

CKD

10-Year
Vision

Global FA Total Supplier

Interim Newsletter to Shareholders for the 100th Fiscal Year

From April 1, 2019 to September 30, 2019

CKD Corporation

Stock Exchange Code: 6407

To our shareholders

First, we would like to express our appreciation for your continued support. Without our shareholders, none of what we have and will accomplish would be possible.

We would now like to take this opportunity to give you an overview of the business, and report on the settlement of accounts for the first six months of the 100th fiscal year of the Company (from April 1, 2019 to September 30, 2019).



President **Kazunori Kajimoto**

Business review

The Japanese economy has slowed down in the six months ended September 30, 2019, despite achieving strong results from continued improvements in employment conditions and income environment. Corporate profits were sluggish in the manufacturing industry due to such factors as the stagnation in exports to China, and there some corporate capital investment were postponed.

In overseas economies, despite a decrease in exports from the USA to China and other countries due to the impact of tariff increases in both countries, domestic demand remained firm, underpinned by employment and income conditions. On the other hand, in China, growth slowed due to decline in exports to the United States, as well as a delay in recovery of domestic demand due to the government's restraint on investment, etc. In Europe, the manufacturing industry continued on a stagnation trend due to decline in exports.

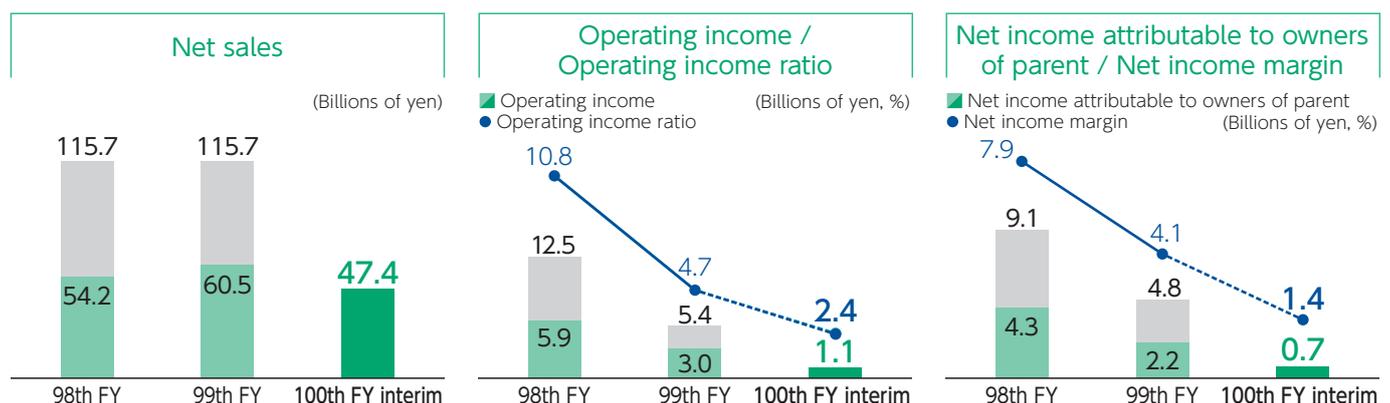
Against this backdrop, the CKD Group's net sales in the six months ended September 30, 2019 came to ¥47,382 million (down 21.6% YoY), while operating income was ¥1,130 million (down 62.0% YoY), ordinary income was ¥1,087 million (down 63.6% YoY), and net income attributable to owners of parent reached ¥683 million (down 69.4% YoY).

As for the earnings forecasts for the full year, although our component products segment is being affected by the prolonged USA-China trade dispute, we expect an increase in net sales and profits due to the resumption of part of the semiconductor capital investment that had been postponed. Full-year earnings forecasts announced on August 6, 2019 have now been revised to net sales of ¥99,500 million, operating income of ¥2,500 million, ordinary income of ¥2,460 million, and net income attributable to owners of parent of ¥1,720 million in consideration of the fact that the Group's net sales, operating income, ordinary income, and net income attributable to owners of parent all are expected to exceed the previous forecast due to an expected increase in profits in our automatic machinery segment through improved profitability which we have been working on.

The interim dividend has been set at ¥5 per share, and we expect the annual dividend to be ¥11 per share.

As we move forward, we humbly request the further support and encouragement of our shareholders.

Business results



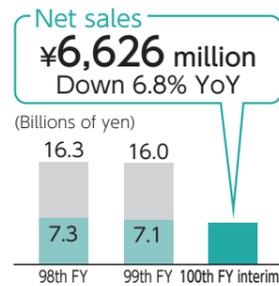
Results by segment

Automatic machinery



Automatic packaging systems registered increased sales for replacement parts, while industrial machinery, saw a decrease in sales for both lithium-ion battery production systems and 3D solder paste inspection machines.

As a result, sales for this segment were ¥6,626 million (down 6.8% YoY), and the income came to ¥1,057 million (the segment loss of ¥99 million in the same period of the previous year) due to improved profitability and cost reductions.



Automatic packaging systems

Pharmaceutical products packaging Food packaging

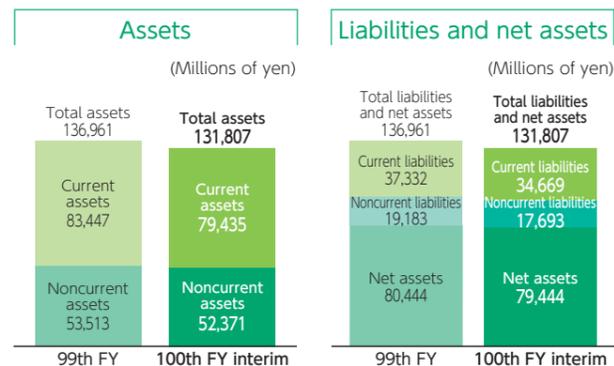


Winding machines for lithium-ion batteries 3D solder paste inspection machines

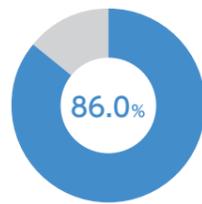


Consolidated Financial Data

Assets, liabilities, and net assets



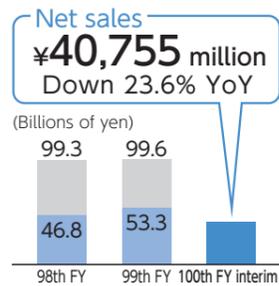
Component products



In the domestic market, sales significantly decreased for semiconductor production equipment parts due to the postponement of capital investment, as well as for machine tool parts due to the slowdown in the Chinese economy.

In the overseas market, as in Japan, sales declined due to the postponement of semiconductor capital investment, as well as due to the slowdown in automation investment in China.

As a result, sales for this segment were ¥40,755 million (down 23.6% YoY), and the income came to ¥2,084 million (down 61.9% YoY) due to decline in sales, etc.



Fine system devices Fluid control components Labor-saving components



Electric actuators Pneumatic control systems



Topics

Enhancement of the CKD-USA Technical Center

We have established an integrated system in the United States of after-sales services for fluid control components, etc.

Development function

We enhanced our customer response capabilities by increasing the number of development staff and establishing a new laboratory.

Maintenance function

We expanded the function by introducing maintenance equipment for the proportional vacuum pressure control systems (VEC) used in semiconductor production equipment.

Assembly function

We expanded the assembly function by installing a clean room and introducing measuring instruments for inspection.



CKD-USA Technical Center (Santa Clara, California, USA)



Proportional vacuum pressure control systems (VEC)



Maintenance equipment



Clean room

Good Design Award 2019

PowerArm PAW Series



PAW Series Powerful Arm

- A power assist device that seamlessly follows movement even when held with one hand, reduces the burden on the operator.
- Implements excellent design as a collaborative product for human beings that pays great attention to safety and security.
- Received "Machine and Robot Parts Award" in the grand "Ultra" Monozukuri Parts award 2019.

Nitrogen gas extraction units NS Series

- Nitrogen gas used to prevent oxidation in food packaging can be easily extracted from compressed air.
- Addresses food loss reduction and supports long shelf life.
- Implements a modularized all-in-one design with pneumatic equipment.



NS Series

In-house nursery "Ohana nursery school"



- Provides a comfortable working environment for employees with small children.
- In order to promote diversity, we adopted a business model and design method that expresses the world without boundaries in a circle.
- Received the 13th "Kids' Design Award"

Integration report "CKD Report 2019" issued

- With the aim to let all our stakeholders understand the complete picture of CKD, we issued this booklet containing information about medium- to long-term management strategies, value creation, financial information such as business performance, governance, as well as information not related to finances, such as relationship with the environment and society.
- Going forward, we will utilize this report as a communication tool with our stakeholders and work to contribute to society through our business and achieve a sustainable society, as well as raise corporate value. (Available on our website)



Total assets
Although cash and deposits increased, notes and accounts receivable - trade, inventories and income taxes receivable decreased.

Liabilities
Accounts payable - trade and loans payable decreased

Shareholders' equity ratio
60.2%, a 1.6 point increase compared with the end of the previous fiscal year

Net cash by operating activities
Income before income taxes of ¥1,067 million, depreciation and amortization of ¥2,816 million, decrease in notes and accounts receivable - trade of ¥2,263 million, decrease in inventories of ¥1,758 million, increase in funds resulting from income taxes refund of ¥1,099 million, decrease in funds resulting from decrease in notes and accounts payable - trade of ¥2,316 million

Net cash in investing activities
Purchase of property, plant and equipment of ¥2,281 million

Net cash in financing activities
Repayment of long-term loans payable of ¥1,790 million

Search here for IR information

Information for Shareholders

Information on shareholders returns

Shareholder benefits program

In order to express our gratitude for the continuing support of shareholders, and to further increase the investment appeal of the Company's shares, we have introduced a shareholder benefits program with the goal of increasing the number of investors holding positions in our shares over the medium- and long-term.



Eligible shareholders

Shareholders listed in the shareholders registry as of March 31 each year, and those who own at least 100 shares (one unit) of the Company, are eligible.

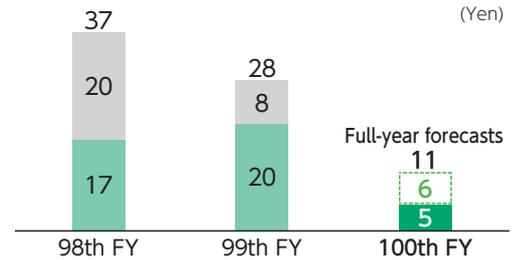
Timing of presentation of benefits

Dispatch of benefits is planned in early June each year.

Details of shareholder benefits

Number of years owned	Number of shares held	Details of benefits
less than 3 years	100 or more but less than 500 shares	QUO gift card 500 yen value
	500 or more but less than 1,000 shares	QUO gift card 1,000 yen value
3 years or more	1,000 shares or more	QUO gift card 2,000 yen value
	100 or more but less than 500 shares	QUO gift card 1,000 yen value
	500 or more but less than 1,000 shares	QUO gift card 3,000 yen value
	1,000 shares or more	QUO gift card 5,000 yen value

Dividends



Dividend policy

With regard to returning profits to shareholders, the basic policy of the Company is to raise corporate value by enhancing the business foundation, and to further expand the business through implementing capital investment and investments in research and development, etc., while in relation to shareholder returns, paying a stable dividend.

Company profile (as of September 30, 2019)

Name	CKD Corporation
Established	April 2, 1943
Capital stock	¥11,016,380,748
Head office	2-250 Uji, Komaki City, Aichi 485-8551, Japan Phone: +81-568-77-1111
Number of employees	2,550 (consolidated: 4,586)
Main businesses	Development, manufacture, sale and export of automation machinery, labor-saving components, pneumatic control components, drive components, pneumatic auxiliary components, fine system components and fluid control components

Officers (as of September 30, 2019)

Directors

President	Kazunori Kajimoto
Director and Senior Managing Executive Officer	Katsuhito Okuoka
Director and Managing Executive Officer	Masafumi Kokubo
Director and Executive Officer	Shinji Yuhara
Director and Executive Officer	Katsunori Hayashida
Director	Junichi Kagawa
Director	Noriko Asai
Director	Kazumasa Uemura

Executive Officers

Technical Fellow	Tatsuya Nishio
Executive Officer	Yoshinori Nozawa
Executive Officer	Takuya Takahashi
Executive Officer	Noriaki Ichimura
Executive Officer	Toru Iwata
Executive Officer	Katsuhiro Niidera
Executive Officer	Kazuhide Okada
Executive Officer	Shigeru Kawamura

Audit & Supervisory Board Members

Standing Audit & Supervisory Board Member	Shigeru Ohmori
Audit & Supervisory Board Member	Koichi Hayashi
Audit & Supervisory Board Member	Naotaka Nanya
Audit & Supervisory Board Member	Takeshi Sawaizumi

Shareholder memo

Fiscal year	From April 1 of each year to March 31 of the following year
Annual General Meeting of Shareholders	Held in June each year
Record date for year-end dividend:	March 31
Record date for interim dividend:	September 30
Administrator of shareholder registry and account	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo
Mailing address	2-8-4 Izumi, Suginami-ku, Tokyo 168-0063 Stock Transfer Agency Business Planning Department Sumitomo Mitsui Trust Bank, Limited
(Telephone inquiries)	0120-782-031 (toll-free)

Stock information (as of September 30, 2019)

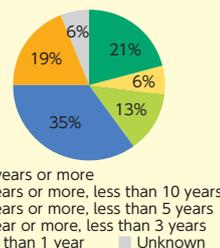
Total number of authorized shares	233,000,000
Total number of issued shares	68,909,449
Number of shareholders	12,385

Shareholder Questionnaire Results

We would like to use this opportunity to thank our shareholders for answering the questionnaire on-site in June 2019 at the Annual General Meeting of Shareholders and online. Your responses will be utilized in our future management and IR activities.

Here is a report of part of the questionnaire results.

Holding period



Important aspects considered at the time of purchase



Opinions and requests received from our shareholders (excerpt)

- Keep improving the performance in a coordinated effort involving all employees
- Make a product that will increase customer satisfaction even while your business performance is not good
- We want the Company to become society-oriented and value its employees more than ever before, even during these difficult conditions around the world

Website

We provide on our website various information such as latest news, IR information, as well as other Special Contents.

<https://www.ckd.co.jp/english/>



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2-250 Uji, Komaki City, Aichi 485-8551, Japan
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