

***CKD Corporation and
Consolidated Subsidiaries***

*Consolidated Financial Statements
for the Years Ended
March 31, 2016 and 2015*

[Consolidated Financial Statement, etc.]
 (1) [Consolidated Financial Statement]
 ① [Consolidated Balance Sheet]

(Unit : million yen)

	Consolidated Accounting Year (as of March 31, 2015)	Consolidated Accounting Year (as of March 31, 2016)
ASSETS		
Current Assets:		
Cash and deposits	11,750	9,951
Notes and accounts receivable-trade	20,577	21,186
Electronically recorded monetary claims-operating	882	1,905
Operating accounts receivable	1,938	1,150
Short-term investment securities	3,499	2,000
Merchandise and finished goods	4,363	4,673
Work-in-process	3,229	3,669
Raw materials and supplies	11,712	12,178
Deferred tax assets	1,477	1,308
Other	1,109	1,049
Allowance for doubtful debts	△ 33	△ 103
Total current assets	60,507	58,969
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (net)	10,537	12,304
Machinery, equipment and vehicles (net)	7,505	8,888
Tools, furniture and fixtures (net)	1,200	1,243
Land	4,486	4,472
Lease assets (net)	36	148
Construction in progress	1,085	655
Total property, plant and equipment	24,851	27,712
Intangible assets	817	755
Investment and other asset		
Investment securities	6,913	7,864
Net defined benefit assets	1,984	334
Deferred tax assets	128	89
Other	845	716
Allowance for doubtful debts	△ 29	△ 31
Total Investments and Other assets	9,842	8,974
Total Noncurrent assets	35,511	37,442
Total ASSETS	96,018	96,412

(Unit : million yen)

	Consolidated Accounting Year (as of March 31, 2015)	Consolidated Accounting Year (as of March 31, 2016)
LIABILITIES		
Current Liabilities		
Notes and accounts payable-trade	11,924	11,873
Electronically recorded obligations-operating	443	920
Short-term loans payable	1,151	901
Current portion of long-term loans payable	770	770
Lease obligations	32	62
Accrued expenses	2,767	2,676
Income taxes payable	681	1,463
Provision for bonuses	138	178
Provision for product warranties	218	211
Provision for loss on order received	52	14
Other	4,990	4,580
Total Current Liabilities	23,170	23,652
Noncurrent liabilities		
Long-term loans payable	3,490	2,720
Lease obligations	5	96
Deferred tax liabilities	2,256	1,805
Provision for environmental measures	—	76
Net defined benefit liabilities	206	226
Asset retirement obligations	138	147
Other	1,195	1,267
Total Noncurrent liabilities	7,292	6,339
Total LIABILITIES	30,463	29,992
Net Assets		
Shareholders' equity		
Capital stock	11,016	11,016
Capital surplus	12,737	12,372
Retained earnings	40,611	44,445
Treasury stock	△ 4,557	△ 4,905
Total Shareholders' equity	59,807	62,929
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,453	3,105
Foreign currency translation adjustment	3,371	1,808
Remeasurements of defined benefit plans	△ 77	△ 1,423
Total accumulated other comprehensive income	5,747	3,490
Total Net Assets	65,555	66,419
Total Liabilities and Net Assets	96,018	96,412

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

[Consolidated Statements of income]

(Unit : million yen)

	Consolidated Accounting Year (April 1, 2014 to March 31, 2015)	Consolidated Accounting Year (April 1, 2015 to March 31, 2016)
Net sales	83,379	88,117
Cost of Sales	57,939	61,382
Gross Profit	25,439	26,734
Selling, General and Administrative Expenses		
Personal expenses	7,548	8,544
Retirement benefit expenses	263	219
Packing and transportation expenses	982	968
Rent expenses	1,108	1,225
Business consignment expenses	986	1,030
Depreciation	427	437
Provision of allowance for doubtful accounts	—	81
Research and development expense	2,927	2,857
Enterprise tax	134	216
Other	2,698	3,046
Total Selling, General and Administrative Expenses	17,076	18,627
Operating Income	8,363	8,107
Non-operating Income		
Interest income	32	39
Dividends income	92	118
Foreign exchange gains	132	—
Office work fee	108	61
Dividends income of insurance	37	45
Other	193	181
Total Non-operating Income	596	446
Non-operating Expenses		
Interest expenses	44	47
Sales discounts	135	139
Foreign exchange losses	—	193
Other	45	78
Total Non-operating Expenses	225	459
Ordinary Income	8,735	8,094
Extraordinary Income		
Gain on sales of noncurrent assets	30	125
Compensation for transfer	392	—
Subsidy income	82	283
Other	—	35
Total Extraordinary Income	504	444
Extraordinary Loss		
Loss on sales of noncurrent assets	13	8
Loss on retirement of noncurrent assets	249	143
Loss on reduction of noncurrent assets	41	213
Environmental expenses	159	83
Total Extraordinary Loss	464	447
Income before Income Taxes	8,775	8,091
Income taxes-current	2,120	2,500
Income taxes-deferred	643	131
Income taxes	2,764	2,631
Net Income	6,010	5,459
Profit (loss) attributable to owners of parent	6,010	5,459

[Consolidated Statement of Comprehensive Income]

(Unit : million yen)

	Consolidated Accounting Year (April 1, 2014 to March 31, 2015)	Consolidated Accounting Year (April 1, 2015 to March 31, 2016)
Net Income	6,010	5,459
Other comprehensive income		
Valuation difference on available-for-sale securities	1,206	652
Foreign currency translation adjustment	1,523	Δ 1,563
Remeasurements of defined benefit plans	363	Δ 1,345
Total Other Comprehensive Income	3,093	Δ 2,257
Comprehensive Income	9,104	3,201
(Details)		
Comprehensive income attributable to owners of the parent	9,104	3,201
Comprehensive income attributable to non-controlling interests	—	—

③ [Consolidated Statement of Changes in Net Assets]

Consolidated Accounting Year (April 1, 2014 to March 31, 2015)

(Unit : million yen)

	Shareholders' equity				
	Capital stock	Capital Surplus	Retained earnings	Treasury Stocks	Total Shareholders' equity
Balance at the beginning of current period	11,016	12,737	35,913	△ 4,609	55,057
Changes of items during the period					
Dividends from surplus			△ 1,311		△ 1,311
Profit (loss) attributable to owners of parent			6,010		6,010
Purchase of treasury stock				△ 0	△ 0
Disposal of treasury stock		0		52	52
Employee encouragement and welfare fund			△ 1		△ 1
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	0	4,698	51	4,749
Balance at the end of current period	11,016	12,737	40,611	△ 4,557	59,807

	Accumulated other comprehensive income				Total Net Assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive	
Balance at the beginning of current period	1,247	1,848	△ 440	2,654	57,712
Changes of items during the period					
Dividends from surplus					△ 1,311
Profit (loss) attributable to owners of parent					6,010
Purchase of treasury stock					△ 0
Disposal of treasury stock					52
Employee encouragement and welfare fund					△ 1
Net changes of items other than shareholders' equity	1,206	1,523	363	3,093	3,093
Total changes of items during the period	1,206	1,523	363	3,093	7,843
Balance at the end of current period	2,453	3,371	△ 77	5,747	65,555

Consolidated Accounting Year (April 1, 2015 to March 31, 2016)

	Shareholders' equity				
	Capital stock	Capital Surplus	Retained earnings	Treasury Stocks	Total Shareholders' equity
Balance at the beginning of current period	11,016	12,737	40,611	Δ 4,557	59,807
Changes of items during the period					
Dividends from surplus			Δ 1,616		Δ 1,616
Profit (loss) attributable to owners of parent			5,459		5,459
Purchase of treasury stock				Δ 712	Δ 712
Disposal of treasury stock		Δ 364		364	—
Employee encouragement and welfare fund			Δ 8		Δ 8
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	Δ 364	3,834	Δ 347	3,121
Balance at the end of current period	11,016	12,372	44,445	Δ 4,905	62,929

	Accumulated other comprehensive income				Total Net Assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive	
Balance at the beginning of current period	2,453	3,371	Δ 77	5,747	65,555
Changes of items during the period					
Dividends from surplus					Δ 1,616
Profit (loss) attributable to owners of parent					5,459
Purchase of treasury stock					Δ 712
Disposal of treasury stock					—
Employee encouragement and welfare fund					Δ 8
Net changes of items other than shareholders' equity	652	Δ 1,563	Δ 1,345	Δ 2,257	Δ 2,257
Total changes of items during the period	652	Δ 1,563	Δ 1,345	Δ 2,257	864
Balance at the end of current period	3,105	1,808	Δ 1,423	3,490	66,419

④ [Consolidated Statement of Cash Flow]

(Unit: million yen)

	Consolidated Accounting Year (April 1, 2014 to March 31, 2015)	Consolidated Accounting Year (April 1, 2015 to March 31, 2016)
Net Cash Provided by Operating Activities		
Income before income taxes	8,775	8,091
Depreciation and amortization	3,188	4,060
Increase (decrease) in provision for bonuses	24	55
Increase (decrease) in accounts payable-bonuses	64	△ 31
Decrease (increase) in net defined benefit assets	△ 904	△ 286
Decrease (increase) in notes and accounts receivable-trade	△ 344	△ 1,550
Decrease (increase) in inventories	△ 2,329	△ 1,615
Increase (decrease) in notes and accounts payable-trade	1,361	941
Increase (decrease) in advances received	394	2
Other	△ 100	24
Sub-total	10,130	9,692
Interest and dividends income received	122	158
Interest expenses paid	△ 44	△ 48
Income taxes paid	△ 3,982	△ 1,775
Income taxes refund	0	—
Net cash provided by operating activities	6,226	8,027
Net Cash Provided by Investing Activities		
Payments into time deposits	△ 301	△ 480
Proceeds from withdrawal of time deposits	1,024	279
Net decrease (increase) in short-term investment securities	500	1,498
Purchase of property, plant and equipment	△ 5,783	△ 7,284
Purchase of intangible assets	△ 261	△ 272
Purchase of investment securities	△ 5	△ 206
Proceeds from sales of investment securities	—	151
Other	73	131
Net Cash Provided by Investing Activities	△ 4,755	△ 6,183
Net Cash Provided by Financing Activities		
Net increase (decrease) in short-term loans payable	△ 444	△ 191
Proceeds from long-term loans payable	3,000	—
Repayment of long-term loans payable	△ 640	△ 770
Purchase of treasury stock	△ 0	△ 700
Proceeds from sale of treasury stock	62	—
Cash dividends paid	△ 1,309	△ 1,614
Other	△ 48	△ 52
Net cash provided by financing activities	618	△ 3,329
Effect of exchange rate change on cash and cash equivalents	368	△ 461
Net increase (decrease) in cash and cash equivalents	2,458	△ 1,947
Cash and cash equivalents at beginning of period	9,831	12,290
Cash and cash equivalents at end of period	12,290	10,342

[Segment Information]

1. Outline of Reporting Segments

The reporting segments of the CKD Group refers to the constituents of CKD and its subsidiaries that financial statements separated from consolidated one is 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 Machinery Products' and 'Component Products' separated based on the type, properties and sales method of products.

In Automatic Machinery 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, automobilerelated industries and other markets of diversified kinds are manufactured and sold. They are produced by forecasting demands of each items.

2. Calculation Methods of Sales, Profit/Loss, Assets, Liabilities and other Accounting Items for each Reporting Segment

The profits in each reporting segment are based on operating profit. Internal gains and amount of transfer among segments are based on current market prices.

3. Information on Reporting-Segment-Wise Sales, Profit/Loss, Assets, Liabilities and other Accounting Items

Consolidated Accounting Year (April 1, 2014 to March 31, 2015)

(Unit: million yen)

	Reporting segment			Amount adjusted (Note 1)	Amount shown in the consolidated financial statement (Note 2)
	Automatic Machineries Products	Component Products	Total		
Net sales					
Sales to external customers	15,920	67,458	83,379	—	83,379
Internal sales amount or amount transferred among segments	—	160	160	△ 160	—
Total	15,920	67,619	83,540	△ 160	83,379
Profit for segment	2,182	8,842	11,025	△ 2,661	8,363
Asset of segment	15,447	65,879	81,327	14,691	96,018
Other items					
Depreciation	468	2,480	2,948	239	3,188
Increase of tangible and intangible fixed assets	1,271	4,024	5,295	158	5,454

Note 1: Details of the amount adjusted

- (1) The amount of adjustment for 'Net sales' i.e. △160 million yen is derived from elimination of transactions among segments.
- (2) The amount of adjustment for 'Profit for segment' i.e. △2,661 million yen includes 31 million yen for elimination of transactions among segments and △2,693 million yen as the total company expenses that aren't allocated to each reporting segment. The total company expenses mainly refers to expenses related to administration of CKD, long-term R&D expenses and costs related to CKD Global Service Co., Ltd.
- (3) The amount of adjustment for 'Asset of segment' i.e. 14,691 million yen 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 i.e. 239 million yen mainly consists of depreciation related to head office building.
- (5) The amount adjusted for increase of tangible/intangible assets, i.e. 158 million yen mainly consists of the amount of system investment for the entire company.

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

Consolidated Accounting Year (April 1, 2015 to March 31, 2016)

(Unit: million yen)

	Reporting segment			Amount adjusted (Note 1)	Amount shown in the consolidated financial statement (Note 2)
	Automatic Machineries Products	Component Products	Total		
Net sales					
Sales to external customers	16,954	71,163	88,117	—	88,117
Internal sales amount or amount transferred among segments	—	146	146	△ 146	—
Total	16,954	71,310	88,264	△ 146	88,117
Profit for segment	2,364	8,663	11,028	△ 2,920	8,107
Asset of segment	21,880	64,722	86,602	9,809	96,412
Other items					
Depreciation	675	3,206	3,881	179	4,060
Increase of tangible and intangible fixed assets	3,070	4,445	7,516	285	7,801

Note 1: Details of the amount adjusted

- (1) The amount of adjustment for 'Net sales' i.e. △146 million yen is derived from elimination of transactions among segments.
- (2) The amount of adjustment for 'Profit for segment' i.e. △2,920 million yen includes 32 million yen for elimination of transactions among segments and △2,953 million yen as the total company expenses that aren't allocated to each reporting segment. The total company expenses mainly refers to expenses related to administration of CKD, long-term R&D expenses and costs related to CKD Global Service Co., Ltd.
- (3) The amount of adjustment for 'Asset of segment' i.e. 9,809 million yen 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 i.e. 179 million yen mainly consists of depreciation related to head office building.
- (5) The amount adjusted for increase of tangible/intangible assets, i.e. 285 million yen mainly consists of the amount of system investment for the entire company.

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

4. Change in the reporting-segment

As before, 5 overseas consolidated subsidiaries which ended the fiscal year on December 31 were consolidated by using the financial statements on the date and were adjusted the significant transactions between the date and consolidated closing date. CKD THAI CORPORATION LTD., CKD USA CORPORATION, and M-CKD PRECISION SDN.BHD changed the fiscal year from December 31 to March 31. CKD (China) Co. and CKD (Shanghai) Co. did not change the fiscal year but made provisional settlement of accounts and consolidated on March 31.

As a result, the group consolidated the 5 companies for 15 months (from January 1, 2015 to March 31, 2016) in this consolidated account year.

In addition, the amount of 'Net sales' of component segment from January 1, 2015 to March 31, 2015 was 3,019 million yen, and the amount of 'Profit for segment' of component segment was 149 million yen.