



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

February 14, 2019

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 Expected starting date of dividend payment: —
 Preparation of supplementary financial document: None
 Briefing session to explain the financial statements: None

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

1. Consolidated business results for the Third Quarter of the fiscal year ending March 31, 2019 (April 1, 2018 to December 31, 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	%
3Q FY2018	89,504	5.8	4,174	-54.0	4,177	-54.6	2,862	-55.2
3Q FY2017	84,615	26.9	9,068	47.9	9,206	46.5	6,383	44.8

Note: Comprehensive income Third quarter of FY2018: ¥1,163 million (-86.4%)
 Third quarter of FY2017: ¥8,560 million (129.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
3Q FY2018	46.23	—
3Q FY2017	103.10	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Dec 31, 2018	140,793	78,744	55.8
As of Mar. 2018	130,887	80,058	61.1

Reference: Shareholders' equity As of Dec 31, 2018: ¥78,613 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)	—	—	—	8.00	28.00

Note: Revisions from recently announced dividend forecast: Yes

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	115,000	-0.6	4,300	-65.5	4,300	-65.5	2,900	-68.3	46.84

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)	3Q FY2018	68,909,449 shares	FY2017	68,909,449 shares
b. Number of treasury stock at the end of period	3Q FY2018	6,989,113 shares	FY2017	6,993,934 shares
c. Average number of shares over the period (quarterly accumulation period)	3Q FY2018	61,918,424 shares	3Q FY2017	61,916,282 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.

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1. Quarterly business results

(1) Results of operations

Through the third quarter of the fiscal year under review, the Japanese economy experienced gradual recovery, driven by continuing improvement in the employment and income environments. Corporate earnings improved, benefitting from firm domestic demand and gradual expansion in exports. Capital expenditure also increased, driven further by investments for expanding production capacity as well as those for rationalization of production and achieving labor saving.

Meanwhile, in the overseas economies, although exports to China declined in the United States since China increased import tariff rates. Consumer spending, however, expanded due to continued improvement in employment conditions, and industrial production continued to be steady. Europe began to move toward recovery due to monetary easing measures and other factors. In China, the economy slowed down gradually, because the growth of infrastructure investment slowed due to government restraints, and companies were cautious stances on capital investment due to the impact of trade frictions with the United States.

Against this background, the CKD Group recorded consolidated results through the third quarter of the fiscal year under review as follows. Net sales were ¥89,504 million, up 5.8% year on year, operating income amounted to ¥4,174 million, down 54.0% year on year, and ordinary income was ¥4,177 million, down 54.6% year on year. Net income attributable to owners of parent was ¥2,862 million, a decline of 55.2% from year on year.

Results of operations by segment

a. Automatic Machinery Products

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

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

As a result, sales in this segment were ¥11,739 million, up 2.6% year on year. Because of falling orders price, segment income amounted to ¥538 million, down 14.4% year on year.

b. Component Products

In the Japanese market, although sales in the third quarter of the fiscal year increased year on year, sales to the semiconductor manufacturing equipment industry, where it had continued to expand capital investment from previous consolidated fiscal year, decreased. It is because some semiconductor makers have begun to reconsider their plans of their capital investments such as to delay since the second quarter of the fiscal year.

In overseas markets, sales growth slowed due to the influence on the slowdown in capital investment for automation and that in investment for semiconductor memory production equipment from the second quarter of the current fiscal year as well as the Japanese market.

As a consequence, sales in this segment were ¥77,764 million, up 6.3% year on year. Segment income amounted to ¥7,121 million, down 39.2% year on year owing to higher expenses for increase in production.

(2) Financial position

Total assets at the end of the third quarter on a consolidated basis increased ¥9,906 million from the end of the previous fiscal year, to ¥140,793 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 third quarter increased ¥11,220 million, to ¥62,049 million from the end of the previous fiscal year. This was mainly due to increases in loans and accounts payable-facilities, despite decreases in notes and accounts payable-trade, accounts payable-bonuses and income taxes payable.

Net assets at the end of the third quarter decreased ¥1,313 million from the end of the previous fiscal year, to ¥78,744 million.

The shareholders' equity ratio was 55.8%, a 5.2 percentage point decrease from the end of the previous consolidated fiscal year.

(3) Earnings forecast and outlook

For the performance forecasts for the full fiscal year, in view of performance of the CKD Group through the third quarter of the fiscal year under review, recent trends for capital investments in semiconductor, those in 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 November 14, 2018, as follows:

Please note that the assumption for an exchange rate of ¥108 to one U.S. dollar has been used for the period from January 1, 2019, 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)	116,000	6,700	6,700	4,800
Revised forecast (B)	115,000	4,300	4,300	2,900
Change (B—A)	(1,000)	(2,400)	(2,400)	(1,900)
Percentage change	(0.9)	(35.8)	(35.8)	(39.6)
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.

These revised forecasts are mentioned in "Notice of Revisions in the Forecasts for Consolidated Performance and Dividend", announced on February 14, 2019.

2. Consolidated financial statements and major notes

(1) Consolidated balance sheets

(Million yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	15,245	12,592
Notes and accounts receivable-trade	26,721	23,624
Electronically recorded monetary claims-operating	5,215	6,013
Operating accounts receivable	249	263
Merchandise and finished goods	8,840	10,692
Work-in-process	4,782	4,277
Raw materials and supplies	21,094	26,351
Other	1,687	3,726
Allowance for doubtful accounts	(109)	(34)
Total current assets	83,726	87,508
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (net)	13,350	19,729
Other (net)	19,848	22,168
Total property, plant and equipment	33,199	41,897
Intangible assets	2,612	2,387
Investments and other assets	11,349	9,000
Total noncurrent assets	47,160	53,285
Total assets	130,887	140,793

(Million yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	19,021	16,708
Electronically recorded obligations-operating	2,429	2,942
Short-term loans payable	6,591	12,748
Current portion of bonds	55	45
Income taxes payable	2,261	420
Provision for bonuses	414	1,322
Other provision	491	676
Other	11,809	10,678
Total current liabilities	43,074	45,543
Noncurrent liabilities		
Bonds payable	191	161
Long-term loans payable	4,845	13,584
Other provision	161	90
Net defined benefit liabilities	390	420
Other	2,165	2,249
Total noncurrent liabilities	7,754	16,505
Total liabilities	50,829	62,049
Net assets		
Shareholders' equity		
Capital stock	11,016	11,016
Capital surplus	12,383	12,390
Retained earnings	56,812	57,188
Treasury stock	(4,908)	(4,905)
Total shareholders' equity	75,304	75,689
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,857	2,430
Foreign currency translation adjustment	1,686	1,197
Remeasurements of defined benefit plans	(899)	(704)
Total accumulated other comprehensive income	4,644	2,924
Non-controlling interests	109	131
Total net assets	80,058	78,744
Total liabilities and net assets	130,887	140,793

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

Consolidated statements of income

(Million yen)

	FY2017 (April 1, 2017 to December 31, 2017)	FY2018 (April 1, 2018 to December 31, 2018)
Net sales	84,615	89,504
Cost of sales	57,979	67,699
Gross profit	26,635	21,804
Selling, general and administrative expenses	17,567	17,629
Operating income	9,068	4,174
Non-operating income		
Interest income	12	13
Dividends income	129	162
Share of profit of entities accounted for using equity method	—	0
Foreign exchange incomes	43	—
Other	320	365
Total non-operating income	506	542
Non-operating expenses		
Interest expenses	51	54
Sales discounts	115	130
Share of loss of entities accounted for using equity method	47	—
Loss on valuation of derivatives	99	108
Foreign exchange losses	—	148
Other	53	96
Total non-operating expenses	368	538
Ordinary income	9,206	4,177
Extraordinary income		
Gain on sales of noncurrent assets	3	2
Gain on sales of investment securities	76	20
Gain on bargain purchase	149	—
Subsidy income	6	144
Total extraordinary income	236	167
Extraordinary loss		
Loss on sales of noncurrent assets	3	0
Loss on retirement of noncurrent assets	63	34
Loss on reduction of noncurrent assets	6	144
Provision for environmental measures	85	—
Total extraordinary loss	159	179
Income before income taxes	9,282	4,166
Income taxes-current	2,427	633
Income taxes-deferred	416	647
Total income taxes	2,843	1,281
Net income	6,439	2,885
Net income attributable to non-controlling interests	55	22
Net income attributable to owners of parent	6,383	2,862

Consolidated statements of comprehensive income

(Million yen)

	FY2017 (April 1, 2017 to December 31, 2017)	FY2018 (April 1, 2018 to December 31, 2018)
Net income	6,439	2,885
Other comprehensive income		
Valuation difference on available-for-sale securities	1,093	(1,426)
Foreign currency translation adjustment	896	(489)
Remeasurements of defined benefit plans	127	195
Share of other comprehensive income of entities accounted for using equity method	2	(0)
Total other comprehensive income	2,121	(1,721)
Comprehensive income	8,560	1,163
(Details)		
Comprehensive income attributable to owners of parent	8,498	1,142
Comprehensive income attributable to non- controlling interests	62	21

(3) 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 third quarter of the fiscal year ended March 31, 2018 (April 1, 2017 to December 31, 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	11,442	73,172	84,615	—	84,615
Intersegment sales or transfers	0	65	65	(65)	—
Total	11,443	73,237	84,680	(65)	84,615
Segment income	629	11,711	12,340	(3,272)	9,068

Notes: 1. The amount of adjustment for 'Segment income' of ¥(3,272) million includes ¥25 million for elimination of transactions among segments and ¥(3,297) 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 third 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 third quarter of the fiscal year ending March 31, 2019 (April 1, 2018 to December 31, 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	11,739	77,764	89,504	—	89,504
Intersegment sales or transfers	—	72	72	(72)	—
Total	11,739	77,837	89,576	(72)	89,504
Segment income	538	7,121	7,660	(3,485)	4,174

Notes: 1. The amount of adjustment for 'Segment income' of ¥(3,485) million includes ¥23 million for elimination of transactions among segments and ¥(3,508) 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.

3. Others

Production, orders, and sales

[1] Actual production

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

Segment name	Production output (Million yen)	Change YoY (%)
Automatic machineries	12,599	(11.0)
Components	79,224	+4.9
Total	91,824	+2.4

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 third 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	13,521	+18.3	12,445	+17.7

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 third quarter of the fiscal year under review are as follows.

Segment name	Sales (Million yen)	Change YoY (%)
Automatic machineries	11,739	+2.6
Components	77,764	+6.3
Total	89,504	+5.8

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

2. Above figures are exclusive of consumption tax.