



## Business Results for the Fiscal Year Ended March 31, 2020 Consolidated Basis (Japanese GAAP)

May 14, 2020  
TSE, NSE

Company: CKD Corporation Listed  
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 Expected starting date of dividend payment: June 4, 2020  
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 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 fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

#### (1) Consolidated operating results

(% change from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended March, 2020	100,717	(12.9)	5,230	(3.7)	5,374	(0.9)	3,689	(23.0)
FY ended March, 2019	115,665	(0.0)	5,429	(56.5)	5,425	(56.5)	4,793	(47.6)

(Note) Comprehensive income Fiscal year ended March, 2020: ¥2,211 million (22.8)%  
 Fiscal year ended March, 2019: ¥2,864 million (74.2)%

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Rate of ordinary profit on total assets	Rate of operating profit on net sales
	Yen	Yen	%	%	%
FY ended March, 2020	59.56	59.56	4.5	3.9	5.2
FY ended March, 2019	77.42	—	6.0	4.1	4.7

(Reference) Equity in earnings of affiliates Fiscal year ended March, 2020: ¥(0) million  
 Fiscal year ended March, 2019: ¥1 million

#### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY ended March, 2020	136,059	82,465	60.5	1,321.28
FY ended March, 2019	136,961	80,444	58.6	1,296.94

(Reference) Shareholders' equity As of March, 2020: ¥82,287 million  
 As of March, 2019: ¥80,306 million

#### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY ended March, 2020	17,250	(4,555)	(6,022)	18,409
FY ended March, 2019	(2,254)	(14,867)	14,374	12,028

### 2. Dividends

	Annual dividends					Total	Payout ratio (Consolidated)	Rate of dividend on net assets
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
FY ended March, 2019	—	20.00	—	8.00	28.00	1,733	36.2	2.2
FY ended March, 2020	—	5.00	—	13.00	18.00	1,119	30.2	1.4
FY ending March, 2021 (forecast)	—	—	—	—	—	—	—	—

(Note) Dividends for the next fiscal year are undecided.

3. Consolidated financial forecast for the fiscal year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(% change from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
1Q FY ending March, 2021	23,500	1.0	960	237.6	960	218.6	670	208.8	10.75

(Note) The economic environment is uncertain because of spread of COVID-19. Due to the difficulty foreseeing the full-year business result in the present circumstance, the company will issue the consolidated financial forecast only for the first quarter of the fiscal year ending on March 31, 2021.

The consolidated financial forecast after the second quarter of the fiscal year ending on March 31, 2021 onward will be announced as soon as disclosure is possible.

Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): No

(2) 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.: No

c. Changes of accounting estimates: No

d. Restatements: No

(3) Number of shares issued (common stock)

a. Number of shares issued at the end of period (treasury stock included)	FY ended March, 2020	67,909,449 shares	FY ended March, 2019	68,909,449 shares
b. Number of treasury stock at the end of period	FY ended March, 2020	5,630,407 shares	FY ended March, 2019	6,989,136 shares
c. Average number of shares over the period	FY ended March, 2020	61,954,797 shares	FY ended March, 2019	61,918,863 shares

**(Reference) Summary of non-consolidated business results****Non-consolidated business results for the fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)****(1) Non-consolidated operating results**

(% change from the previous corresponding period)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended March, 2020	84,861	(12.7)	3,451	15.5	4,155	22.4	3,058	(15.3)
FY ended March, 2019	97,175	1.3	2,989	(64.9)	3,394	(62.7)	3,609	(47.9)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY ended March, 2020	49.37	49.37
FY ended March, 2019	58.30	—

**(2) Non-consolidated financial position**

(% change from the previous corresponding period)

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY ended March, 2020	120,807	74,606	61.7	1,196.78
FY ended March, 2019	120,882	71,918	59.5	1,161.46

(Reference) Shareholders' equity As of March, 2020: ¥74,534 million  
As of March, 2019: ¥71,918 million

**\*This financial summary is not subject to auditing by certified public accountants or audit firms.**

**\*Explanation regarding the appropriate use of business forecasts and other special instructions**

The performance forecasts and other forward-looking statements presented in this summary are based on information currently available and certain assumptions deemed to be reasonable. Actual performance, etc. may differ substantially due to various factors.

CKD Corporation is planning to hold a briefing session for institutional investors and analysts on the conference call on May 15, 2020.

Any explanatory materials used in this session will be posted on the Company's website immediately afterward.

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## **1. Overview of business results**

### **(1) Overview of business results for the fiscal year**

#### **[1] Review of the fiscal year**

Japan's economic growth slowed during the consolidated fiscal year while employment and income conditions continued to improve. Corporate earnings in the manufacturing industry remained stagnant, mainly due to declining exports to China, and some businesses deferred their capital investment decisions.

In the global economy, the US economic expansion slowed as both the US and China raised import tariffs, leading to weaker capital investment and production activity. China's economic growth also slowed, partly due to decreased exports to the US, and business activity stalled with the spread of COVID-19. In Europe, decreased exports extended the stagnant conditions in the manufacturing industry.

The CKD Group's performance in this economic climate for the consolidated fiscal year was as follows: net sales of ¥100,717 million, down 12.9% year on year; operating profit of ¥5,230 million, down 3.7%; ordinary profit of ¥5,374 million, down 0.9%; and net income attributable to owners of parent of ¥3,689 million, down 23.0%.

#### **[2] Results of operations by segment**

##### **Automatic Machineries**

Sales of automatic packing systems for pharmaceutical products fell. In industrial machinery, sales of lithium-ion battery manufacturing systems for electric vehicles increased while sales of 3D solder paste inspection machines in China declined.

As a result, sales in this segment declined 1.5% year on year to ¥15,792 million, while improved profitability lifted segment income by 105.7% to ¥2,925 million.

##### **Components**

In Japan, sales declined for machine tools due to the economic slowdown in China, automobile production equipment owing to some orders being postponed, and semiconductor manufacturing equipment.

Sales also declined overseas due to deferred semiconductor-related capital investment and slowed Chinese investment in automation.

As a result, sales in this segment declined 14.8% year on year to ¥84,924 million, and the lower sales led to a 26.5% decline in segment profit to ¥6,306 million.

### **(2) Financial position**

Total assets at the end of the consolidated fiscal year were ¥136,059 million, down ¥902 million from the end of the previous consolidated fiscal year. The main factors included decreases in inventories, income taxes receivable and property, plant and equipment despite increases in cash and deposits.

Liabilities were ¥53,594 million, down ¥2,922 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease in provision for bonuses and loan payable, despite an increase in accrued bonuses, accrued consumption taxes and advances received.

Net assets were ¥82,465 million, up ¥2,020 million from the end of the previous consolidated fiscal year.

The equity-to-asset ratio was 60.5%, up a 1.8 point from the previous consolidated fiscal year.

### (3) Cash flows

Cash and cash equivalents (hereinafter, cash) at the end of the consolidated fiscal year was ¥18,409 million, which was ¥6,381 million higher than that at the end of the previous consolidated fiscal year.

Changes in cash flows by categories through the end of the consolidated fiscal year were as follows.

#### Cash flows from operating activities

Through the end of the consolidated fiscal year under review, net cash provided by operating activities was ¥17,250 million (compared with ¥2,254 million used in operating activities in the previous fiscal year).

Factors contributing positively to cash flows from operating activities were profit before income taxes of ¥5,235 million, depreciation of ¥5,822 million, an increase in accounts payable - bonuses of ¥1,990 million, a decrease in inventories of ¥3,451 million, an increase in advances received of ¥1,232 million, and income taxes refund of ¥1,099 million. These cash flows were offset by a decrease in provision for bonuses of ¥1,868 million, an increase in trade receivables of ¥1,429 million.

#### Cash flows from investing activities

Through the end of the consolidated fiscal year under review, net cash used in investing activities was ¥4,555 million (down 69.4% YOY).

The main factor accounting for the cash flows was purchase of property, plant and equipment of ¥3,583 million.

#### Cash flows from financing activities

Through the end of the consolidated fiscal year under review, net cash used in financing activities was ¥6,022 million. (Compared with ¥14,374 million provided in the previous consolidated fiscal year.)

The main factors accounting for the cash flows were net decrease in short-term borrowings of ¥2,063 million and repayments of long-term borrowings of ¥3,581 million.

Reference: Changes in cash flow-related indexes

	FY ended March. 2016	FY ended March. 2017	FY ended March. 2018	FY ended March. 2019	FY ended March. 2020
Equity-to-asset ratio(%)	68.9	66.7	61.1	58.6	60.5
Equity-to-asset ratio based on current market price (%)	59.7	82.0	112.0	45.1	67.7
Ratio of interest-bearing debt to cash flow (times)	0.6	0.4	2.1	(12.7)	1.4
Interest coverage ratio (times)	165.3	259.4	77.1	(22.6)	77.0

Equity-to-asset ratio (%) = total equity capital ÷ total assets

Equity-to-asset ratio based on current market price (%) = total market value of common stock ÷ total assets

Ratio of interest-bearing debt to cash flow (times) = interest-bearing debt ÷ cash flow

Interest coverage ratio (times) = cash flows ÷ interest payments

Notes: 1. All indicators are calculated based on consolidated financial figures.

2. Total market value of common stock is calculated based on the number of shares outstanding, excluding treasury stock.

3. Cash flows from operating activities are used for figures for cash flow.

4. Interest-bearing debt includes all balance-sheet debt for which interest payments are being made. For interest payment, interest paid from consolidated financial statements of cash flows are used.

#### (4) Consolidated financial forecasts and outlook

Regarding the CKD group's business environment, the economic environment is uncertain because of spread of COVID-19. Due to the difficulty foreseeing the full-year business result in the present circumstance, the company will issue the consolidated financial forecast only for the first quarter of the fiscal year ending on March 31, 2021.

Below are the consolidated projections for the first quarter of the consolidated fiscal year.  
These are based on an exchange rate of ¥105 to the U.S. dollar.

(Million yen)

	1Q FY ending March, 2021	change from the previous corresponding period(%)
Net sales	23,500	1.0
Operating profit	960	237.6
Ordinary profit	960	218.6
Profit attributable to owners of parent	670	208.8

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

#### (5) Basic policy for allocation of profit and dividends for FY2019 and FY2020

Regarding to the return of profit to shareholders, while the company try to increase corporate value through capital investment and R&D investment that strengthen the management base and further expand business, in the return of profit to shareholders the company have a dividend payout ratio of 30% as a rough target.

Under this policy, it was decided at Board of Directors of CKD Corporation on May 14, 2020 that year-end dividends of ¥13 per share would be paid on June 4, 2020. Combined with the ¥5 per share paid as interim dividends in December 2019, the annual dividends for the fiscal year will amount to ¥18 per share, down ¥10 from the end of the previous consolidated fiscal year.

Dividends for the next fiscal year are undecided.

## 2. Basic approach to selection of accounting standards

To enable comparison between companies and years, the CKD Group creates its consolidated financial statements according to "the Rules for Terminology, Forms, and Preparation of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 in 1976)" (excluding Chapter 7 and 8).

When applying international accounting standards, domestic and overseas information is considered and applied as appropriate.

### 3. Consolidated financial statements and major notes

#### (1) Consolidated balance sheets

(Million yen)

	As of March 31, 2019	As of March 31, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	12,463	18,987
Notes and accounts receivable - trade	22,958	24,777
Electronically recorded monetary claims - operating	4,933	4,031
Trade accounts receivable	242	215
Merchandise and finished goods	10,020	9,652
Work in process	4,170	5,132
Raw materials and supplies	25,678	21,190
Other	3,009	1,456
Allowance for doubtful accounts	(30)	(22)
<b>Total current assets</b>	<b>83,447</b>	<b>85,420</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	20,799	19,793
Machinery, equipment and vehicles, net	12,049	11,222
Tools, furniture and fixtures, net	2,105	1,800
Land	6,179	6,142
Leased assets	79	551
Construction in progress	1,431	722
<b>Total property, plant and equipment</b>	<b>42,644</b>	<b>40,232</b>
Intangible assets	2,376	1,869
<b>Investments and other assets</b>		
Investment securities	6,146	6,028
Retirement benefit asset	573	147
Deferred tax assets	863	1,004
Other	947	1,389
Allowance for doubtful accounts	(38)	(33)
<b>Total investments and other assets</b>	<b>8,492</b>	<b>8,537</b>
<b>Total non-current assets</b>	<b>53,513</b>	<b>50,639</b>
<b>Total assets</b>	<b>136,961</b>	<b>136,059</b>

	As of March 31, 2019	As of March 31, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	12,681	12,994
Electronically recorded obligations - operating	2,326	2,369
Short-term borrowings	8,207	6,087
Current portion of bonds	45	129
Current portion of long-term borrowings	3,581	3,564
Lease obligations	37	226
Accrued expenses	1,252	3,170
Income taxes payable	582	1,199
Provision for bonuses	2,157	279
Provision for product warranties	523	396
Provision for loss on order received	57	73
Other	5,877	7,269
<b>Total current liabilities</b>	<b>37,332</b>	<b>37,760</b>
Noncurrent liabilities		
Bonds payable	146	16
Long-term borrowings	16,645	13,270
Lease obligations	45	217
Deferred tax liabilities	101	134
Provision for environmental measures	89	65
Retirement benefit liability	408	414
Asset retirement obligations	224	227
Other	1,520	1,487
<b>Total non-current liabilities</b>	<b>19,183</b>	<b>15,833</b>
<b>Total liabilities</b>	<b>56,516</b>	<b>53,594</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	11,016	11,016
Capital surplus	12,390	12,017
Retained earnings	59,119	61,992
Treasury shares	(4,905)	(3,952)
<b>Total shareholders' equity</b>	<b>77,619</b>	<b>81,074</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,117	1,898
Foreign currency translation adjustment	1,427	206
Remeasurements of defined benefit plans	(858)	(891)
<b>Total accumulated other comprehensive income</b>	<b>2,686</b>	<b>1,213</b>
Share acquisition rights	—	71
Non-controlling interests	138	105
<b>Total net assets</b>	<b>80,444</b>	<b>82,465</b>
<b>Total liabilities and net assets</b>	<b>136,961</b>	<b>136,059</b>

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

Consolidated statements of income

(Million yen)

	FY2018 (April 1, 2018 to March 31, 2019)	FY2019 (April 1, 2019 to March 31, 2020)
Net sales	115,665	100,717
Cost of sales	87,154	74,581
Gross profit	28,510	26,135
Selling, general and administrative expenses		
Personnel expenses	9,966	9,412
Retirement benefit expenses	428	434
Packing and transportation costs	1,560	1,301
Rent expenses	1,512	1,376
Outsourcing expenses	1,621	1,295
Depreciation	553	776
Provision of allowance for doubtful accounts	(6)	(8)
Research and development expenses	3,637	3,383
Enterprise tax	337	357
Other	3,470	2,576
Total selling, general and administrative expenses	23,081	20,905
Operating profit	5,429	5,230
Non-operating income		
Interest income	18	17
Dividend income	168	151
Share of profit of entities accounted for using equity method	1	—
Administrative service fee income	65	125
Insurance claim income	20	135
Subsidy income	60	78
Other	318	271
Total non-operating income	652	781
Non-operating expenses		
Interest expenses	100	225
Sales discounts	171	150
Share of loss of entities accounted for using equity method	—	0
Loss on valuation of derivatives	99	27
Foreign exchange losses	149	80
Other	135	152
Total non-operating expenses	656	637
Ordinary profit	5,425	5,374
Extraordinary income		
Gain on sales of non-current assets	2	3
Gain on sales of investment securities	670	31
Subsidy income	137	32
Reversal on provision for environmental measures	—	13
Total extraordinary income	810	81
Extraordinary losses		
Loss on sales of non-current assets	42	1
Impairment loss	—	130
Loss on retirement of non-current assets	210	53
Loss on tax purpose reduction entry of non-current assets	137	32
Loss on valuation of investment securities	—	1
Total extraordinary losses	389	220
Profit before income taxes	5,846	5,235

(Million yen)

	FY2018 (April 1, 2018 to March 31, 2019)	FY2019 (April 1, 2019 to March 31, 2020)
Income taxes - current	1,260	1,536
Income taxes - deferred	(238)	2
Total income taxes	1,021	1,539
Profit	4,825	3,695
Profit attributable to non-controlling interests	31	5
Profit attributable to owners of parent	4,793	3,689

## Consolidated statements of comprehensive income

(Million yen)

	FY2018 (April 1, 2018 to March 31, 2019)	FY2019 (April 1, 2019 to March 31, 2020)
Profit	4,825	3,695
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,740)	(218)
Foreign currency translation adjustment	(261)	(1,232)
Remeasurements of defined benefit plans, net of tax	41	(32)
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)
Total other comprehensive income	(1,960)	(1,484)
Comprehensive income	2,864	2,211
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,835	2,216
Comprehensive income attributable to non- controlling interests	28	(5)

### (3) Consolidated statement of changes in net assets

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Million yen)

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at the beginning of current period	11,016	12,383	56,812	(4,908)	75,304
Cumulative effects of changes in accounting					—
Restated balance	11,016	12,383	56,812	(4,908)	75,304
Changes of items during the period					
Dividends from surplus			(2,476)		(2,476)
Net income attributable to owners of parent			4,793		4,793
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		6		3	9
Cancellation of treasury shares					—
Exercise of share acquisition rights					—
Employee encouragement and welfare fund			(10)		(10)
Net change of items other than shareholders's equity					
Total changes of items during the period	—	6	2,306	3	2,315
Balance at the end of current period	11,016	12,390	59,119	(4,905)	77,619

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation deferrance 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	3,857	1,686	(899)	4,644	—	109	80,058
Cumulative effects of changes in accounting policies							—
Restated balance	3,857	1,686	(899)	4,644	—	109	80,058
Changes of items during the period							
Dividends from surplus							(2,476)
Net income attributable to owners of parent							4,793
Purchase of treasury stock							(0)
Disposal of treasury stock							9
Cancellation of treasury shares							—
Exercise of share acquisition rights							—
Employee encouragement and welfare fund							(10)
Net change of items other than shareholders's equity	(1,740)	(258)	41	(1,958)	—	28	(1,929)
Total changes of items during the period	(1,740)	(258)	41	(1,958)	—	28	386
Balance at the end of current period	2,117	1,427	(858)	2,686	—	138	80,444

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Million yen)

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholder's equity
Balance at the beginning of current period	11,016	12,390	59,119	(4,905)	77,619
Cumulative effects of changes in accounting			(5)		(5)
Restated balance	11,016	12,390	59,113	(4,905)	77,614
Changes of items during the period					
Dividends from surplus			(805)		(805)
Net income attributable to owners of parent			3,689		3,689
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		90		52	143
Cancellation of treasury shares		(701)		701	—
Exercise of share acquisition rights		239		199	438
Employee encouragement and welfare fund			(5)		(5)
Net change of items other than shareholders's equity					
Total changes of items during the period	—	(372)	2,878	953	3,459
Balance at the end of current period	11,016	12,017	61,992	(3,952)	81,074

	Accumulated other comprehensive income				Share acquisition rights	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	2,117	1,427	(858)	2,686	—	138	80,444
Cumulative effects of changes in accounting							(5)
Restated balance	2,117	1,427	(858)	2,686	—	138	80,439
Changes of items during the period							
Dividends from surplus							(805)
Net income attributable to owners of parent							3,689
Purchase of treasury stock							(0)
Disposal of treasury stock							143
Cancellation of treasury shares							—
Exercise of share acquisition rights							438
Employee encouragement and welfare fund							(5)
Net change of items other than shareholders's equity	(218)	(1,221)	(32)	(1,473)	71	(32)	(1,434)
Total changes of items during	(218)	(1,221)	(32)	(1,473)	71	(32)	2,025
Balance at the end of current period	1,898	206	(891)	1,213	71	105	82,465

#### (4) Consolidated statements of cash flows

(Million yen)

	FY2018 (April 1, 2018 to March 31, 2019)	FY2019 (April 1, 2019 to March 31, 2020)
<b>Cash flows from operating activities</b>		
Profit before income taxes	5,846	5,235
Depreciation	5,173	5,822
Impairment loss	—	130
Share of loss (profit) of entities accounted for using equity method	(1)	0
Increase (decrease) in provision for bonuses	1,744	(1,868)
Increase (decrease) in accounts payable - bonuses	(2,362)	1,990
Decrease (increase) in retirement benefit asset	254	378
Decrease (increase) in trade receivables	3,873	(1,429)
Decrease (increase) in inventories	(5,220)	3,451
Increase (decrease) in trade payables	(6,328)	774
Increase (decrease) in advances received	(263)	1,232
Other, net	(1,260)	1,421
Subtotal	1,455	17,139
Interest and dividends received	185	170
Interest paid	(99)	(223)
Income taxes paid	(3,932)	(967)
Income taxes refund	—	1,099
Subsidies received	137	32
Net cash provided by (used in) operating activities	(2,254)	17,250
<b>Cash flows from investing activities</b>		
Payments into time deposits	(8)	(321)
Proceeds from withdrawal of time deposits	11	—
Purchase of property, plant and equipment	(15,946)	(3,583)
Proceeds from sales of property, plant and equipment	21	8
Purchase of intangible assets	(364)	(498)
Purchase of investment securities	(92)	(280)
Proceeds from sales of investment securities	1,516	114
Other, net	(4)	6
Net cash provided by (used in) investing activities	(14,867)	(4,555)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	5,309	(2,063)
Proceeds from long-term borrowings	16,015	270
Repayments of long-term borrowings	(4,351)	(3,581)
Redemption of short-term bonds	(55)	(45)
Purchase of treasury shares	(0)	(0)
Dividends paid	(2,473)	(805)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	—	432
Proceeds from issuance of share acquisition rights	—	78
Other, net	(69)	(306)
Net cash provided by (used in) financing activities	14,374	(6,022)
Effect of exchange rate change on cash and cash equivalents	(24)	(290)
Net increase (decrease) in cash and cash equivalents	(2,771)	6,381
Cash and cash equivalents at beginning of period	14,799	12,028
Cash and cash equivalents at end of period	12,028	18,409

## **(5) Notes to the consolidated financial statements**

### **Notes regarding assumptions as a going concern**

Not applicable

### **Material Items which form the basis for preparation of the consolidated financial statements**

#### **1. Scope of consolidation**

Consolidated subsidiaries: 20 companies

The names of companies:

(4 Japanese companies)

CKD Shikoku Seiko Corporation  
CKD Global Service Corporation  
CKD Field Engineering Corporation  
CKD NIKKI DENSO CO., LTD.

(16 overseas companies)

CKD THAI CORPORATION LTD.  
CKD SINGAPORE PTE. LTD.  
CKD USA CORPORATION  
CKD Korea Corporation  
M-CKD PRECISION SDN. BHD.  
CKD (China) Corporation  
CKD (Shanghai) Corporation  
Taiwan CKD Corporation  
CKD VIETNAM ENGINEERING CO., LTD.  
PT CKD TRADING INDONESIA  
PT CKD MANUFACTURING INDONESIA  
CKD ILLINOIS LLC  
CKD MEXICO, S. de R.L. de C.V.  
CKD India Private Limited  
CKD Europe B.V.  
Nikki Denso International Korea Co., Ltd.

#### **2. Application of equity method**

Non-consolidated subsidiaries accounted for by the equity method: 1 company

Name of the company: EPSITEC S.R.L.

#### **3. Fiscal year of consolidated subsidiaries**

Out of our consolidated subsidiaries, the fiscal year-ends on December 31 for CKD (China) Corporation, CKD (Shanghai) Corporation, and CKD MEXICO S. de R.L. de C.V., and we provisionally close their accounts on the consolidated closing date (March 31).

#### 4. Accounting policies

##### (1). Basis and method of evaluation of significant assets

###### [1] Marketable Securities

###### Available-for-sale securities

With market value: At fair market value as of the account closing date (changes in fair value are accounted for under the direct addition to the net assets method, and the moving average method is used to calculate the sale value.)

Without market value: At cost, as determined by the moving average method

###### [2] Derivatives

###### At fair value

###### [3] Inventories

a. Merchandise and finished goods	Automatic machineries	Recorded at cost using the individual method (values on the balance sheet are subject to the book value reduction method based on decreased profitability)
	Components merchandise and finished goods	Mainly recorded at cost using the periodic average method (values on the balance sheet are subject to the book value reduction method based on decreased profitability)
b. Work-in-process	Automatic machineries work-in-progress	Recorded at cost using the individual method (values on the balance sheet are subject to the book value reduction method based on decreased profitability)
	Components work-in-progress	Mainly recorded at cost using the periodic average method (values on the balance sheet are subject to the book value reduction method based on decreased profitability)
c. Raw materials and supplies	Raw materials	Mainly recorded at cost using the periodic average method (values on the balance sheet are subject to the book value reduction method based on decreased profitability)
	Supplies	Mainly recorded at cost using the last purchase price method (values on the balance sheet are subject to the book value reduction method based on decreased profitability)

##### (2) Depreciation methods for material depreciable assets

###### [1] Property, plant and equipment (excluding lease assets)

Mainly calculated by the declining-balance method.

Useful lives of property, plant and equipment are as follows:

Buildings and structures: 3-50 years

Machinery, equipment and vehicles: 3-17 years

###### [2] Intangible assets (excluding lease assets)

Calculated by the straight-line method.

Capitalized software for internal use is amortized by the straight-line method over the estimated internal useful life (5 years).

###### [3] Lease assets

The method employed is to take the useful life of the asset as the term of the lease and depreciate the residual value to zero.

##### (3) Accounting for reserves and allowances

###### [1] Allowance for doubtful accounts

To prepare for the possible losses on doubtful accounts, provisions for normal accounts in good standing are calculated using historical default ratios. Provisions for specific doubtful accounts are calculated by examining the probability of recovery for individual accounts and setting aside an amount equivalent to the portion deemed to be unrecoverable.

[2] Provision for bonuses

To cover bonus payments to employees, a provision for bonuses is made based on an estimated amount of payment for the year under review.

[3] Provision for product warranties

To prepare for claims regarding products delivered to customers, a provision for a reasonably projectable amount of expenses to be incurred in the future is made.

[4] Provision for losses on order received

To prepare for losses related to future order contracts, a provision for the estimated losses at the end of the current consolidated fiscal year is made.

[5] Provision for environmental Measures

To prepare for expenses related to the management of waste and removal of harmful substances obligated under laws and regulations, a provision for a reasonably projectable amount of expenses is made.

(4) Accounting treatment of retirement benefits

[1] Method of attributing expected benefit to periods

In calculating retirement benefit obligations, expected benefits are attributed to periods on a payment calculation basis.

[2] Accounting method of actuarial gains and losses and prior service costs

Prior service costs are amortized on a straight-line basis over a certain period (12 years) within the average remaining service years for employees at the time of recognition.

Actuarial gains and losses are amortized on a straight-line basis over a certain period (12 years) within the average remaining service years for employees at the time of recognition and allocated proportionately from the fiscal year following the respective fiscal year of recognition.

[3] Adoption of simplified method for small-scale companies

The simplified method payment, which assumes benefit obligations to be equal to the benefits payable assuming the voluntary retirement of all employees at fiscal year-end, is applied to some consolidated subsidiaries in the calculation of liabilities regarding the payment of retirement benefits and retirement benefit expenses.

(5) Accounting method of material revenues and expenses

The percentage-of-completion method is applied to construction projects recognized to hold certainty of outcomes for the portion completed by the end of the consolidated fiscal year under review, while the completed-contract method is applied to the remaining construction projects. Moreover, the cost-to-cost method is applied for the percentage of completion estimate at the end of the consolidated fiscal year under review for construction projects that use the percentage-of-completion method.

(6) Foreign currency translation of material assets and liabilities

Monetary assets and liabilities denominated in foreign currencies are translated at the current exchange rates in effect at each fiscal year-end date and the resulting foreign exchange gains or losses are recognized as income or expenses.

Assets and liabilities of the foreign consolidated subsidiaries are translated at the current exchange rates in effect at each fiscal year-end date, and revenue and expense accounts are translated at the average rate of exchange in effect during the year. The amounts of translation adjustments are included in the foreign currency translation adjustments under net assets.

(7) Scope of cash equivalents in consolidated statements of cash flows

Currency on hand, bank deposits, and all highly liquid short-term investments with a maturity of three months or less when purchased and which are readily convertible into cash and are exposed to insignificant risk of changes in value are considered cash equivalents.

(8) Other material items for preparing the consolidated financial statements

Accounting for Consumption Tax

The accounting treatment of the consumption tax and the local consumption tax is based on the tax exclusion method.

**Changes in accounting policies**

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

As a result, the "Leased assets" account under the "Property, plant and equipment" was increased by ¥463 million, and the "Lease obligations" account under the "Current liabilities" was increased by ¥169 million, and the "Lease obligations" account under the "Noncurrent liabilities" was increased by ¥170 million respectively, and the "Intangible assets" was decreased by ¥129 million at the end of consolidated fiscal year. Effects of these changes to the "Consolidated statement of income" and "Per share information" are insignificant.

Net assets at the beginning of the consolidated fiscal year reflected cumulative effects. Therefore, the beginning balance of retained earnings were decreased by ¥5 million in the consolidated statement of changes in net assets

As a result, the consolidated statement of cash flows for the consolidated fiscal year reported a ¥ 225 million increase in cash flows from operating activities and a decrease of the same amount in cash flows from financing activities.

**Changes in the methods of presentation**

In the previous consolidated fiscal year, "Insurance claim income" and "Subsidy income" were included in "Other" under "Non-operating income." However, because they exceeded 10% of total non-operating income, they are presented as individual line items in the report for the current consolidated fiscal year. Line items in the consolidated financial statements for the previous consolidated fiscal year have been revised to reflect this change in the methods of presentation.

As a result, in the consolidated statements of income for the previous consolidated fiscal year, the ¥399 million that was reported for "Other" under "Non-operating income" has been revised to "Insurance claim income" of ¥20 million, "Subsidy income" of ¥60 million, and "Other" of ¥318 million.

## **Segment information, etc.**

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

In Components, 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 net sales, profit/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 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

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Million yen)

	Reporting segment			Amount Adjusted (Note 1)	Consolidated (Note 2)
	Automatic Machineries	Components	Total		
<b>Net sales</b>					
Sales to external customers	16,027	99,638	115,665	—	115,665
Intersegment sales or transfers	—	85	85	(85)	—
<b>Total</b>	<b>16,027</b>	<b>99,723</b>	<b>115,750</b>	<b>(85)</b>	<b>115,665</b>
<b>Segment profit</b>	<b>1,422</b>	<b>8,582</b>	<b>10,004</b>	<b>(4,575)</b>	<b>5,429</b>
<b>Segment assets</b>	<b>19,398</b>	<b>105,593</b>	<b>124,992</b>	<b>11,968</b>	<b>136,961</b>
<b>Other items</b>					
Depreciation and amortization	765	4,131	4,896	276	5,173
Increase in property, plant and equipment and intangible assets	636	13,843	14,480	362	14,843

Note 1: Details of the amount adjusted

- (1) The amount of adjustment for 'Net sales' of ¥(85) million is derived from elimination of transactions among segments.
- (2) The amount of adjustment for 'Segment profit' of ¥(4,575) million includes ¥32 million for elimination of transactions among segments and ¥(4,608) 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 ¥11,968 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) and assets of management department.
- (4) The amount adjusted for depreciation of ¥276 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 ¥362 million consists of the amount of property, plant and equipment and intangible assets for the entire company.

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

'Segment assets' has already been adjusted with total assets shown in the consolidated balance sheets.

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Million yen)

	Reporting segment			Amount Adjusted (Note 1)	Consolidated (Note 2)
	Automatic Machineries	Components	Total		
Net sales					
Sales to external customers	15,792	84,924	100,717	—	100,717
Intersegment sales or transfers	—	140	140	(140)	—
Total	15,792	85,065	100,857	(140)	100,717
Segment profit	2,925	6,306	9,231	(4,001)	5,230
Segment assets	22,381	98,685	121,067	14,991	136,059
Other items					
Depreciation and amortization	694	4,846	5,540	281	5,822
Increase in property, plant and equipment and intangible assets	306	2,517	2,824	236	3,060

Note 1: Details of the amount adjusted

- (1) The amount of adjustment for 'Net sales' of ¥(140) million is derived from elimination of transactions among segments.
- (2) The amount of adjustment for 'Segment profit' of ¥(4,001) million includes ¥31 million for elimination of transactions among segments and ¥(4,032) 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 ¥14,991 million is the total company assets not allocated to each reporting segment. This mainly consists of working surplus funds (cash and deposits) , long-term investment funds (investment securities) and assets of management department.
- (4) The amount adjusted for depreciation of ¥281 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 ¥236million consists of the amount of property, plant and equipment and intangible assets for the entire company.

Note 2: 'Segment profit' has already been adjusted with operating profit shown in the consolidated statement of income.  
'Segment assets' has already been adjusted with total assets shown in the consolidated balance sheets.

(Related information)

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

1. Information regarding products and services

Disclosure is omitted as the same information is disclosed in segment information.

2. Information regarding each region

[1] Net sales

(Million yen)

Japan	China	Rest of Asia	Other	Total
84,515	13,016	14,236	3,897	115,665

Note: 1. Net sales are classified by country or region based on the customer's location.

2. The amount under "Rest of Asia" is net sales in Asia excluding both Japan and China.

[2] Property, plant and equipment

(Million yen)

Japan	China	Other	Total
34,604	7,106	933	42,644

3. Information by principal customer

Of the net sales to outside customers, there are no customers accounting for 10% or more of total net sales under the consolidated statements of income.

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

1. Information regarding products and services

Disclosure is omitted as the same information is disclosed in segment information.

2. Information regarding each region

[1] Net sales

(Million yen)

Japan	China	Rest of Asia	Other	Total
75,944	9,262	12,057	3,452	100,717

Note: 1. Net sales are classified by country or region based on the customer's location.

2. The amount under "Rest of Asia" is net sales in Asia excluding both Japan and China.

[2] Property, plant and equipment

(Million yen)

Japan	China	Other	Total
32,938	6,441	852	40,232

3. Information by principal customer

Of the net sales to outside customers, there are no customers accounting for 10% or more of net sales under the consolidated statements of income.

(Information on impairment losses on non-current assets by reporting segment)

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

Not applicable

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Million yen)

	Reporting segments			Amount Adjusted	Consolidated
	Automatic Machineries	Components	Total		
Impairment loss	130	—	130	—	130

(Information related to the amount of amortization of goodwill and the unamortized amount of goodwill by reporting segment)

Not applicable

(Information on gain on bargain purchase by reporting segment)

Not applicable

### Per share information

	FY2018 (April 1, 2018 to March 31, 2019)	FY2019 (April 1, 2019 to March 31, 2020)
	Yen	Yen
Net assets per share	1,296.94	1,321.28
Basic earnings per share	77.42	59.56
Diluted earnings per share	—	59.56

Note 1. Diluted earnings per share for the previous fiscal year is not stated because there were no potential shares.

2. Basis for calculations of net income per share and diluted earnings per share.

	FY2018 (April 1, 2018 to March 31, 2019)	FY2019 (April 1, 2019 to March 31, 2020)
Basic earnings per share		
Profit attributable to owners of parent (Million yen)	4,793	3,689
Amount not attributable to owners of ordinary shares (Million yen)	—	—
Profit attributable to owners of parent related to ordinary shares (Million yen)	4,793	3,689
Average number of ordinary shares over the period (Thousand shares)	61,918	61,954
Diluted earnings per share		
Adjustments of profit attributable to owners of parent (Million yen)	—	—
Increase in ordinary shares (Thousand shares)	—	0
Share acquisition rights (Thousand shares)	—	0
Summary of potential shares not included in calculation of diluted earnings per share because there are no dilutive effects	—	The first time of share acquisition rights The number of share acquisition rights 29,363 (Ordinary shares 2,936,300 shares)  The second time of share acquisition rights The number of share acquisition rights 13,800 (Ordinary shares 1,380,000 shares)

### Material subsequent events

Not applicable

#### 4. Others

##### (1) Production, orders, and net sales

[1] Actual production

Actual production by reporting segment in the fiscal year under review are as follows.

Segment name	Production output (Million yen)	Change YoY (%)
Automatic machineries	18,081	+7.3
Components	83,600	(17.1)
Total	101,681	(13.6)

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 fiscal year under review are as follows.

Segment name	Orders (Million yen)	Change YoY (%)	Order backlog (Million yen)	Change YoY (%)
Automatic machineries	16,450	(7.3)	13,050	+5.3

Notes: 1. Production is carried out by expected demand, excluding the Automatic machineries segment.

2. Above figures are exclusive of consumption tax.

[3] Actual net sales

Actual net sales by reporting segment in the fiscal year under review are as follows.

Segment name	Sales (Million yen)	Change YoY (%)
Automatic machineries	15,792	(1.5)
Components	84,924	(14.8)
Total	100,717	(12.9)

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

2. Above figures are exclusive of consumption tax.

##### (2) Change of officers

For changes in officers, please refer to the attachment from the next page onwards.

Changes of Officers (As of June 19, 2020)

(1) Executive Officers whose duties have changed

Name	New role(s)	Current role(s)
Katsuhito Okuoka	Executive Director and Senior Managing Executive Officer of Profit and Budget, concurrently serving as General Manager of Corporate Planning Department, General Manager of Security Export Control Office, General Manager of Internal Control Audit Office	Executive Director and Senior Managing Executive Officer of Quality and Environment, concurrently serving as General Manager of Components Business Division
Katsunori Hayashida	Director and Executive Officer of Quality and Environment, concurrently serving as General Manager of Components Business Division	Director and Executive Officer, General Manager of Automatic Machinery Business Division

(2) Prospective new Auditors

Name	New role(s)	Current role(s)
Masafumi Kokubo	Standing Auditor	Director and Senior Executive Officer of Profit and Budget, concurrently serving as General Manager of Corporate Planning Department, General Manager of Security Export Control Office, General Manager of Internal Control Audit Office
Shuzo Hashimoto	Auditor (Outside auditor)	

(3) Prospective new Executive Officers

Name	New role(s)	Current role(s)
Yoshiaki Kitahora	Executive Officer General Manager of Automatic Machinery Business Division, concurrently serving as General Manager of Business Strategy Office	General Manager of Business Strategy Office, Automatic Machinery Business Division
Yoshiyuki Amamo	Executive Officer General Manager of Information Resource Management Department	General Manager of Information Resource Management Department

(4) Auditors planning to step down

Name	New role(s)	Current role(s)
Shigeru Ohmori	Advisor	Standing Auditor
Naotaka Nanya		Auditor (Outside auditor)

(5) Executive Officers planning to step down

Name	New role(s)	Current role(s)
Noriaki Ichimura	Special Advisor Sales Promotion Officer of Sales and Marketing Division	Executive Officer Deputy General Manager of Sales and Marketing Division, concurrently serving as General Manager of East Japan Branch
Toru Iwata	Special Advisor Production Promotion Officer of Administration Department, Components Business Division	Executive Officer General Manager of Operational Reform Promotion Center

## Roles and Brief Resume of New Auditors

New role	Standing Auditor
Name	Masafumi Kokubo
Date of birth	March 9, 1961 (age 59)
Place of birth	Mie Prefecture
Current location	Komaki City, Aichi Prefecture
Most recent education	
March 1983	Graduated from Department of Agricultural Machinery, Faculty of Agriculture, Mie University
Brief resume	
April 1983	Entered CKD Corporation
October 2005	General Manager of Sales Planning Department, Sales and Marketing Division
October 2008	Director and President, Taiwan CKD Corporation
September 2012	General Manager of Corporate Planning Department, CKD
June 2015	Executive Officer and General Manager of Corporate Planning Department
June 2018	Director and Executive Officer of Profit and Budget, General Manager of Corporate Planning Department, General Manager of Security Export Control Office, General Manager of Internal Control Audit Office
June 2019	Director and Senior Executive Officer of Profit and Budget, General Manager of Corporate Planning Department, General Manager of Security Export Control Office, General Manager of Internal Control Audit Office (current role)
June 2020	To be appointed as Standing Auditor, CKD
Date of appointment	June 19, 2020

## Roles and Brief Resume of New Auditors

New role	Auditor (Outside auditor)
Name	Shuzo Hashimoto
Date of birth	April 5, 1956 (age 64)
Place of birth	Aichi Prefecture
Current location	Nagoya City, Aichi Prefecture
Most recent education	
March 1980	Graduated from Department of Economics, School of Political Science and Economics, Waseda University
Brief resume	
April 1987	Registered as attorney at law (current role) Entered Oguri Law Office
April 1992	Established Hashimoto Law Firm, Director (current role)
April 2004	Vice Chairman of Nagoya Bar Association (currently Aichi Bar Association)
June 2020	To be appointed as Auditor, CKD
Date of appointment	June 19, 2020