



Business Results for the Second Quarter of the Fiscal Year Ending March 31, 2019 Consolidated Basis (Japanese GAAP)

November 14, 2018

Company: CKD Corporation Listed TSE, NSE
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 Expected starting date of dividend payment: December 10, 2018
 Preparation of supplementary financial document: Yes
 Briefing session to explain the financial statements: Yes (for institutional investors)

(Figures of less than ¥1 million have been omitted.)

1. Consolidated business results for the Second Quarter of the fiscal year ending March 31, 2019 (April 1, 2018 to September 30, 2018)

(1) Consolidated operating results (Accumulated) (% of 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 FY2018	60,455	11.5	2,979	-49.0	2,988	-49.3	2,235	-47.6
2Q FY2017	54,233	26.3	5,845	40.8	5,896	45.4	4,268	52.4

Note: Comprehensive income Second quarter of FY2018: ¥2,270 million (-59.8%)
 Second quarter of FY2017: ¥5,651 million (-)

	Net income per share	Diluted net income per share
	Yen	Yen
2Q FY2018	36.11	—
2Q FY2017	68.94	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Sep 30, 2018	132,991	81,089	60.9
As of Mar. 2018	130,887	80,058	61.1

Reference: Shareholders' equity As of Sep 30, 2018: ¥80,956 million
 As of Mar. 2018: ¥79,949 million

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2017 ended Mar. 2018	—	17.00	—	20.00	37.00
FY2018 ending Mar. 2019	—	20.00	—	—	—
FY2018 ending Mar. 2019 (forecast)	—	—	—	20.00	40.00

Note: Revisions from recently announced dividend forecast: None

3. Forecast of consolidated business results for the fiscal year ending March 31, 2019 (April 1, 2018 to March 31, 2019) (% of 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
FY2018 ending Mar. 2019	116,000	0.3	6,700	-46.3	6,700	-46.3	4,800	-47.5	77.52

Note: Revisions from recently announced performance forecast: Yes

Notes:

- (1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries resulting in a change in the scope of consolidation): None
- (2) The application of special accounting treatment
for the preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, accounting estimates, and restatements
 - a. Changes in accounting policies due to revisions of accounting standards: None
 - b. Changes in accounting policies other than above a.: None
 - c. Changes of accounting estimates: None
 - d. Restatements: None

(4) Number of shares outstanding (common stock)

a. Number of shares outstanding at the end of period (treasury stock included)	2Q FY2018	68,909,449 shares	FY2017	68,909,449 shares
b. Number of treasury stock at the end of period	2Q FY2018	6,989,021 shares	FY2017	6,993,934 shares
c. Average number of shares over the period (quarterly accumulation period)	2Q FY2018	61,917,604 shares	2Q FY2017	61,916,463 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 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 business forecasts, refer to "1. Quarterly business results (3) Earnings forecast and outlook" on page 3 of the attached materials.

The company is planning to hold a briefing session for institutional investors and analysts on November 15, 2018. Explanatory materials used in this session will be posted on the Company's website immediately afterward.

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1. Quarterly business results

(1) Results of operations

Through the second quarter of the fiscal year under review, the Japanese economy experienced gradual recovery, driven by firmness in consumer spending against a background of continued improvement in the employment and income environments. Corporate earnings improved, benefitting from favorable domestic demand and gradual expansion in exports. Capital expenditure also increased, driven further by investments for expanding production capacity as well as investments for rationalization of production and achieving labor saving.

Meanwhile, in the overseas economies, consumer spending in the United States remained solid due to continued improvement in employment conditions and further expansion in industrial production. Europe began to move toward recovery due to monetary easing measures and other factors. In China, the economy remained firm, underpinned by individual consumption, despite a slowing in the growth of infrastructure investment due to government restraints and the impact of trade frictions with the United States.

Against this background, the CKD Group recorded consolidated results through the second quarter of the fiscal year under review as follows. Net sales were ¥60,455 million, up 11.5% year on year, operating income amounted to ¥2,979 million, down 49.0% year on year, and ordinary income was ¥2,988 million, down 49.3% year on year. Net income attributable to owners of parent was ¥2,235 million, a decline of 47.6% from the same quarter last year.

Results of operations by segment

a. Automatic Machinery Products

In the automatic packaging system business, sales for pharmaceuticals decreased.

Sales of industrial machinery increased both in 3D solder paste printing inspection machines and lithium-ion battery production systems.

As a result, sales in this segment were ¥7,106 million, down 3.7% year on year. Because of difficult conditions for new orders in the Japanese market and the impact of orders accepted from overseas for strategic business reasons with a view to future business development, the segment reported a segment loss of ¥99 million, compared with segment income of ¥391 million in the same quarter of the previous year.

b. Component Products

In the Japanese market, sales to the semiconductor manufacturing equipment industry, where investment is continuing mainly in the memory production business, and to the machine tool industry increased due mainly to strong domestic demand.

In overseas markets, although, as in Japan, a slowdown occurred in investment in the semiconductor production equipment, sales, mainly to East Asia and Southeast Asia, expanded.

As a consequence, sales in this segment were ¥53,348 million, up 13.9% year on year. Segment income amounted to ¥5,473 million, down 28.7% year on year owing to higher expenses associated with capital investments and expansion in personnel in response to the increase in sales, and the impact of the slowdown in investment in semiconductor memory production equipment from the second quarter of the current fiscal year.

(2) Financial position

a. Asset, liabilities, and net assets

Total assets at the end of the second quarter on a consolidated basis increased ¥2,103 million from the end of the previous fiscal year, to ¥132,991 million. The main factors included increases in inventories and property, plant and equipment, despite declines in cash and deposits and notes and accounts receivable-trade.

Total liabilities at the end of the second quarter increased ¥1,072 million, to ¥51,902 million from the end of the previous fiscal year. This was mainly due to increases in notes and accounts payable-trade, loans, and provision for bonuses, despite decreases in accounts payable-bonuses and income taxes payable.

Net assets at the end of the second quarter increased ¥1,030 million from the end of the previous fiscal year, to ¥81,089 million.

The shareholders' equity ratio was 60.9%, a 0.2 percentage point decrease from the end of the previous consolidated fiscal year.

b. Cash flows

Cash and cash equivalents (hereinafter, cash) at the end of the second quarter was ¥8,423 million, which was ¥6,376 million lower than at the end of the previous consolidated fiscal year.

Movements in consolidated cash flows by type through the end of the second quarter were as follows.

Cash flows from operating activities

Through the second quarter of the fiscal year under review, net cash used in operating activities was ¥318 million (compared with ¥2,032 million provided by 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 ¥2,990 million, depreciation and amortization of ¥2,375 million, increase in provision for bonuses of ¥2,293 million, decrease in notes and accounts receivable-trade of ¥2,265 million and an increase in notes and account payable-trade of ¥1,635 million. These cash flows were offset by a decrease in accounts payable-bonuses of ¥2,403 million, an increase in inventories of ¥7,123 million, a decrease in advances received of ¥537 million, and income taxes paid of ¥2,103 million.

Cash flows from investing activities

Through the second quarter of the fiscal year under review, net cash used in investing activities was ¥6,802 million (compared with net cash used in investing activities of ¥2,858 million in the same period of the previous year). Principal factors accounting for this cash outflow were purchase of property, plant and equipment of ¥6,899 million and purchase of intangible assets of ¥221 million.

Cash flows from financing activities

Through the second quarter of the fiscal year under review, net cash provided by financing activities was ¥674 million (compared with net cash used in financing activities of ¥2,356 million in the same period of the previous year). Principal factors accounting for these results were proceeds from long-term loans payable of ¥2,612 million, repayment of long-term loans payable of ¥895 million, and cash dividends paid of ¥1,236 million.

(3) Earnings forecast and outlook

For the performance forecasts for the full fiscal year, in view of performance of the CKD Group through the second quarter of the fiscal year under review, and recent trends for orders due to the impact of the slowdown in capital investments in semiconductor memory production equipment, the decline in investment for automation in China, and other factors, the Company has announced revisions to the outlook for consolidated performance for the full fiscal year that was previously announced on May 14, 2018.

Please note that the assumption for an exchange rate of ¥110 to one U.S. dollar has been used for the period from October 1, 2018, to March 31, 2019.

Revisions in the forecast of consolidated performance for the full fiscal year (April 1, 2018 to March 31, 2019)

(Million yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent
Previous forecast (A)	122,000	14,000	14,000	9,800
Revised forecast (B)	116,000	6,700	6,700	4,800
Change (B—A)	(6,000)	(7,300)	(7,300)	(5,000)
Percentage change	(4.9)	(52.1)	(52.1)	(51.0)
For reference: Previous performance (Fiscal year ended March 31, 2018)	115,700	12,472	12,469	9,142

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

2. Consolidated financial statements and major notes

(1) Consolidated balance sheets

(Million yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	15,245	8,887
Notes and accounts receivable-trade	26,721	23,515
Electronically recorded monetary claims-operating	5,215	6,061
Operating accounts receivable	249	264
Merchandise and finished goods	8,840	10,576
Work-in-process	4,782	4,875
Raw materials and supplies	21,094	26,361
Other	1,687	1,772
Allowance for doubtful accounts	(109)	(114)
Total current assets	83,726	82,200
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (net)	13,350	13,245
Other (net)	19,848	23,975
Total property, plant and equipment	33,199	37,221
Intangible assets	2,612	2,487
Investments and other assets	11,349	11,081
Total noncurrent assets	47,160	50,790
Total assets	130,887	132,991

(Million yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	19,021	19,824
Electronically recorded obligations-operating	2,429	3,218
Short-term loans payable	6,591	7,032
Current portion of bonds	55	43
Income taxes payable	2,261	904
Provision for bonuses	414	2,708
Other provision	491	650
Other	11,809	8,133
Total current liabilities	43,074	42,515
Noncurrent liabilities		
Bonds payable	191	170
Long-term loans payable	4,845	6,409
Other provision	161	110
Net defined benefit liabilities	390	420
Other	2,165	2,275
Total noncurrent liabilities	7,754	9,386
Total liabilities	50,829	51,902
Net assets		
Shareholders' equity		
Capital stock	11,016	11,016
Capital surplus	12,383	12,390
Retained earnings	56,812	57,799
Treasury stock	(4,908)	(4,905)
Total shareholders' equity	75,304	76,300
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,857	3,829
Foreign currency translation adjustment	1,686	1,596
Remeasurements of defined benefit plans	(899)	(769)
Total accumulated other comprehensive income	4,644	4,656
Non-controlling interests	109	132
Total net assets	80,058	81,089
Total liabilities and net assets	130,887	132,991

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

Consolidated statements of income

(Million yen)

	FY2017 (April 1, 2017 to September 30, 2017)	FY2018 (April 1, 2018 to September 30, 2018)
Net sales	54,233	60,455
Cost of sales	36,823	45,505
Gross profit	17,409	14,949
Selling, general and administrative expenses	11,564	11,970
Operating income	5,845	2,979
Non-operating income		
Interest income	7	9
Dividends income	75	103
Other	187	216
Total non-operating income	270	329
Non-operating expenses		
Interest expenses	35	33
Sales discounts	75	87
Share of loss of entities accounted for using equity method	47	1
Loss on valuation of derivatives	31	67
Foreign exchange losses	1	72
Other	26	57
Total non-operating expenses	218	319
Ordinary income	5,896	2,988
Extraordinary income		
Gain on sales of noncurrent assets	3	2
Gain on sales of investment securities	3	20
Gain on bargain purchase	149	—
Subsidy income	6	144
Total extraordinary income	163	167
Extraordinary loss		
Loss on sales of noncurrent assets	0	0
Loss on retirement of noncurrent assets	53	19
Loss on reduction of noncurrent assets	6	144
Total extraordinary loss	60	165
Income before income taxes	5,999	2,990
Income taxes-current	1,646	775
Income taxes-deferred	36	(40)
Total income taxes	1,682	734
Net income	4,316	2,255
Net income attributable to non-controlling interests	48	20
Net income attributable to owners of parent	4,268	2,235

Consolidated statements of comprehensive income

(Million yen)

	FY2017 (April 1, 2017 to September 30, 2017)	FY2018 (April 1, 2018 to September 30, 2018)
Net income	4,316	2,255
Other comprehensive income		
Valuation difference on available-for-sale securities	777	(28)
Foreign currency translation adjustment	469	(87)
Remeasurements of defined benefit plans	85	130
Share of other comprehensive income of entities accounted for using equity method	2	(0)
Total other comprehensive income	1,335	14
Comprehensive income	5,651	2,270
(Details)		
Comprehensive income attributable to owners of parent	5,604	2,247
Comprehensive income attributable to non- controlling interests	47	23

(3) Consolidated statements of cash flows

(Million yen)

	FY2017 (April 1, 2017 to September 30, 2017)	FY2018 (April 1, 2018 to September 30, 2018)
Cash flows from operating activities		
Income before income taxes	5,999	2,990
Depreciation and amortization	1,915	2,375
Share of (profit) loss of entities accounted for using equity method	47	1
Gain on bargain purchase	(149)	—
Increase (decrease) in provision for bonuses	2,256	2,293
Increase (decrease) in accounts payable-bonuses	(2,021)	(2,403)
Decrease (increase) in net defined benefit assets	78	131
Decrease (increase) in notes and accounts receivable-trade	(742)	2,265
Decrease (increase) in inventories	(4,930)	(7,123)
Increase (decrease) in notes and accounts payable-trade	518	1,635
Increase (decrease) in advances received	903	(537)
Other	354	(69)
Sub-total	4,229	1,559
Interest and dividends income received	84	113
Interest expenses paid	(36)	(32)
Income taxes paid	(2,245)	(2,103)
Proceeds from subsidy income	—	144
Net cash provided by (used in) operating activities	2,032	(318)
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,106)	(6,899)
Purchase of intangible assets	(862)	(221)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	826	—
Other	283	318
Net cash provided by (used in) investing activities	(2,858)	(6,802)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(194)	271
Proceeds from long-term loans payable	400	2,612
Repayment of long-term loans payable	(1,500)	(895)
Purchase of treasury stock	(1)	(0)
Cash dividends paid	(987)	(1,236)
Other	(73)	(77)
Net cash provided by (used in) financing activities	(2,356)	674
Effect of exchange rate change on cash and cash equivalents	93	70
Net increase (decrease) in cash and cash equivalents	(3,089)	(6,376)
Cash and cash equivalents at beginning of period	13,905	14,799
Cash and cash equivalents at end of period	10,815	8,423

(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

Segment information, etc.

Segment information

Through the second quarter of the fiscal year ended March 31, 2018 (April 1, 2017 to September 30, 2017)

1. 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	7,376	46,856	54,233	—	54,233
Intersegment sales or transfers	—	43	43	(43)	—
Total	7,376	46,900	54,277	(43)	54,233
Segment income	391	7,671	8,063	(2,217)	5,845

Notes: 1. The amount of adjustment for 'Segment income' of ¥(2,217) million includes ¥16 million for elimination of transactions among segments and ¥(2,234) million as the total company expenses that are not allocated to each reporting segment. The total company expenses mainly refer 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.

2. Information of impairment loss of noncurrent assets and goodwill

(Gain on major bargain purchase)

Due to the acquisition of the shares of Nikki Denso Co., Ltd. (Re-named CKD Nikki Denso Co., Ltd. as of June 1, 2017), it became a consolidated subsidiary from the first quarter of the consolidated fiscal year under review and a gain on bargain purchase of ¥149 million was booked to the Component Products segment during the period through the second quarter under review. Moreover, since the gain on bargain purchase is recorded as extraordinary income, it is therefore not included in segment income.

Through the second quarter of the fiscal year ending March 31, 2019 (April 1, 2018 to September 30, 2018)

1. 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 refer 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.

3. Others

Production, orders, and sales

[1] Actual production

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

Segment name	Production output (Million yen)	Change YoY (%)
Automatic machineries	7,555	(29.1)
Components	55,098	+12.4
Total	62,654	+5.0

- 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 through 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	8,036	(5.3)	11,595	(0.8)

- 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 through the second quarter of the fiscal year under review are as follows.

Segment name	Sales (Million yen)	Change YoY (%)
Automatic machineries	7,106	(3.7)
Components	53,348	+13.9
Total	60,455	+11.5

- Notes: 1. Intersegment transactions have been offset and eliminated.
2. Above figures are exclusive of consumption tax.