Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

MATTERS TO BE DISCLOSED ON THE INTERNET CONCERNING THE NOTICE OF THE 102ND ANNUAL GENERAL MEETING OF SHAREHOLDERS

(April 1, 2021 – March 31, 2022)

CKD Corporation

Of the documents to be included in the Notice of 102nd Annual General Meeting of Shareholders, Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements are posted on the Company’s website (https://www.ckd.co.jp/) to make them available for the shareholders, pursuant to laws and regulations and provisions of Article 15 of the Company’s Articles of Incorporation.

Systems to Ensure the Appropriateness of Operations

The Company's systems to ensure the appropriateness of operations, and the status of operations of such systems, are as follows.

<table>
<tr>
<td rowspan="2">1. Compliance structure
(Article 362, Paragraph 4, Item 6 of the Companies Act; Article 100, Paragraph 1, Item 4 of the Regulation for Enforcement of the Companies Act)</td>
<td>[Basic policy]
1) The Company shall establish the Code of Conduct to fulfill its corporate social responsibility and establish rules and regulations regarding related laws and regulations to ensure compliance thoroughly.
2) The Company shall not have any relationship with antisocial forces and it will take a firm stand against them as an organization.
3) The Company shall establish a reporting contact point and put in place a system to prevent and correct violations of laws and regulations.</td>
</tr>
<tr>
<td>[Overview of the status of operation]
1) The Company has established the Compliance Committee as an organization to promote the enhancement of business ethic awareness of employees and the Company's value, and is conducting activities.
2) The Company clearly states its basic policy on antisocial forces in the Code of Conduct. This policy is made known to employees working at the Group through initiatives such as internal training.
3) The Company has established a reporting contact point as a whistle-blowing mechanism for employees, etc., working in the Group. In addition to the internal reporting contact point, by setting up an external reporting contact point using independent attorneys, the Company ensures the anonymity of the reporter and the confidentiality of reporting, giving consideration to protection of the reporter, and endeavoring to ensure the early detection and correction of any compliance violations.</td>
</tr>
</table>

2.	Risk management system (Article 100, Paragraph 1, Item 2 of the Regulation for Enforcement of the Companies Act)	[Basic policy] Regarding risk management, awareness of legal compliance among all employees shall be raised and the risk management departments within each business division shall work in close cooperation to ensure compliance thoroughly, with the risk management departments at headquarters that handles company-wide risk management (Corporate Planning Department, General Affairs Department, Digital Strategy Department, and Internal Control & Audit Office) playing a central role. In addition, the Risk Management Committee, established under the Board of Directors as an organization that manages risks company-wide, deliberates and decides on matters related to the development of company-wide risk management in order to respond accurately and promptly to increasingly complex risks.
		[Overview of the status of operation] The Company holds meetings of the Risk Management Committee in accordance with the Risk Management Regulations, to identify and manage risks involved in the Company and its subsidiaries. The status of these activities is reported to the Board of Directors.

3. System for the efficient execution of duties (Article 100, Paragraph 1, Item 3 of the Regulation for Enforcement of the Companies Act)	[Basic policy] 1) In principle, meetings of the Board of Directors are held at least once per month, and the Management Conference mainly composed of officers is held as needed, to facilitate rapid management decision-making. 2) Regarding management issues in each business division, the Monthly Business Review is held with the attendance of officers and division heads to share information and reflect it in management decisions, through analyzing the business environment and reporting on the progress of the performance plan. 3) An executive officer system has been introduced to separate the business execution functions from the management decision-making and supervisory functions conventionally held by the Board of Directors and reduce the number of Directors to ensure accurate and prompt decision-making and to execute business operations flexibly by delegating authority over business execution to Executive Officers and clarifying responsibilities.
	[Overview of the status of operation] 1) The Rules and Regulations of the Board of Directors clearly stipulate matters to be resolved and reported by the Board of Directors. In the current fiscal year, the Company held 12 meetings of the Board of Directors. Seven Directors, including three External Directors, attended all of the meetings, and they conducted reporting and reviewing of issues, and formulating of management plans, etc. as needed. 2) The material subjects regarding business execution are submitted to the Management Conference and Monthly Business Review for discussion of various matters including whether any potential risks exist, prior to presentation to the Board of Directors, to endeavor to ensure appropriate and effective execution of duties by Directors. 3) Executive Officers execute duties within the scope of their individual authority and responsibilities, under the supervision of the Board of Directors.

4. System for the retention and management of information (Article 100, Paragraph 1, Item 1 of the Regulation for Enforcement of the Companies Act)	[Basic policy] Information concerning the execution of duties by Directors, including documents for obtaining approval of management and minutes of various meetings shall be stored and managed appropriately in accordance with laws and regulations and internal rules to ensure that the execution of duties by Directors is conducted appropriately.
	[Overview of the status of operation] Documents concerning the execution of duties by Directors, including documents for obtaining the approval of management and minutes of the Board of Directors meetings are stored and managed appropriately in accordance with the document control regulations and other relevant internal rules. The Company has also introduced an online procedure for obtaining the approval of management, compatible with remote working.

5. Group management system (Article 100, Paragraph 1, Item 5 of the Regulation for Enforcement of the Companies Act)	[Basic policy] 1) In addition to establishing approval rules for the execution of operations by subsidiaries, the Company shall establish a system to ensure that important management matters of subsidiaries shall be approved in advance by the Company or reported to the Company in accordance with internal regulations. 2) The scope of the Code of Conduct and the risk management system shall include subsidiaries to ensure that the operations of the Group as a whole are appropriate. 3) The Company shall ensure that its subsidiaries are fully aware of the Company's corporate commitment and ensure the appropriateness of their operations. In addition, the Company shall establish the Subsidiary Management Regulations both in and outside of Japan to promote efficiency in the management of its subsidiaries. 4) In addition to establishing the Code of Conduct applicable to the Group as a whole, the Company shall properly understand the actual conditions of its subsidiaries and provide necessary advice and guidance to ensure compliance thoroughly.
	[Overview of the status of operation] 1) The Subsidiary Management Regulations stipulate matters for which prior approval and reporting is required for subsidiaries. 2) The Company extends its Code of Conduct and risk management initiatives to its subsidiaries, with the aim of ensuring the appropriateness of operations. 3) The Company extends the dissemination of its corporate commitment and the Subsidiary Management Regulations to its subsidiaries, to promote more efficient management at subsidiaries. 4) The management status and other information on subsidiaries is reported monthly to the Company's Board of Directors. In addition, the internal audit departments undertake timely audits and the departments in charge provide guidance and support to enable appropriate business operations.

6. System of audits by Audit & Supervisory Board Members (Article 100, Paragraph 3 of the Regulation for Enforcement of the Companies Act)	[Basic policy] 1) Whenever necessary, the Company shall appoint dedicated employees to assist the Audit & Supervisory Board Members in their duties and authorize those employees to conduct investigations at the direction of the Audit & Supervisory Board Members. In such cases, Directors and Audit & Supervisory Board Members shall discuss the personnel matters in advance. 2) Directors and employees of the Company and its subsidiaries shall provide necessary reports and information upon request of Audit & Supervisory Board Members in accordance with laws and regulations and provisions as stipulated by the Audit & Supervisory Board. No disadvantageous treatment shall be given to any employee on account of reporting or providing information to Audit & Supervisory Board Members. 3) Opportunities for Audit & Supervisory Board Members, the Accounting Auditor, and the Internal Control & Audit Office to exchange information shall be secured. In addition, Audit & Supervisory Board Members may consult with external experts in the fields of law, accounting, etc., as necessary, and the Company shall bear the cost of such consultations.
	[Overview of the status of operation] 1) Two dedicated employees have been appointed to assist the Audit & Supervisory Board Members in their duties. 2) Audit & Supervisory Board Members periodically exchange opinions with the President, other Directors, Executive Officers, etc., participate in meetings of the Board of Directors and other important meetings and committees. They also check important material documents concerning the execution of duties, as necessary. 3) In the current fiscal year, the Company held 12 meetings of the Audit & Supervisory Board, which consists of four Audit & Supervisory Board Members, including three External Audit & Supervisory Board Members. During the course of these meetings, Audit & Supervisory Board Members conducted discussions with Executive Officers on five occasions, and with the Accounting Auditor on three occasions. The Audit & Supervisory Board also held 12 meetings with the Accounting Auditor and internal audit departments to exchange audit information.

Consolidated Statements of Changes in Net Assets

(April 1, 2021 – March 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	11,016	16,358	65,921	(895)	92,401
Cumulative effects of changes in accounting policies			(10)		(10)
Restated balance	11,016	16,358	65,910	(895)	92,390
Changes during period					
Dividends of surplus			(2,998)		(2,998)
Profit attributable to owners of parent			12,567		12,567
Change in scope of consolidation		(2)	(37)		(39)
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		8		28	37
Employee incentive welfare funds			(2)		(2)
Net changes in items other than shareholders' equity					
Total changes during period	-	6	9,529	27	9,563
Balance at end of period	11,016	16,364	75,440	(867)	101,954

	Accumulated other comprehensive income				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 beginning of period	3,386	1,845	(136)	5,095	120	97,617
Cumulative effects of changes in accounting policies						(10)
Restated balance	3,386	1,845	(136)	5,095	120	97,607
Changes during period						
Dividends of surplus						(2,998)
Profit attributable to owners of parent						12,567
Change in scope of consolidation						(39)
Purchase of treasury shares						(1)
Disposal of treasury shares						37
Employee incentive welfare funds						(2)
Net changes in items other than shareholders' equity	(112)	2,583	50	2,522	(120)	2,401
Total changes during period	(112)	2,583	50	2,522	(120)	11,964
Balance at end of period	3,274	4,429	(85)	7,617	-	109,571

(Note) Amounts of less than one million yen are rounded down.

Notes to Consolidated Financial Statements

(Notes regarding material items which form the basis for preparation of the consolidated financial statements)

1. Scope of consolidation
   Consolidated subsidiaries: 19 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.
   (15 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.
   The Company has sold its shareholding in Nikki Denso International Korea Co., Ltd., which was previously a consolidated subsidiary, and it has been excluded from the scope of consolidation.

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
   Excluding shares, etc. without market prices:
   At fair 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.)
   Shares, etc. without market prices:
   At cost, as determined by the moving average method
   [2] Derivatives
   At fair value

[3] Inventories

a. Merchandise and finished goods	Automatic machineries finished goods	Carried at cost using the individual method (values on the balance sheets are subject to the book value reduction method based on decreased profitability)
	Components merchandise and finished goods	Mainly carried at cost using the periodic average method (values on the balance sheets are subject to the book value reduction method based on decreased profitability)
b. Work in process	Automatic machineries work in process	Carried at cost using the individual method (values on the balance sheets are subject to the book value reduction method based on decreased profitability)
	Components work in process	Mainly carried at cost using the periodic average method (values on the balance sheets are subject to the book value reduction method based on decreased profitability)
c. Raw materials and supplies	Raw materials	Mainly carried at cost using the periodic average method (values on the balance sheets are subject to the book value reduction method based on decreased profitability)
	Supplies	Mainly carried at cost using the last purchase price method (values on the balance sheets 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 material 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 consolidated fiscal 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 consolidated fiscal year following the respective consolidated 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 Group applies the following five-step procedure for revenue recognition.

Step 1: Identify the contract with a customer.
Step 2: Identify performance obligations under the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to performance obligations.
Step 5: Recognize revenue when performance obligations are fulfilled or as they are fulfilled.

The Group’s main businesses include the manufacture, sale, construction, maintenance, etc., of automatic machinery products and various components.

Regarding the timing of revenue recognition, the specific situation in each segment is described below.

(Automatic Machinery)

For automatic machinery products, in cases when the performance of an obligation under a contract with a customer results in an asset that cannot be converted to another use, and the Group has gained the right to payment for completed work, the Group estimates the percentage of performance obligations fulfilled, and recognizes revenue over a period of time as performance obligations are fulfilled. The percentage of performance obligations fulfilled is calculated based on the ratio of the actual cost incurred to the estimated total cost required to fulfill the relevant performance obligation. For other contracts, revenue is recognized when the customer receives, inspects, and accepts the product.

However, in the case of sales of parts for maintenance within Japan, where there is a normal period of time between shipment and the transfer of control to the customer, revenue is recognized at the time of shipment.

Export sales are mainly based on the terms of international trade defined in the Incoterms, etc., and revenue is recognized when control and risk have been transferred to the customer.

Considerations for the fulfillment of performance obligations are generally received within one year after the performance obligation is fulfilled, according to the payment terms, and do not contain any material financial elements.

(Components)

The Group deems performance obligations fulfilled at the time when the customer gains control of the relevant products through delivery. Revenue is therefore recognized at the time of delivery. However, in the case of sales transactions within Japan where there is a normal period of time between shipment and the transfer of control to the customer, revenue is recognized at the time of shipment.

Export sales are mainly based on the terms of international trade defined in the Incoterms, etc., and revenue is recognized when control and risk have been transferred to the customer.

Net sales are measured as the consideration promised in the contract with the customer, after deducting incentives and discounts associated with the sales. Revenue is estimated based on past trends and other known factors at the time of sale, and recognized to the extent that a material reversal is highly unlikely.

In the case of paid receipt transactions that correspond to repurchase agreements, only a net amount equivalent to processing costs is recognized as revenue.

Considerations for the fulfillment of performance obligations are generally received within one year after the performance obligation is fulfilled, according to the payment terms, and do not contain any material financial elements.

(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.

(Notes regarding changes in accounting policies)

Accounting Standard for Revenue Recognition

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Accounting Standard”) and other standards from the beginning of the consolidated fiscal year under review. The Company recognizes revenue in the amount expected to be received in exchange for promised goods and services at the point when control of the goods and services is transferred to the customer. In the past, the percentage-of-completion method was applied to construction contracts in which certainty of outcome is recognized through progress, and the completed-contract method was applied to other construction contracts. As a result of the application of the Revenue Recognition Accounting Standard, in cases when the performance of an obligation under a contract with a customer results in an asset that cannot be converted to another use, the Company has changed to a method of recognizing revenue over a period of time as performance obligations are fulfilled. Also, a portion of sales incentives, etc., previously included in selling expenses and sales discounts, previously included in non-operating expenses, are now deducted from net sales. Moreover, in the case of paid receipt transactions that correspond to repurchase agreements, only a net amount equivalent to processing costs is now recognized as revenue.

In accordance with the transitional treatment prescribed in the provisional clause of paragraph 84 of the Accounting Standard for Revenue Recognition for the adoption of the standard, the cumulative effect of applying the new accounting policy retrospectively prior to the beginning of the consolidated fiscal year under review is added to or subtracted from retained earnings at the beginning of the consolidated fiscal year under review, and the new accounting policy is applied starting with the said balance at the beginning of the consolidated fiscal year under review. However, the Company applied the method prescribed in paragraph 86 of the Revenue Recognition Accounting Standard and did not apply the new accounting policy retrospectively to contracts for which almost all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the consolidated fiscal year under review. The Company also applied the method prescribed in provisional clause (1) of paragraph 86 of the Revenue Recognition Accounting Standard and contractual changes made prior to the beginning of the consolidated fiscal year under review were accounted for based on the contract terms after reflection of all contractual changes, and the cumulative effect of such changes was added to or deducted from retained earnings at the beginning of the consolidated fiscal year under review.

As a result of this change, in the current fiscal year, net sales decreased by 315 million yen, cost of sales decreased by 7 million yen, selling, general and administrative expenses decreased by 190 million yen, operating profit decreased by 116 million yen, and ordinary profit and profit before income taxes each increased by 60 million yen. The balance of retained earnings at the beginning of the fiscal year also decreased by 10 million yen.

Also, “notes and accounts receivable - trade” presented in “current assets” in the consolidated balance sheets for the previous fiscal year is classified into “notes receivable - trade,” “accounts receivable - trade,” and “contract assets” from the current consolidated fiscal year.

Accounting Standard for Fair Value Measurement

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the “Fair Value Measurement Accounting Standard”), etc. from the beginning of the consolidated fiscal year under review. In accordance with the transitional treatment prescribed in paragraph 19 of the “Fair Value Measurement Accounting Standard” and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company decided to apply the new accounting policy prescribed in the Fair Value Measurement Accounting Standard, etc. prospectively. There is no impact on the consolidated financial statements.

(Notes regarding accounting estimates)

Valuation of inventories in the Company’s Components segment

(1) Amount recorded on consolidated financial statements for the consolidated fiscal year under review

(Million yen)

Account	Amount recorded on consolidated financial statements for the consolidated fiscal year under review (before write-downs)	Amount of write-downs in the consolidated fiscal year under review	Amount recorded on consolidated financial statements for the consolidated fiscal year under review
Merchandise and finished goods	5,427	(351)	5,076
Work in process	663	-	663
Raw materials and supplies	22,806	(1,291)	21,515
Total	28,898	(1,643)	27,254

(Note) The impact on operating profit in the current consolidated fiscal year is (271) million yen (after offset of the reversal amount).

(2) Information concerning the content of significant accounting estimates for identified issues

Inventories in the Company’s Components business are primarily composed of a wide variety of components, and as many types and variations of products are produced, certain volumes of inventories are held for the leading components in order to respond to fluctuations in order volume and short delivery deadlines. A combined method is used to calculate inventory write-downs in the Company’s Components business, comprising comparison with net selling prices in the market, automatic calculation through a system using write-down rates based on retention periods, etc., and the calculation of write-down amounts for inventories with declining turnover based on past shipment records and an evaluation of the sales outlook.

The Company estimates the future sales prospects of inventories in this assumption based on conditions in the semiconductor, automobile, and machine tool markets, to which the leading customers belong, the persistence of the COVID-19 pandemic, geopolitical risks, etc., and customer investment plan forecasts associated with these factors.

When it is necessary to revise the assumptions used in these estimates due to deterioration in conditions in the semiconductor, automobile, machine tool, and other markets, there may be a material write-down of inventories judged to have no sales prospects in the next consolidated fiscal year.

(Notes regarding Consolidated Balance Sheets)

1. Allowances directly deducted from assets

   Inventories that are likely to incur losses are shown by offsetting the correspondent provision for loss on order received of 85 million yen (including provision for loss on order received regarding merchandise and finished goods of 59 million, and those regarding work in process of 25 million yen.)
2. Accumulated depreciation on property, plant and equipment 69,018 million yen

(Notes regarding Consolidated Statements of Changes in Net Assets)

1. Class and total number of issued shares at the end of the consolidated fiscal year

   Common shares 67,909,449 shares

2. Matters regarding dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting held on May 13, 2021	Common shares	1,132	17	March 31, 2021	June 7, 2021
Board of Directors meeting held on November 12, 2021	Common shares	1,866	28	September 30, 2021	December 13, 2021
Total	-	2,998	-	-	-

(2) Among dividends whose record date falls under this consolidated fiscal year, those whose effective date falls under the subsequent period

Resolution	Class of shares	Total amount of dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Board of Directors meeting held on May 13, 2022	Common shares	2,600	Retained earnings	39	March 31, 2022	June 9, 2022

(Notes regarding financial instruments)

1. Matters regarding the status of financial instruments

The Group procures necessary funds through borrowings from financial institutions. These borrowings are used for operating capital (mostly for short-term) and for capital expenditure (for long-term).

Regarding fund management, the Group is managing the funds in highly secure financial assets, such as deposits, and negotiable deposits.

Derivatives are limited to within the range of actual demand, in accordance with the internal management regulations.

As for customer credit risk pertaining to notes and accounts receivable - trade, and electronically recorded monetary claims - operating, efforts are made to reduce the risk pursuant to the credit management guidelines.

Investment securities are mostly shares, and the fair values of listed shares are understood each quarter.

2. Matters regarding fair values, etc. of financial instruments

The carrying amounts on the consolidated balance sheets, fair values, and differences between them as of the end of the consolidated fiscal year are as follows.

(Million yen)

	Carrying amount on the consolidated balance sheets (*1)	Fair value (*1)	Difference
(1) Investment securities			
Available-for-sale securities (*3)	7,270	7,270	-
(2) Long-term borrowings (including current portion of long-term borrowings)	(11,704)	(11,496)	207
(3) Derivative transactions	(377)	(377)	-

(*1) Items recorded as liabilities are shown in parentheses.

(*2) Notes have been omitted for “cash and deposits,” notes receivable - trade,” “accounts receivable - trade,” “electronically recorded monetary claims - operating,” “trade accounts receivable,” “notes and accounts payable - trade,” “electronically recorded obligations - operating,” “short-term borrowings,” and “income taxes payable,” as these are settled over a short period of time, and carrying amount is approximately the same as fair value.

(*3) Shares, etc. without market prices are not included in “(1) Investment securities Available-for-sale securities.” The carrying amount of these financial instruments on the consolidated balance sheets is as follows.

Class	Carrying amount on the consolidated balance sheets (Million yen)
Unlisted shares	854

3. Matters regarding breakdown, etc. of financial instruments for appropriate categories of fair value

The fair value of financial instruments is classified into the following three levels based on the observability and significance of the inputs used to calculate fair value.

Level 1 fair values: Fair values calculated using (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 fair values: Fair values calculated using directly or indirectly observable inputs other than those in Level 1

Level 3 fair values: Fair values calculated using significant unobservable inputs

When multiple inputs that may have a material impact on the calculation of fair value are used, the calculated fair value is classified at the lowest level of the inputs used.

(1) Financial instruments carried on the consolidated balance sheets at fair value

(Million yen)

Class	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	7,069	-	-	7,069
Bonds	-	200	-	200
Derivative transactions	-	(377)	-	(377)

(2) Financial instruments apart from those carried on the consolidated balance sheets at fair value

(Million yen)

Class	Fair value			
	Level 1	Level 2	Level 3	Total
Long-term borrowings (including current portion of long-term borrowings)	-	(11,496)	-	(11,496)

(Note) Explanation of the valuation techniques and inputs used to calculate fair value

Investment securities

Fair value of listed shares and bonds is calculated using market prices. The fair value of listed shares is classed as Level 1 fair value, because these assets are traded in active markets. However, the fair value of bonds held by the Company is classified as Level 2 fair value, as market trading of these assets is infrequent and they are not considered to have a market price in an active market.

Derivative transactions

The fair value of interest rate and currency swaps and foreign exchange contracts is classified as Level 2 fair value because it is calculated with the discounted present value method using observable inputs such as exchange rates.

Long-term borrowings

The fair value of long-term borrowings is classified as Level 2 fair value because it is calculated using the discounted present value method based on an interest rate taking into account the sum of principal and interest amounts, the remaining time before payment is due, and the credit risk.

(Notes regarding per share information)

1. Net assets per share 1,643.36 yen
2. Basic earnings per share 188.58 yen

(Notes regarding material subsequent events)

Not applicable.

(Notes regarding revenue recognition)

1. Breakdown of revenue from contracts with customers

Consolidated fiscal year under review (April 1, 2021 to March 31, 2022)

(Million yen)

	Reporting segment			Other	Total
	Automatic Machinery	Components	Subtotal		
Packaging machines	13,297	-	13,297	-	13,297
Industrial machinery	3,511	-	3,511	-	3,511
Fluid control components	-	63,251	63,251	-	63,251
Pneumatic components	-	62,139	62,139	-	62,139
Revenue from contracts with customers	16,808	125,390	142,199	-	142,199
Other revenue	-	-	-	-	-
Net sales to external customers	16,808	125,390	142,199	-	142,199

(Million yen)

	Reporting segment			Other	Total
	Automatic Machinery	Components	Subtotal		
Japan	12,840	83,711	96,552	-	96,552
China	1,873	20,470	22,343	-	22,343
Asia (other)	1,675	16,479	18,155	-	18,155
Other	419	4,728	5,148	-	5,148
Revenue from contracts with customers	16,808	125,390	142,199	-	142,199
Other revenue	-	-	-	-	-
Net sales to external customers	16,808	125,390	142,199	-	142,199

2. Information fundamental to an understanding of revenue

Presented in “(Notes regarding material items which form the basis for preparation of the consolidated financial statements) 4. Accounting policies (5) Accounting method of material revenues and expenses.”

3. Information to enable an understanding of revenue for the current fiscal year and the next fiscal year onward

(1) Balance of contract assets and contract liabilities

The balance of contract assets and contract liabilities for the Company and its consolidated subsidiaries are recorded as “contract assets” and “other” current liabilities, respectively, in the consolidated financial statements. Contract liabilities are not shown as a separate item because the amounts are insignificant and there has been no material change in the amounts.

The amount of revenue recognized in the current fiscal year from performance obligations fulfilled (or partially fulfilled) in previous periods is also immaterial.

(2) Transaction price allocated to remaining performance obligations

The Company has applied practical expediency and omitted presentation of the transaction price allocated to remaining performance obligations because there are no material contracts for which the initially expected contract term exceeds one year.

Moreover, there are no material amounts of consideration arising from contracts with customers that are not included in the transaction price.

Non-consolidated Statements of Changes in Net Assets

(April 1, 2021 – March 31, 2022)

(Million yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve	Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	11,016	11,797	4,549	16,347	1,286	49,500	5,377	56,164	(895)	82,632
Cumulative effects of changes in accounting policies							(10)	(10)		(10)
Restated balance	11,016	11,797	4,549	16,347	1,286	49,500	5,367	56,153	(895)	82,622
Changes during period										
Dividends of surplus							(2,998)	(2,998)		(2,998)
Net income							9,792	9,792		9,792
Purchase of treasury shares									(1)	(1)
Disposal of treasury shares			8	8					28	37
Net changes in items other than shareholders' equity										
Total changes during period	-	-	8	8	-		6,793	6,793	27	6,830
Balance at end of period	11,016	11,797	4,558	16,356	1,286	49,500	12,161	62,947	(867)	89,452

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	3,386	3,386	86,019
Cumulative effects of changes in accounting policies			(10)
Restated balance	3,386	3,386	86,009
Changes during period			
Dividends of surplus			(2,998)
Net income			9,792
Purchase of treasury shares			(1)
Disposal of treasury shares			37
Net changes in items other than shareholders' equity	(112)	(112)	(112)
Total changes during period	(112)	(112)	6,717
Balance at end of period	3,274	3,274	92,726

(Note) Amounts of less than one million yen are rounded down.

Notes to Non-consolidated Financial Statements

(Notes regarding significant accounting policies)

1. Basis and method of evaluation of marketable securities
   (1) Shares of subsidiaries and associates
   At cost, as determined by the moving average method
   (2) Available-for-sale securities
   Excluding shares, etc. without market prices:
   At fair 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.)
   Shares, etc. without market prices:
   At cost, as determined by the moving average method

2. Basis and method of evaluation of derivatives, etc.
   Derivatives
   At fair value

3. Basis and method of evaluation of inventories

(1) Merchandise and finished goods	Automatic machineries finished goods	Carried 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	Carried at cost using the periodic average method (values on the balance sheet are subject to the book value reduction method based on decreased profitability)
(2) Work in process	Automatic machineries work in process	Carried 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 process	Carried at cost using the periodic average method (values on the balance sheet are subject to the book value reduction method based on decreased profitability)
(3) Raw materials and supplies	Raw materials	Carried 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	Carried 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)

4. Depreciation methods for non-current assets
   (1) Property, plant and equipment (excluding lease assets)
   Calculated by the declining-balance method. However, the straight-line method is applied for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and for facilities attached to buildings and structures acquired on or after April 1, 2016.
   Useful lives of property, plant and equipment are as follows:
   Buildings: 3-50 years
   Machinery and equipment: 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.

5. 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 retirement benefits
   To prepare for retirement benefits of employees, a provision for retirement benefits is made based on the estimated retirement benefit obligations and pension assets as of the end of the current fiscal year.
   [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.
   In this regard, since as of the end of the current fiscal year, the pension assets exceeded the estimated amount of retirement benefit obligations (excluding unrecognized actuarial gains and losses and unrecognized past service costs), it is now shown in investment and other assets as "prepaid pension costs."
   [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 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.

6. Accounting method of material revenues and expenses
   The Company applies the following five-step procedure for revenue recognition.
   Step 1: Identify the contract with a customer.
   Step 2: Identify performance obligations under the contract.
   Step 3: Determine the transaction price.
   Step 4: Allocate the transaction price to performance obligations.
   Step 5: Recognize revenue when performance obligations are fulfilled or as they are fulfilled.

   The Company's main businesses include the manufacture, sale, construction, maintenance, etc., of automatic machinery products and various components.
   Regarding the timing of revenue recognition, the specific situation in each segment is described below.

   (Automatic Machinery)
   For automatic machinery products, in cases when the performance of an obligation under a contract with a customer results in an asset that cannot be converted to another use, and the Group has gained the right to payment for completed work, the Group estimates the percentage of performance obligations fulfilled, and recognizes revenue over a period of time as performance obligations are fulfilled. The percentage of performance obligations fulfilled is calculated based on the ratio of the actual cost incurred to the estimated total cost required to fulfill the relevant performance obligation. For other contracts, revenue is recognized when the customer receives, inspects, and accepts the product.
   However, in the case of sales of parts for maintenance within Japan, where there is a normal period of time between shipment and the transfer of control to the customer, revenue is recognized at the time of

shipment.

Export sales are mainly based on the terms of international trade defined in the Incoterms, etc., and revenue is recognized when control and risk have been transferred to the customer.

Considerations for the fulfillment of performance obligations are generally received within one year after the performance obligation is fulfilled, according to the payment terms, and do not contain any material financial elements.

(Components)

The Group deems performance obligations fulfilled at the time when the customer gains control of the relevant products through delivery. Revenue is therefore recognized at the time of delivery. However, in the case of sales transactions within Japan where there is a normal period of time between shipment and the transfer of control to the customer, revenue is recognized at the time of shipment.

Export sales are mainly based on the terms of international trade defined in the Incoterms, etc., and revenue is recognized when control and risk have been transferred to the customer.

Net sales are measured as the consideration promised in the contract with the customer, after deducting incentives and discounts associated with the sales. Revenue is estimated based on past trends and other known factors at the time of sale, and recognized to the extent that a material reversal is highly unlikely.

In the case of paid receipt transactions that correspond to repurchase agreements, only a net amount equivalent to processing costs is recognized as revenue.

Considerations for the fulfillment of performance obligations are generally received within one year after the performance obligation is fulfilled, according to the payment terms, and do not contain any material financial elements.

7. Foreign currency translation of 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.

8. Other material items which form the basis for preparing the non-consolidated financial statements

Accounting treatment of retirement benefits

The accounting treatment for unrecognized actuarial gains and losses in retirement benefits and unrecognized past service costs is different from the accounting treatment for those used in the consolidated financial statements.

(Notes regarding changes in accounting policies)

Accounting Standard for Revenue Recognition

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Accounting Standard”) and other standards from the beginning of the current fiscal year. The Company recognizes revenue in the amount expected to be received in exchange for promised goods and services at the point when control of the goods and services is transferred to the customer. In the past, the percentage-of-completion method was applied to construction contracts in which certainty of outcome is recognized through progress, and the completed-contract method was applied to other construction contracts. As a result of the application of the Revenue Recognition Accounting Standard, in cases when the performance of an obligation under a contract with a customer results in an asset that cannot be converted to another use, the Company has changed to a method of recognizing revenue over a period of time as performance obligations are fulfilled. Also, a portion of sales incentives, etc., previously included in selling expenses and sales discounts, previously included in non-operating expenses, are now deducted from net sales. Moreover, in the case of paid receipt transactions that correspond to repurchase agreements, only a net amount equivalent to processing costs is now recognized as revenue.

In accordance with the transitional treatment prescribed in the provisional clause of paragraph 84 of the Accounting Standard for Revenue Recognition for the adoption of the standard, the cumulative effect of applying the new accounting policy retrospectively prior to the beginning of the current fiscal year is added to or subtracted from retained earnings brought forward at the beginning of the current fiscal year, and the new accounting policy is applied starting with the said balance at the beginning of the current fiscal year. However, the Company applied the method prescribed in paragraph 86 of the Revenue Recognition Accounting Standard and did not apply the new accounting policy retrospectively to contracts for which almost all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the current fiscal year. The Company also applied the method prescribed in provisional clause (1) of paragraph 86 of the Revenue Recognition Accounting Standard and contractual changes made prior to the beginning of the current fiscal year were accounted for based on the contract terms after reflection of all contractual changes, and the cumulative effect of such changes was added to or deducted from retained earnings brought forward at the beginning of the current fiscal year.

As a result of this change, in the current fiscal year, net sales decreased by 242 million yen, cost of sales decreased by 7 million yen, selling, general and administrative expenses decreased by 147 million yen, operating profit decreased by 87 million yen, and ordinary profit and profit before income taxes each increased by 60 million yen. The balance of retained earnings brought forward at the beginning of the fiscal year also decreased by 10 million yen.

Also, “notes receivable - trade” and “accounts receivable - trade” presented in “current assets” in the non-consolidated balance sheets for the previous fiscal year are classified into “notes receivable - trade,” “accounts receivable - trade,” and “contract assets” from the current fiscal year.

Accounting Standard for Fair Value Measurement

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the “Fair Value Measurement Accounting Standard”), etc. from the beginning of the fiscal year under review. In accordance with the transitional treatment prescribed in paragraph 19 of the “Fair Value Measurement Accounting Standard” and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company decided to apply the new accounting policy prescribed in the Fair Value Measurement Accounting Standard, etc. prospectively. There is no impact on the non-consolidated financial statements.

(Notes regarding accounting estimates)

Valuation of inventories in the Company’s Components segment

(1) Amount recorded on non-consolidated financial statements for the fiscal year under review

(Million yen)

Account	Amount recorded on consolidated financial statements for the consolidated fiscal year under review (before write-downs)	Amount of write-downs in the consolidated fiscal year under review	Amount recorded on consolidated financial statements for the consolidated fiscal year under review
Merchandise and finished goods	5,427	(351)	5,076
Work in process	663	-	663
Raw materials and supplies	22,806	(1,291)	21,515
Total	28,898	(1,643)	27,254

(Note) The impact on operating profit in the current fiscal year is (271) million yen (after offset of the reversal amount).

(2) Information concerning the content of significant accounting estimates for identified issues

As presented in (Notes regarding accounting estimates) in the Notes to Consolidated Financial Statements.

(Notes regarding Non-consolidated Balance Sheets)

1. Short-term monetary claims to affiliates 8,075 million yen
2. Short-term monetary obligations affiliates 14,069 million yen
3. Accumulated depreciation on property, plant and equipment 56,333 million yen

4. Contingent liabilities

   The Company guarantees debts or makes commitments of guarantee against borrowing obligations of other companies from financial institutions.

CKD (China) Corporation	2,627 million yen
CKD THAI CORPORATION LTD.	1,531 million yen
M-CKD PRECISION SDN. BHD.	160 million yen
Total	4,319 million yen

5. Allowances directly deducted from assets

   Inventories that are likely to incur losses are shown by offsetting the correspondent provision for loss on order received of 85 million yen (including provision for loss on order received regarding merchandise and finished goods of 60 million, and those regarding work in process of 25 million yen.)

(Notes regarding Non-consolidated Statements of Income)

Amount of transactions with associates

Net sales	22,098 million yen
Purchase of goods	8,982 million yen
Other cost of sales	237 million yen
Selling, general and administrative expenses	140 million yen
Amount of transactions other than operating transactions	965 million yen

(Notes regarding Non-consolidated Statements of Changes in Net Assets)

Class and number of treasury shares as of the end of the current fiscal year

	The number of shares as of the beginning of the current fiscal year (thousand shares)	Increase in the number of shares for the current fiscal year (thousand shares)	Decrease in the number of shares for the current fiscal year (thousand shares)	The number of shares as of the end of the current fiscal year (thousand shares)
Common shares (Notes) 1, 2	1,274	0	40	1,234
Total	1,274	0	40	1,234

(Notes) 1. The increase of 0 thousand shares in the number of treasury shares of common shares is due to increases associated with the purchase of amounts of shares less than one trading unit of 0 thousand shares.

2. The decrease of 40 thousand shares in the number of treasury shares of common shares is due to restricted stock compensation of 40 thousand shares.

(Notes regarding tax effect accounting)

Breakdown of main causes for deferred tax assets and deferred tax liabilities

Deferred tax assets	
Accounts payable - bonuses	936 million yen
Inventories	602 million yen
Amount of contribution of securities to retirement benefit trust	482 million yen
Accrued enterprise tax	213 million yen
Software	155 million yen
Accrued social insurance contributions	134 million yen
Provision for product warranties	108 million yen
Other	837 million yen
Subtotal deferred tax assets	3,469 million yen
Valuation allowance	(857) million yen
Total deferred tax assets	2,611 million yen
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(1,429) million yen
Prepaid pension costs	(510) million yen
Gain on contribution of securities to retirement benefit trust	(219) million yen
Other	(24) million yen
Total deferred tax liabilities	(2,183) million yen
Deferred tax assets, net	428 million yen

(Notes regarding transactions with related parties)

Subsidiaries and associates, etc.

(Million yen)

Category	Name of company	Voting rights, etc. ownership (owned) ratio	Relationship with related party	Transaction content	Transaction amount	Account item	Ending balance
Subsidiary	CKD Global Service Corporation	Direct 100%	Business outsourcing/ Concurrent officers	Factoring services (Note) 1	45,706	Trade accounts payable	13,116
Subsidiary	CKD NIKKI DENSO CO., LTD.	Direct 100%	Financial assistance/ Concurrent officers	Loan of funds (Note) 2 Collection of funds (Note) 2 Receipt of interest (Note) 2	2,050 1,840 5	Long-term loans receivable from subsidiaries and associates Current portion of long-term loans receivable from subsidiaries and associates Short-term loans receivable from subsidiaries and associates Other current assets	300 240 2,050 0
Subsidiary	CKD THAI CORPORATION LTD.	Direct 100%	Provision and purchase of automatic machinery and equipment products/ Concurrent officers	Debt guarantees (Note) 3 Receipt of guarantee commission (Note) 3	2,029 1	Other current assets	0
Subsidiary	CKD (China) Corporation	Direct 100%	Provision and purchase of automatic machinery and equipment products/ Concurrent officers	Debt guarantees (Note) 3 Receipt of guarantee commission (Note) 3	3,626 2	Other current assets	0
Subsidiary	CKD (Shanghai) Corporation	Direct 100%	Sale of equipment products/ Concurrent officers	Sale of equipment products (Note) 4	6,005	Accounts receivable - trade	1,995

Transaction terms and policy for determining transaction terms

(Notes)
1. With regard to trade accounts payable, the Company, its suppliers, and CKD Global Service Corporation have executed a basic agreement, and are settling by factoring.
2. Loan of funds to CKD NIKKI DENSO CO., LTD. is determined after taking market rates into account.
3. The debt guarantees provided to CKD THAI CORPORATION LTD. and CKD (China) Corporation guarantee the loans taken out by each company with financial institutions. The Company receives guarantee commission calculated based on the amount guaranteed.
4. The transaction prices and other transaction terms with CKD (Shanghai) Corporation are determined by price negotiations based on the Company's submission of preferred prices after taking actual market conditions into account.

(Notes regarding per share information)

1. Net assets per share	1,390.72 yen
2. Basic earnings per share	146.94 yen

(Notes regarding material subsequent events)

Not applicable.

(Notes regarding revenue recognition)

Information fundamental to an understanding of revenue

As presented in the Notes to Consolidated Financial Statements.

Amounts less than one million yen are rounded down, except for “Notes regarding per share information.”