



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

July 31, 2018

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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, 2019 (April 1, 2018 to June 30, 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	%
1Q FY2018	30,783	20.8	2,781	2.7	2,838	3.4	2,156	8.1
1Q FY2017	25,481	22.6	2,707	64.3	2,744	77.5	1,994	82.4

Note: Comprehensive income First quarter of FY2018: ¥1,483 million (-39.6%)
 First quarter of FY2017: ¥2,455 million (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
1Q FY2018	34.83	—
1Q FY2017	32.21	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of June 30, 2018	134,019	80,302	59.8
As of Mar. 2018	130,887	80,058	61.1

Reference: Shareholders' equity As of June 30, 2018: ¥80,180 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	—	—	—	—	—
FY2018 ending Mar. 2019 (forecast)	—	20.00	—	20.00	40.00

Note: Revisions from recently announced dividend forecast: None

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
For the six months ending Sept. 2018	60,000	10.6	6,900	18.0	6,900	17.0	4,800	12.4	77.53
FY2018 ending Mar. 2019	122,000	5.4	14,000	12.2	14,000	12.3	9,800	7.2	158.28

Note: Revisions from recently announced performance forecast: None

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)	1Q FY2018	68,909,449 shares	FY2017	68,909,449 shares
b. Number of treasury stock at the end of period	1Q FY2018	6,994,011 shares	FY2017	6,993,934 shares
c. Average number of shares over the period (quarterly accumulation period)	1Q FY2018	61,915,486 shares	1Q FY2017	61,916,681 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 2 of the attached materials.

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1. Quarterly business results

(1) Results of operations

During the first quarter of the fiscal year under review, the Japanese economy experienced a gradual recovery. The driving force for this recovery was brisk consumer spending, due to continued improvements in both employment conditions and the income environment. Corporate earnings improved benefitting from strong domestic demand and expansion of exports, and capital expenditure increased to strengthen production capacity and to streamline and achieve labor saving.

Meanwhile, in the overseas economies, consumer spending remained solid due to favorable employment conditions in the U.S., and the sustained expansion of corporate production activities. Europe began to recover due to influences such as changes in monetary easing measures. In China, the economy remained firm, underpinned by individual consumption despite facing a pause in the growth of infrastructure investment due to government restraints.

Against this background, the CKD Group recorded strong consolidated results in the first quarter of the fiscal year under review, with net sales of ¥30,783 million, up 20.8%, year on year, operating income of ¥2,781 million, up 2.7%, and ordinary income of ¥2,838 million up 3.4%. Net income attributable to owners of parent was ¥2,156 million, an increase of 8.1% from the same quarter last year.

Results of operations by segment

a. Automatic Machineries Products

Sales of automatic packaging systems for pharmaceuticals and food increased.

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

As a result, sales in this segment were ¥2,468 million, up 17.7% year on year, and the segment loss was ¥127 million compared to segment loss of ¥98 million in the same quarter of the previous year. Main factors included a tightening in the domestic order prices, and strategically receiving orders of overseas properties with an eye to the future expansion.

b. Component Products

In the Japanese market, sales increased. Factors included ongoing investment in memories for semiconductor production equipment and strong demand both in Japan and overseas for machine tools.

In overseas markets, sales increased in China, where capital investment for the automation and upgrading of production facilities is ongoing, and in South Korea and Taiwan, where semiconductor capital investment is firm.

As a result, net sales increased to ¥28,314 million, up 21.1% year on year, and segment income increased to ¥4,210 million, up 8.1% year on year. This was mainly due to increased expenses to strengthen production capacity in response to increased sales.

(2) Financial position

Total assets at the end of the first quarter on a consolidated basis increased by ¥3,131 million from the end of the previous fiscal year to ¥134,019 million. Principle factors included increases in inventories and property, plant and equipment and occurred despite declines in cash and deposits and investment securities.

Total liabilities increased by ¥2,887 million from the end of the previous fiscal year to ¥53,716 million, mainly due to income taxes payable, long-term loans payable, and deferred tax liabilities, but this was offset by increases in notes and accounts payable-trade and provision for bonuses.

Net assets at the end of the first quarter increased by ¥244 million from the end of the previous fiscal year to ¥80,302 million.

The shareholders' equity ratio was 59.8%, a 1.3 percentage point decrease from the end of the previous consolidated fiscal year.

(3) Earnings forecast and outlook

The earnings forecasts announced on May 14, 2018 remain unchanged for both the second quarter consolidated cumulative period and full-year forecasts. However, we need to pay close attention to the impact of trade friction between the U.S. and China, the impact of geopolitical risks, and exchange rate fluctuations.

2. Consolidated financial statements and major notes

(1) Consolidated balance sheets

(Million yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	15,245	11,212
Notes and accounts receivable-trade	26,721	25,963
Electronically recorded monetary claims-operating	5,215	5,673
Operating accounts receivable	249	289
Merchandise and finished goods	8,840	10,641
Work-in-process	4,782	5,060
Raw materials and supplies	21,094	24,677
Other	1,687	1,738
Allowance for doubtful accounts	(109)	(117)
Total current assets	83,726	85,139
Noncurrent assets		
Property, plant and equipment (Net)		
Buildings and structures (net)	13,350	13,106
Other	19,848	22,680
Total property, plant and equipment	33,199	35,787
Intangible assets	2,612	2,548
Investments and other assets	11,349	10,544
Total noncurrent assets	47,160	48,880
Total assets	130,887	134,019

(Million yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	19,021	21,141
Electronically recorded obligations-operating	2,429	2,971
Short-term loans payable	6,591	6,660
Current portion of bonds	55	55
Income taxes payable	2,261	1,312
Provision for bonuses	414	1,712
Other provision	491	492
Other	11,809	12,426
Total current liabilities	43,074	46,772
Noncurrent liabilities		
Bonds payable	191	184
Long-term loans payable	4,845	4,515
Other provision	161	110
Net defined benefit liabilities	390	394
Other	2,165	1,738
Total noncurrent liabilities	7,754	6,944
Total liabilities	50,829	53,716
Net assets		
Shareholders' equity		
Capital stock	11,016	11,016
Capital surplus	12,383	12,383
Retained earnings	56,812	57,730
Treasury stock	(4,908)	(4,908)
Total shareholders' equity	75,304	76,222
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,857	3,335
Foreign currency translation adjustment	1,686	1,457
Remeasurements of defined benefit plans	(899)	(834)
Total accumulated other comprehensive income	4,644	3,958
Non-controlling interests	109	122
Total net assets	80,058	80,302
Total liabilities and net assets	130,887	134,019

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

Consolidated statements of income

(Million yen)

	FY2017 (April 1, 2017 to June 30, 2017)	FY2018 (April 1, 2018 to June 30, 2018)
Net sales	25,481	30,783
Cost of sales	17,041	21,756
Gross profit	8,440	9,026
Selling, general and administrative expenses	5,732	6,245
Operating income	2,707	2,781
Non-operating income		
Interest income	4	4
Dividends income	69	77
Other	105	134
Total non-operating income	179	216
Non-operating expenses		
Interest expenses	18	15
Sales discounts	37	43
Share of loss of entities accounted for using equity method	46	0
Loss on valuation of derivatives	10	34
Foreign exchange losses	15	44
Other	13	20
Total non-operating expenses	142	159
Ordinary income	2,744	2,838
Extraordinary income		
Gain on sales of noncurrent assets	0	2
Gain on sales of investment securities	3	20
Gain on bargain purchase	149	-
Subsidy income	-	100
Total extraordinary income	153	123
Extraordinary loss		
Loss on sales of noncurrent assets	0	0
Loss on retirement of noncurrent assets	14	9
Loss on reduction of noncurrent assets	-	100
Total extraordinary loss	15	110
Income before income taxes	2,882	2,851
Income taxes-current	1,077	1,230
Income taxes-deferred	(201)	(550)
Total income taxes	875	680
Net income	2,007	2,171
Net income attributable to non-controlling interests	13	14
Net income attributable to owners of parent	1,994	2,156

Consolidated statements of comprehensive income

(Million yen)

	FY2017 (April 1, 2017 to June 30, 2017)	FY2018 (April 1, 2018 to June 30, 2018)
Net income	2,007	2,171
Other comprehensive income		
Valuation difference on available-for-sale securities	315	(522)
Foreign currency translation adjustment	88	(231)
Remeasurements of defined benefit plans	42	65
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	447	(688)
Comprehensive income	2,455	1,483
(Details)		
Comprehensive income attributable to owners of the parent	2,443	1,469
Comprehensive income attributable to non- controlling interests	12	13

(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

First quarter of the fiscal year ended March 31, 2018 (April 1, 2017 to June 30, 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	2,098	23,383	25,481	-	25,481
Intersegment sales or transfers	-	28	28	(28)	-
Total	2,098	23,411	25,509	(28)	25,481
Segment income (loss)	(98)	3,893	3,794	(1,087)	2,707

Notes: 1. The amount of adjustment for 'Segment income (loss)' of ¥(1,087) million includes ¥7 million for elimination of transactions among segments and ¥(1,094) 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.

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. Moreover, since the gain on bargain purchase is recorded as extraordinary income, it is therefore not included in segment income.

First quarter of the fiscal year ending 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.

3. Supplementary information

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	3,175	(41.9)
Components	29,450	+20.5
Total	32,626	+9.1

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	4,165	+36.9	12,363	+7.3

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

2. Above figures are exclusive of consumption tax.

[3] Actual 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	2,468	+17.7
Components	28,314	+21.1
Total	30,783	+20.8

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

2. Above figures are exclusive of consumption tax.