

***CKD Corporation and
Consolidated Subsidiaries***

*Consolidated Financial Statements
for the Years Ended
March 31, 2017 and 2016*

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

(Unit : million yen)

	Consolidated Accounting Year (as of March 31, 2016)	Consolidated Accounting Year (as of March 31, 2017)
ASSETS		
Current Assets		
Cash and deposits	9,951	13,336
Notes and accounts receivable-trade	21,186	23,758
Electronically recorded monetary claims-operating	1,905	3,693
Operating accounts receivable	1,150	263
Short-term investment securities	2,000	1,000
Merchandise and finished goods	4,673	5,526
Work-in-process	3,669	3,956
Raw materials and supplies	12,178	14,472
Deferred tax assets	1,308	1,521
Other	1,049	1,455
Allowance for doubtful debts	△ 103	△ 99
Total Current Assets	58,969	68,883
Noncurrent Assets		
Property, plant and equipment		
Buildings and structures (net)	12,304	11,517
Machinery, equipment and vehicles (net)	8,888	8,799
Tools, furniture and fixtures (net)	1,243	1,401
Land	4,472	4,570
Lease assets (net)	148	122
Construction in progress	655	651
Total property, plant and equipment	27,712	27,062
Intangible assets	755	1,756
Investment and other asset		
Investment securities	7,864	7,229
Net defined benefit assets	334	454
Deferred tax assets	89	223
Other	716	782
Allowance for doubtful debts	△ 31	△ 31
Total Investments and Other assets	8,974	8,658
Total Noncurrent Assets	37,442	37,477
Total ASSETS	96,412	106,361

(Unit : million yen)

	Consolidated Accounting Year (as of March 31, 2016)	Consolidated Accounting Year (as of March 31, 2017)
LIABILITIES		
Current Liabilities		
Notes and accounts payable-trade	11,873	14,774
Electronically recorded obligations-operating	920	1,385
Short-term loans payable	901	882
Current portion of long-term loans payable	770	470
Lease obligations	62	71
Accrued expenses	2,676	3,039
Income taxes payable	1,463	2,406
Provision for bonuses	178	227
Provision for product warranties	211	317
Provision for loss on order received	14	29
Other	4,580	6,041
Total Current Liabilities	23,652	29,645
Noncurrent Liabilities		
Long-term loans payable	2,720	2,250
Lease obligations	96	58
Deferred tax liabilities	1,805	1,626
Provision for environmental measures	76	75
Net defined benefit liabilities	226	258
Asset retirement obligations	147	190
Other	1,267	1,298
Total Noncurrent Liabilities	6,339	5,758
Total LIABILITIES	29,992	35,403
NET ASSETS		
Shareholders' Equity		
Capital stock	11,016	11,016
Capital surplus	12,372	12,372
Retained earnings	44,445	49,723
Treasury stock	△ 4,905	△ 4,906
Total Shareholders' Equity	62,929	68,206
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities	3,105	2,653
Foreign currency translation adjustment	1,808	1,323
Remeasurements of defined benefit plans	△ 1,423	△ 1,225
Total Accumulated Other Comprehensive Income	3,490	2,751
Total NET ASSETS	66,419	70,957
Total LIABILITIES and NET ASSETS	96,412	106,361

② [Consolidated Statements of Income and Statements of Comprehensive Income]

[Consolidated Statements of Income]

(Unit : million yen)

	Consolidated Accounting Year (April 1, 2015 to March 31, 2016)	Consolidated Accounting Year (April 1, 2016 to March 31, 2017)
Net Sales	88,117	94,012
Cost of Sales	61,382	65,284
Gross Profit	26,734	28,727
Selling, General and Administrative Expenses		
Personal expenses	8,544	8,433
Retirement benefit expenses	219	375
Packing and transportation expenses	968	1,033
Rent expenses	1,225	1,178
Business consignment expenses	1,030	1,158
Depreciation	437	369
Provision of allowance for doubtful accounts	81	8
Research and development expenses	2,857	3,348
Enterprise tax	216	408
Other	3,046	2,832
Total Selling, General and Administrative Expenses	18,627	19,146
Operating Income	8,107	9,580
Non-operating Income		
Interest income	39	25
Dividends income	118	119
Office work fee	61	71
Dividends income of insurance	45	40
Other	181	239
Total Non-operating Income	446	496
Non-operating Expenses		
Interest expenses	47	39
Sales discounts	139	142
Loss on valuation of derivatives	32	43
Foreign exchange losses	193	38
Other	46	41
Total Non-operating Expenses	459	305
Ordinary Income	8,094	9,771
Extraordinary Income		
Gain on sales of noncurrent assets	125	3
Gain on sales of investment securities	35	182
Subsidy income	283	206
Total Extraordinary Income	444	392
Extraordinary Losses		
Loss on sales of noncurrent assets	8	7
Loss on retirement of noncurrent assets	143	31
Loss on reduction of noncurrent assets	213	205
Environmental expenses	83	—
Total Extraordinary Losses	447	244
Income before Income Taxes	8,091	9,919
Income taxes-current	2,500	3,360
Income taxes-deferred	131	△399
Income taxes	2,631	2,961
Net Income	5,459	6,958
Profit (loss) attributable to owners of parent	5,459	6,958

[Consolidated Statement of Comprehensive Income]

(Unit : million yen)

	Consolidated Accounting Year (April 1, 2015 to March 31, 2016)	Consolidated Accounting Year (April 1, 2016 to March 31, 2017)
Net Income	5,459	6,958
Other Comprehensive Income		
Valuation difference on available-for-sale securities	652	Δ 452
Foreign currency translation adjustment	Δ 1,563	Δ 484
Remeasurements of defined benefit plans	Δ 1,345	197
Total Other Comprehensive Income	Δ 2,257	Δ 739
Comprehensive Income	3,201	6,219
(Details)		
Comprehensive income attributable to owners of the parent	3,201	6,219
Comprehensive income attributable to non-controlling interests	—	—

③ [Consolidated Statement of Changes in Net Assets]

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

(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	40,611	△ 4,557	59,807
Changes of items during the period					
Dividends from surplus			△ 1,616		△ 1,616
Profit (loss) attributable to owners of parent			5,459		5,459
Purchase of treasury stock				△ 712	△ 712
Disposal of treasury stock		△ 364		364	—
Employee encouragement and welfare fund			△ 8		△ 8
Change of scope of consolidation					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	△ 364	3,834	△ 347	3,121
Balance at the end of current period	11,016	12,372	44,445	△ 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 income	
Balance at the beginning of current period	2,453	3,371	△ 77	5,747	65,555
Changes of items during the period					
Dividends from surplus					△ 1,616
Profit (loss) attributable to owners of parent					5,459
Purchase of treasury stock					△ 712
Disposal of treasury stock					—
Employee encouragement and welfare fund					△ 8
Change of scope of consolidation					—
Net changes of items other than shareholders' equity	652	△ 1,563	△ 1,345	△ 2,257	△ 2,257
Total changes of items during the period	652	△ 1,563	△ 1,345	△ 2,257	864
Balance at the end of current period	3,105	1,808	△ 1,423	3,490	66,419

Consolidated Accounting Year (April 1, 2016 to March 31, 2017)

(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	12,372	44,445	Δ 4,905	62,929
Changes of items during the period					
Dividends from surplus			Δ 1,671		Δ 1,671
Profit (loss) attributable to owners of parent			6,958		6,958
Purchase of treasury stock				Δ 0	Δ 0
Employee encouragement and welfare fund			Δ 3		Δ 3
Change of scope of consolidation			Δ 6		Δ 6
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	5,277	Δ 0	5,276
Balance at the end of current period	11,016	12,372	49,723	Δ 4,906	68,206

	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 income	
Balance at the beginning of current period	3,105	1,808	Δ 1,423	3,490	66,419
Changes of items during the period					
Dividends from surplus					Δ 1,671
Profit (loss) attributable to owners of parent					6,958
Purchase of treasury stock					Δ 0
Employee encouragement and welfare fund					Δ 3
Change of scope of consolidation					Δ 6
Net changes of items other than shareholders' equity	Δ 452	Δ 484	197	Δ 739	Δ 739
Total changes of items during the period	Δ 452	Δ 484	197	Δ 739	4,537
Balance at the end of current period	2,653	1,323	Δ 1,225	2,751	70,957

④ [Consolidated Statement of Cash Flow]

(Unit: million yen)

	Consolidated Accounting Year (April 1, 2015 to March 31, 2016)	Consolidated Accounting Year (April 1, 2016 to March 31, 2017)
Net Cash Provided by Operating Activities		
Income before income taxes	8,091	9,919
Depreciation and amortization	4,060	3,964
Increase (decrease) in provision for bonuses	55	53
Increase (decrease) in accounts payable-bonuses	△ 31	253
Decrease (increase) in net defined benefit assets	△ 286	164
Decrease (increase) in notes and accounts receivable-trade	△ 1,550	△ 3,648
Decrease (increase) in inventories	△ 1,615	△ 3,557
Increase (decrease) in notes and accounts payable-trade	941	3,473
Increase (decrease) in advances received	2	1,117
Other	24	898
Sub-total	9,692	12,639
Interest and dividends income received	158	146
Interest expenses paid	△ 48	△ 39
Income taxes paid	△ 1,775	△ 2,584
Net Cash Provided by Operating Activities	8,027	10,163
Net Cash Provided by Investing Activities		
Payments into time deposits	△ 480	△ 237
Proceeds from withdrawal of time deposits	279	417
Net decrease (increase) in short-term investment securities	1,498	1,000
Purchase of property, plant and equipment	△ 7,284	△ 4,067
Purchase of intangible assets	△ 272	△ 1,175
Purchase of investment securities	△ 206	△ 457
Proceeds from sales of investment securities	151	569
Other	131	△ 130
Net Cash Provided by Investing Activities	△ 6,183	△ 4,081
Net Cash Provided by Financing Activities		
Net increase (decrease) in short-term loans payable	△ 191	△ 2
Repayment of long-term loans payable	△ 770	△ 770
Purchase of treasury stock	△ 700	△ 0
Cash dividends paid	△ 1,614	△ 1,672
Other	△ 52	△ 60
Net Cash Provided by Financing Activities	△ 3,329	△ 2,505
Effect of exchange rate change on cash and cash equivalents	△ 461	△ 14
Net increase (decrease) in cash and cash equivalents	△ 1,947	3,561
Cash and cash equivalents at beginning of period	12,290	10,342
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	0
Cash and cash equivalents at end of period	10,342	13,905

[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, 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.

Note 3 : 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.

Consolidated Accounting Year (April 1, 2016 to March 31, 2017)

(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	18,380	75,631	94,012	—	94,012
Internal sales amount or amount transferred among segments	—	94	94	△94	—
Total	18,380	75,726	94,107	△94	94,012
Profit for segment	2,103	11,189	13,292	△3,711	9,580
Asset of segment	21,930	71,154	93,085	13,276	106,361
Other items					
Depreciation	867	2,910	3,777	186	3,964
Increase of tangible and intangible fixed assets	1,027	2,542	3,569	1,294	4,864

Note 1 : Details of the amount adjusted

- (1) The amount of adjustment for 'Net sales' i.e. △94 million yen is derived from elimination of transactions among segments.
- (2) The amount of adjustment for 'Profit for segment' i.e. △3,711 million yen includes 34 million yen for elimination of transactions among segments and △3,745 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. 13,276 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. 186 million yen mainly consists of depreciation related to head office building.
- (5) The amount adjusted for increase of tangible/intangible assets, i.e. 1,294 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.