assets	37,477	47,048
Total assets	106,361	132,820

(Unit : million yen)

	Consolidated Accounting Year (as of March 31, 2018)	Consolidated Accounting Year (as of March 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	14,774	19,021
Electronically recorded obligations-operating	1,385	2,429
Short-term loans payable	882	2,899
Current portion of bonds	—	55
Current portion of long-term loans payable	470	3,691
Lease obligations	71	76
Accrued expenses	3,039	3,808
Income taxes payable	2,406	2,261
Provision for bonuses	227	414
Provision for product warranties	317	412
Provision for loss on order received	29	78
Other	6,041	7,923
Total current liabilities	29,645	43,074
Noncurrent liabilities		
Bonds payable	—	191
Long-term loans payable	2,250	4,845
Lease obligations	58	66
Deferred tax liabilities	1,626	2,398
Provision for environmental measures	75	161
Net defined benefit liabilities	258	390
Asset retirement obligations	190	192
Other	1,298	1,440
Total noncurrent liabilities	5,758	9,687
Total liabilities	35,403	52,762
Net assets		
Shareholders' equity		
Capital stock	11,016	11,016
Capital surplus	12,372	12,383
Retained earnings	49,723	56,812
Treasury stock	(4,906)	(4,908)
Total shareholders' equity	68,206	75,304
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,653	3,857
Foreign currency translation adjustment	1,323	1,686
Remeasurements of defined benefit plans	(1,225)	(899)
Total accumulated other comprehensive income	2,751	4,644
Non-controlling interests	—	109
Total net assets	70,957	80,058
Total liabilities and net assets	106,361	132,820

②[Consolidated Statements of income and Statements of comprehensive income]

[Consolidated Statements of income]

(Unit : million yen)

	Consolidated Accounting Year (April 1, 2016 to March 31, 2017)	Consolidated Accounting Year (April 1, 2017 to March 31, 2018)
Net sales	94,012	115,700
Cost of sales	65,284	79,864
Gross profit	28,727	35,835
Selling, general and administrative expenses		
Personal expenses	8,433	9,769
Retirement benefit expenses	375	417
Packing and transportation expenses	1,033	1,590
Rent expenses	1,178	1,382
Business consignment expenses	1,158	1,585
Depreciation	369	450
Provision of allowance for doubtful accounts	8	—
Research and development expense	3,348	4,330
Enterprise tax	408	422
Other	2,832	3,412
Total selling, general and administrative expenses	19,146	23,363
Operating income	9,580	12,472
Non-operating income		
Interest income	25	16
Dividends income	119	135
Office work fee	71	62
Other	279	380
Total non-operating income	496	594
Non-operating expenses		
Interest expenses	39	71
Sales discounts	142	155
Share of loss of entities accounted for using equity method	—	48
Loss on valuation of derivatives	43	93
Foreign exchange losses	38	104
Other	41	125
Total non-operating expenses	305	598
Ordinary income	9,771	12,469
Extraordinary income		
Gain on sales of noncurrent assets	3	324
Gain on sales of investment securities	182	76
Gain on bargain purchase	—	149
Subsidy income	206	56
Total extraordinary income	392	607
Extraordinary loss		
Loss on sales of noncurrent assets	7	8
Loss on retirement of noncurrent assets	31	89
Loss on reduction of noncurrent assets	205	56
Provision for environmental measures	—	85
Total extraordinary loss	244	240
Income before income taxes	9,919	12,836

(Unit : million yen)

	Consolidated Accounting Year (April 1, 2016 to March 31, 2017)	Consolidated Accounting Year (April 1, 2017 to March 31, 2018)
Income taxes-current	3,360	3,875
Income taxes-deferred	(399)	(246)
Total income taxes	2,961	3,629
Net income	6,958	9,207
Net income attributable to non-controlling interests	—	65
Net income attributable to owners of parent	6,958	9,142

[Consolidated Statements of Comprehensive Income]

(Unit : million yen)

	Consolidated Accounting Year (April 1, 2016 to March 31, 2017)	Consolidated Accounting Year (April 1, 2017 to March 31, 2018)
Net income	6,958	9,207
Other comprehensive income		
Valuation difference on available-for-sale securities	(452)	1,203
Foreign currency translation adjustment	(484)	359
Remeasurements of defined benefit plans	197	326
Share of other comprehensive income of entities accounted for using equity method	—	3
Total other comprehensive income	(739)	1,893
Comprehensive income	6,219	11,100
(Details)		
Comprehensive income attributable to owners of the parent	6,219	11,035
Comprehensive income attributable to non-controlling interests	—	64

③[Consolidated Statement of Changes in Net Assets]

Consolidated Accounting Year (April 1, 2016 to March 31, 2017)

(Unit : million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	11,016	12,372	44,445	(4,905)	62,929
Changes of items during the period					
Dividends from surplus			(1,671)		(1,671)
Net income attributable to owners of parent			6,958		6,958
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock					—
Employee encouragement and welfare fund			(3)		(3)
Change in the scope of consolidation			(6)		(6)
Purchase of shares of consolidated subsidiaries					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	5,277	(0)	5,276
Balance at the end of current period	11,016	12,372	49,723	(4,906)	68,206

	Accumulated other comprehensive income				Non-controlling interests	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 the beginning of current period	3,105	1,808	(1,423)	3,490	—	66,419
Changes of items during the period						
Dividends from surplus						(1,671)
Net income attributable to owners of parent						6,958
Purchase of treasury stock						(0)
Disposal of treasury stock						—
Employee encouragement and welfare fund						(3)
Change in the scope of consolidation						(6)
Purchase of shares of consolidated subsidiaries						—
Net changes of items other than shareholders' equity	(452)	(484)	197	(739)		(739)
Total changes of items during the period	(452)	(484)	197	(739)	—	4,537
Balance at the end of current period	2,653	1,323	(1,225)	2,751	—	70,957

Consolidated Accounting Year (April 1, 2017 to March 31, 2018)

(Unit : million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	11,016	12,372	49,723	(4,906)	68,206
Changes of items during the period					
Dividends from surplus			(2,043)		(2,043)
Net income attributable to owners of parent			9,142		9,142
Purchase of treasury stock				(2)	(2)
Disposal of treasury stock		0		0	0
Employee encouragement and welfare fund			(9)		(9)
Change in the scope of consolidation					—
Purchase of shares of consolidated subsidiaries		11			11
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	11	7,089	(2)	7,097
Balance at the end of current period	11,016	12,383	56,812	(4,908)	75,304

	Accumulated other comprehensive income				Non-controlling interests	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 the beginning of current period	2,653	1,323	(1,225)	2,751	—	70,957
Changes of items during the period						
Dividends from surplus						(2,043)
Net income attributable to owners of parent						9,142
Purchase of treasury stock						(2)
Disposal of treasury stock						0
Employee encouragement and welfare fund						(9)
Change in the scope of consolidation						—
Purchase of shares of consolidated subsidiaries						11
Net changes of items other than shareholders' equity	1,203	363	326	1,893	109	2,002
Total changes of items during the period	1,203	363	326	1,893	109	9,100
Balance at the end of current period	3,857	1,686	(899)	4,644	109	80,058

④[Consolidated Statements of Cash Flow]

(Unit : million yen)

	Consolidated Accounting Year (April 1, 2016 to March 31, 2017)	Consolidated Accounting Year (April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Income before income taxes	9,919	12,836
Depreciation and amortization	3,964	4,230
Share of (profit) loss of entities accounted for using equity method	—	48
Gain on bargain purchase	—	(149)
Increase (decrease) in provision for bonuses	53	86
Increase (decrease) in accounts payable-bonuses	253	376
Decrease (increase) in net defined benefit assets	164	156
Decrease (increase) in notes and accounts receivable-trade	(3,648)	(3,069)
Decrease (increase) in inventories	(3,557)	(9,913)
Increase (decrease) in notes and accounts payable-trade	3,473	4,156
Increase (decrease) in advances received	1,117	(153)
Other	898	813
Sub-total	12,639	9,419
Interest and dividends income received	146	151
Interest expenses paid	(39)	(71)
Income taxes paid	(2,584)	(3,957)
Net cash provided by (used in) operating activities	10,163	5,542
Cash flows from investing activities		
Payments into time deposits	(237)	(53)
Proceeds from withdrawal of time deposits	417	33
Net decrease (increase) in short-term investment securities	1,000	—
Purchase of property, plant and equipment	(4,067)	(6,596)
Proceeds from sales of property, plant and equipment	5	400
Purchase of intangible assets	(1,175)	(1,532)
Purchase of investment securities	(457)	(819)
Proceeds from sales of investment securities	569	457
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	826
Other	(136)	10
Net cash provided by (used in) investing activities	(4,081)	(7,273)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(2)	1,650
Proceeds from long-term loans payable	—	6,313
Repayment of long-term loans payable	(770)	(3,202)
Redemption of bonds	—	(62)
Purchase of treasury stock	(0)	(2)
Cash dividends paid	(1,672)	(2,038)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(11)
Other	(60)	(86)
Net cash provided by (used in) financing activities	(2,505)	2,559
Effect of exchange rate change on cash and cash equivalents	(14)	65
Net increase (decrease) in cash and cash equivalents	3,561	894
Cash and cash equivalents at beginning of period	10,342	13,905
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	0	—
Cash and cash equivalents at end of period	13,905	14,799

[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 Products, automatic packaging system, lithium ion battery manufacturing system, and other large-scale facilities are manufactured and sold. They are produced upon receiving an order.

In Component Products, 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 sales, income/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 income. Internal gains and amount of transfer among segments are based on current market prices.

3. Information on reporting-segment-wise sales, income/loss, assets, liabilities, and other accounting items

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Unit : million yen)

	Reporting segment			Amount Adjusted (Note 1)	Amount shown in the consolidated financial statement (Note 2)
	Automatic Machineries	Components	Total		
Net sales					
Sales to external customers	18,380	75,631	94,012	—	94,012
Intersegment sales or transfers	—	94	94	(94)	—
Total	18,380	75,726	94,107	(94)	94,012
Segment income	2,103	11,189	13,292	(3,711)	9,580
Segment assets	21,930	71,154	93,085	13,276	106,361
Other items					
Depreciation and amortization	867	2,910	3,777	186	3,964
Increase in property, plant and equipment and intangible assets	1,027	2,542	3,569	1,294	4,864

Note 1: Details of the amount adjusted

1. The amount of adjustment for ‘Net sales’ of ¥(94) million is derived from elimination of transactions among segments.
2. The amount of adjustment for ‘Segment income’ of ¥(3,711) million includes ¥34 million for elimination of transactions among segments and ¥(3,745) 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 ¥13,276 million is the total company assets not allocated to each reporting segment. This mainly consists of working surplus funds (cash and deposits and short-term securities) and long-term investment funds (investment securities).
4. The amount adjusted for depreciation of ¥186 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 ¥1,294 million consists of the amount of property, plant and equipment and intangible assets for the entire Company.

Note 2: 'Segment income' has already been adjusted with operating income shown in the consolidated statement of income.

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Unit : million yen)

	Reporting segment			Amount Adjusted (Note 1)	Amount shown in the consolidated financial statement (Note 2)
	Automatic Machineries	Components	Total		
Net sales					
Sales to external customers	16,344	99,355	115,700	—	115,700
Intersegment sales or transfers	0	84	84	(84)	—
Total	16,345	99,439	115,784	(84)	115,700
Segment income	1,176	15,831	17,007	(4,534)	12,472
Segment assets	20,479	98,054	118,533	14,286	132,820
Other items					
Depreciation and amortization	822	3,175	3,997	233	4,230
Increase in property, plant and equipment and intangible assets	569	8,221	8,791	631	9,422

Note 1: Details of the amount adjusted

1. The amount of adjustment for 'Net sales' of ¥(84) million is derived from elimination of transactions among segments.
2. The amount of adjustment for 'Segment income' of ¥(4,534) million includes ¥34 million for elimination of transactions among segments and ¥(4,568) 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 ¥14,286 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).
4. The amount adjusted for depreciation of ¥233 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 ¥631 million consists of the amount of property, plant and equipment and intangible assets for the entire Company.

Note 2: 'Segment income' has already been adjusted with operating income shown in the consolidated statement of income.