



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

August 6, 2019

Company: CKD Corporation Listed TSE, NSE
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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 First Quarter of the fiscal year ending March 31, 2020 (April 1, 2019 to June 30, 2019)

(1) Consolidated operating results (% 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	%
1Q FY2019	23,265	(24.4)	284	(89.8)	301	(89.4)	216	(89.9)
1Q FY2018	30,783	20.8	2,781	2.7	2,838	3.4	2,156	8.1

(Note) Comprehensive income First quarter of FY2019: ¥ (723) million —%
 First quarter of FY2018: ¥1,483 million (39.6)%

	Net income per share	Diluted net income per share
	Yen	Yen
1Q FY2019	3.50	—
1Q FY2018	34.83	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of June 30, 2019	134,270	79,219	58.9
As of Mar 31, 2019	136,961	80,444	58.6

(Reference) Shareholders' equity As of June, 2019: ¥79,085 million
 As of Mar. 2019: ¥80,306 million

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2018 ended Mar. 2019	—	20.00	—	8.00	28.00
FY2019 ending Mar. 2020	—	—	—	—	—
FY2019 ending Mar. 2020 (forecast)	—	4.00	—	6.00	10.00

Note: Revisions from recently announced dividend forecast: Yes

3. Forecast of consolidated business results 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
For the six months ending Sept. 2019	46,800	(22.6)	280	(90.6)	300	(90.0)	210	(90.6)	3.39
FY2019 ending Mar. 2020	96,500	(16.6)	930	(82.9)	950	(82.5)	660	(86.2)	10.66

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: Yes
 - 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)	1Q FY2019	68,909,449 shares	FY2018	68,909,449 shares
b. Number of treasury stock at the end of period	1Q FY2019	6,989,221 shares	FY2018	6,989,136 shares
c. Average number of shares over the period (quarterly accumulation period)	1Q FY2019	61,920,249 shares	1Q FY2018	61,915,486 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

The Japanese economic continued improving employment and income, but slowed down in the first quarter of the consolidated fiscal year under review. Corporate earnings dropped in manufacturing businesses due mainly to sluggish exports to China, and postponement of capital investments in automation and labor-saving were observed.

In overseas, with the increased tariffs in the US and China, US exports to China decreased while internal demand in the US remained strong for solid consumer spending with improving employment and income. On the other hand, once strong capital investment in China is becoming weak due to decreased exports to the US. Also, in Europe, stagnation in manufacturing business continued due to downturn in the external demand.

Under these circumstances, the CKD Group recorded consolidated results through the first quarter of the consolidated fiscal year under review as follows: Net sales were ¥23,265 million, down 24.4% year on year, operating income amounted to ¥284 million, down 89.8% year on year, and ordinary income was ¥301 million, down 89.4% year on year. Net income attributable to owners of parent was ¥216 million, down of 89.9% from year on year.

Results of operations by segment

a. Automatic Machineries Products

Sales of industrial machinery increased in lithium-ion battery production systems. And sales of automatic packaging systems for pharmaceuticals and food also increased.

As a result, sales in this segment were ¥2,793 million, up 13.2% year on year, and the segment income, with improved profitability, was ¥308 million compared to segment loss of ¥127 million in the same quarter of the previous year.

b. Component Products

In the domestic market, sales decreased drastically in the semiconductor manufacturing equipment industry, for the industry being affected by shrinking capital investment, and so as in the machine tool industry, for the industry being affected by downturn of China economy.

In overseas markets, sales decreased, for capital investment for the automation in China becoming slow, in addition to postponement of capital investment for semiconductor manufacturing equipment.

As a result, net sales decreased to ¥20,471 million, down 27.7% year on year, and segment income decreased to ¥1,040 million, down 75.3% year on year.

(2) Financial position

The total assets at the end of the first quarter on a consolidated basis was ¥134,270 million, down ¥2,691 million from the end of the previous fiscal year. The main factors included increases in cash and deposits, despite decreases in notes and accounts receivable-trade and inventories.

Total liabilities were ¥55,050 million, down ¥1,466 million from the end of the previous fiscal year. This was mainly due to an increase in accrued bonuses, despite decreases in notes and accounts payable-trade, provision for bonuses and long-term loans payable.

Total net assets were ¥79,219 million, down ¥1,225 million from the end of the previous consolidated fiscal year.

The shareholders' equity to asset ratio was 58.9%, 0.3 point increase from the previous consolidated fiscal year.

(3) Earnings forecast and outlook

For the forecast of consolidated performance for the second quarter, sales in component products are expected to be below the previously announced forecasts due to impacts of the US-China trade friction, postponement of capital investment for semiconductor manufacturing equipment and other factors.

Also, for profits, although the Company has tried to reduce costs, in addition to decreasing sales, the factory utilization rate decreased, and percentages of fixed costs increased. For these reasons, operating income, ordinary income, and net income attributable to owners of the parent company are expected to be below the previously announced forecasts.

For the forecast of consolidated performance for the full fiscal year, in addition to expectations for the second quarter of the fiscal year, there were concerns about the impacts of the review of special treatment for exports to South Korea and other factors, resulting in expecting to be behind the timing to recover demand which was expected in beginning of the current fiscal period.

For these reasons, sales, operating income, ordinary income, and net income attributable to owners of the parent company are expected to be below the previously announced forecasts.

Therefore the Company has announced the revisions in the forecasts for consolidated performance for the second quarter and the full fiscal year, which were previously announced on May 15, 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 July 1, 2019, to March 31, 2020.

Revisions in the forecast of consolidated performance for the second quarter of the fiscal year ending March 31, 2020 (April 1, 2019 to September 30, 2019)

(Million yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent
Previous forecast (A)	50,000	1,400	1,400	1,000
Revised forecast (B)	46,800	280	300	210
Change (B—A)	(3,200)	(1,120)	(1,100)	(790)
Percentage change	(6.4)	(80.0)	(78.6)	(79.0)
For reference: Previous performance (Through the second quarter of the fiscal year ended March 31, 2019)	60,455	2,979	2,988	2,235

Revisions in the forecast of consolidated performance 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)	106,000	5,700	5,700	4,000
Revised forecast (B)	96,500	930	950	660
Change (B—A)	(9,500)	(4,770)	(4,750)	(3,340)
Percentage change	(9.0)	(83.7)	(83.3)	(83.5)
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 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, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	12,463	14,638
Notes and accounts receivable-trade	22,958	21,639
Electronically recorded monetary claims-operating	4,933	4,266
Operating accounts receivable	242	223
Merchandise and finished goods	10,020	8,989
Work-in-process	4,170	5,545
Raw materials and supplies	25,678	24,386
Other	3,009	1,389
Allowance for doubtful accounts	(30)	(26)
Total current assets	83,447	81,052
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (net)	20,799	20,586
Other (net)	21,845	22,150
Total property, plant and equipment	42,644	42,737
Intangible assets	2,376	2,194
Investments and other assets	8,492	8,285
Total noncurrent assets	53,513	53,217
Total assets	136,961	134,270

(Million yen)

	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable-trade	12,681	10,620
Electronically recorded obligations-operating	2,326	1,992
Short-term loans payable	11,789	11,995
Current portion of bonds	45	38
Income taxes payable	582	358
Provision for bonuses	2,157	1,288
Other provision	580	479
Other	7,168	9,777
Total current liabilities	37,332	36,551
Noncurrent liabilities		
Bonds payable	146	146
Long-term loans payable	16,645	15,845
Other provision	89	89
Net defined benefit liabilities	408	413
Other	1,893	2,004
Total noncurrent liabilities	19,183	18,498
Total liabilities	56,516	55,050
Net assets		
Shareholders' equity		
Capital stock	11,016	11,016
Capital surplus	12,390	12,390
Retained earnings	59,119	58,835
Treasury stock	(4,905)	(4,905)
Total shareholders' equity	77,619	77,335
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,117	1,826
Foreign currency translation adjustment	1,427	717
Remeasurements of defined benefit plans	(858)	(794)
Total accumulated other comprehensive income	2,686	1,749
Non-controlling interests	138	133
Total net assets	80,444	79,219
Total liabilities and net assets	136,961	134,270

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

Consolidated statements of income

(Million yen)

	FY2018 (April 1, 2018 to June 30, 2018)	FY2019 (April 1, 2019 to June 30, 2019)
Net sales	30,783	23,265
Cost of sales	21,756	17,639
Gross profit	9,026	5,625
Selling, general and administrative expenses	6,245	5,341
Operating income	2,781	284
Non-operating income		
Interest income	4	4
Dividends income	77	68
Share of profit of entities accounted for using equity method	—	0
Other	134	97
Total non-operating income	216	171
Non-operating expenses		
Interest expenses	15	51
Sales discounts	43	36
Share of loss of entities accounted for using equity method	0	—
Loss on valuation of derivatives	34	1
Foreign exchange losses	44	41
Other	20	22
Total non-operating expenses	159	154
Ordinary income	2,838	301
Extraordinary income		
Gain on sales of noncurrent assets	2	1
Gain on sales of investment securities	20	—
Subsidy income	100	—
Total extraordinary income	123	1
Extraordinary loss		
Loss on sales of noncurrent assets	0	—
Loss on retirement of noncurrent assets	9	24
Loss on reduction of noncurrent assets	100	—
Total extraordinary loss	110	24
Income before income taxes	2,851	278
Income taxes-current	1,230	268
Income taxes-deferred	(550)	(209)
Total income taxes	680	59
Net income	2,171	219
Net income attributable to non-controlling interests	14	2
Net income attributable to owners of parent	2,156	216

Consolidated statements of comprehensive income

(Million yen)

	FY2018 (April 1, 2018 to June 30, 2018)	FY2019 (April 1, 2019 to June 30, 2019)
Net income	2,171	219
Other comprehensive income		
Valuation difference on available-for-sale securities	(522)	(290)
Foreign currency translation adjustment	(231)	(716)
Remeasurements of defined benefit plans	65	64
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)
Total other comprehensive income	(688)	(943)
Comprehensive income	1,483	(723)
(Details)		
Comprehensive income attributable to owners of the parent	1,469	(719)
Comprehensive income attributable to non- controlling interests	13	(4)

(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

Changes in accounting policies

Effective as from this 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 this first quarter of the consolidated fiscal year under review.

As a result, the "Other" account under the "Property, plant and equipment" was increased by ¥456 million, and the "Other" account under the "Current liabilities" was increased by ¥169 million, and the "Other" account under the "Noncurrent liabilities" was increased by ¥155 million respectively, and the "Intangible assets" was decreased by ¥138 million at the end of this first 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

First quarter of the fiscal year ended March 31, 2019 (April 1, 2018 to June 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	2,468	28,314	30,783	—	30,783
Intersegment sales or transfers	—	19	19	(19)	—
Total	2,468	28,333	30,802	(19)	30,783
Segment income (loss)	(127)	4,210	4,082	(1,301)	2,781

Notes: 1. The amount of adjustment for 'Segment income (loss)' of ¥(1,301) million includes ¥7 million for elimination of transactions among segments and ¥(1,309) 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.

First quarter of the fiscal year ending March 31, 2020 (April 1, 2019 to June 30, 2019)

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	2,793	20,471	23,265	—	23,265
Intersegment sales or transfers	—	46	46	(46)	—
Total	2,793	20,517	23,311	(46)	23,265
Segment income	308	1,040	1,349	(1,065)	284

Notes: 1. The amount of adjustment for 'Segment income' of ¥(1,065) million includes ¥7 million for elimination of transactions among segments and ¥(1,072) 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 first quarter of the fiscal year under review are as follows.

Segment name	Production output (Million yen)	Change YoY (%)
Automatic machineries	2,256	(28.9)
Components	19,514	(33.7)
Total	21,771	(33.3)

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 first 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	4,621	+11.0	14,221	+15.0

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

Segment name	Sales (Million yen)	Change YoY (%)
Automatic machineries	2,793	+13.2
Components	20,471	(27.7)
Total	23,265	(24.4)

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

2. Above figures are exclusive of consumption tax.