

# Automation Technology for the Future

## Newsletter to Shareholders for the 98th Fiscal Year

From April 1, 2017 to March 31, 2018



President Kazunori Kajimoto

### To our shareholders

First, we would like to express our appreciation for your continued support.

For the 98th fiscal year of the Company (from April 1, 2017 to March 31, 2018), we will now give an overview of the business, and a report on the settlement of accounts.

### Business review

The Japanese economy gradually improved during this fiscal year, driven by a solid volume of personal consumption resulting from improvements in employment conditions and income environment. Strong domestic demand and an increase in exports led to an improvement in corporate income, which was used for greater capital investment to improve productivity, streamline operations, and save labor.

In terms of overseas economies, employment in the USA remained favorable, resulting in strong personal consumption that enabled expansion of production activities. European economies showed recovery as a result of measures such as monetary easing. In China, increases in infrastructure investment began to slow due to government restrictions, but personal consumption provided a foundation for strong results.

Against this backdrop, the CKD Group's consolidated net sales came to ¥115,700 million (up 23.1% YoY), while operating income was ¥12,472 million (up 30.2% YoY), ordinary income was ¥12,469 million (up 27.6% YoY), and net income attributable to owners of parent reached ¥9,142 million (up 31.4% YoY).

Year-end dividends for the fiscal year have been set at ¥20 per share. Combined with the interim dividend of ¥17 per share paid in December 2017, this results in an annual dividend of ¥37 per share.

We humbly request the further support and encouragement of our shareholders as we move forward.

### Issues to be addressed

The CKD Group is tackling the following issues through the medium- and long-term management strategies detailed in the "Challenge CKD 2018" medium-term management plan that began in the fiscal year ended March 31, 2017.

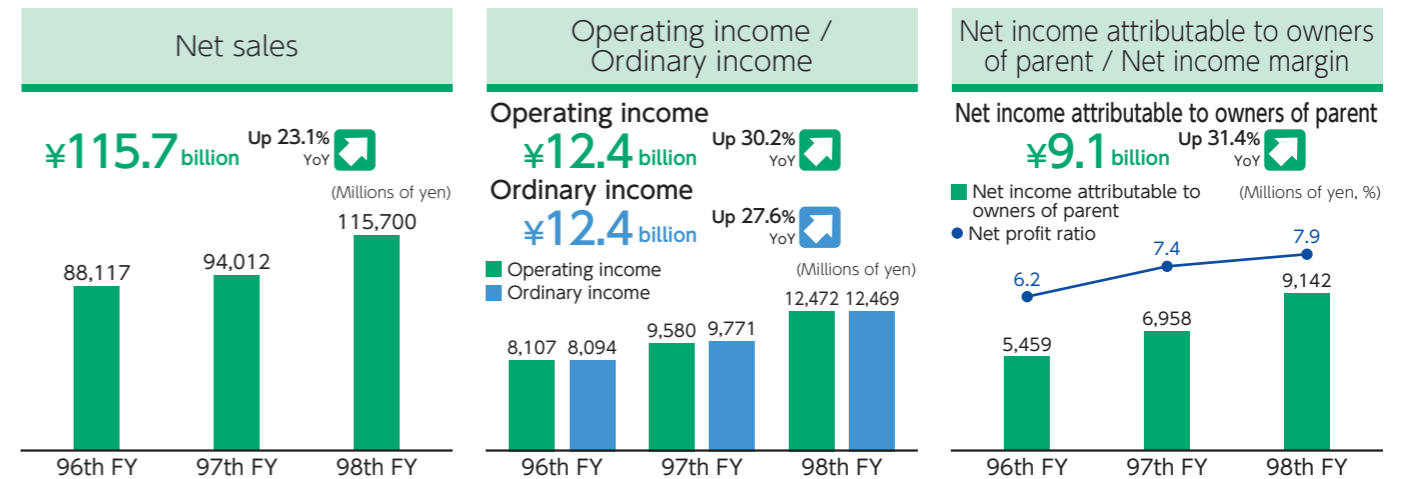
We see the current changes in the world as new business opportunities, and are working on new initiatives and the development of products for new markets. The rise of IoT around the world is something on which we can capitalize through measures to make our products more advanced, such as strengthening their communication functions, enhancing sensors, as well as developing preventive maintenance products.

We have developed a range of products that lead the industry in Japan. We are now actively introducing them to overseas customers and expanding our business globally. In our automatic machineries business, we are strengthening our product handling, sales and service framework so that we can expand our automatic packaging machines for pharmaceutical and food products globally. In our components business, we are strengthening our sales and technical support framework so that we can expand our products for special purposes and products that meet industry needs into advanced industries in the USA and Europe.

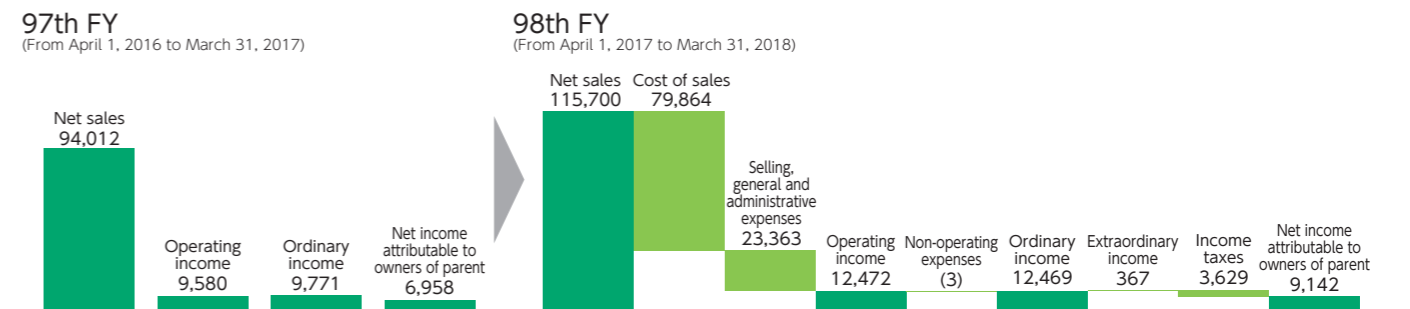
In addition to the business foundation we have built in Asia, we are also building new foundations in developing regions such as Latin America and India, and strengthening our base in the USA and Europe to improve customer satisfaction.

## Financial information

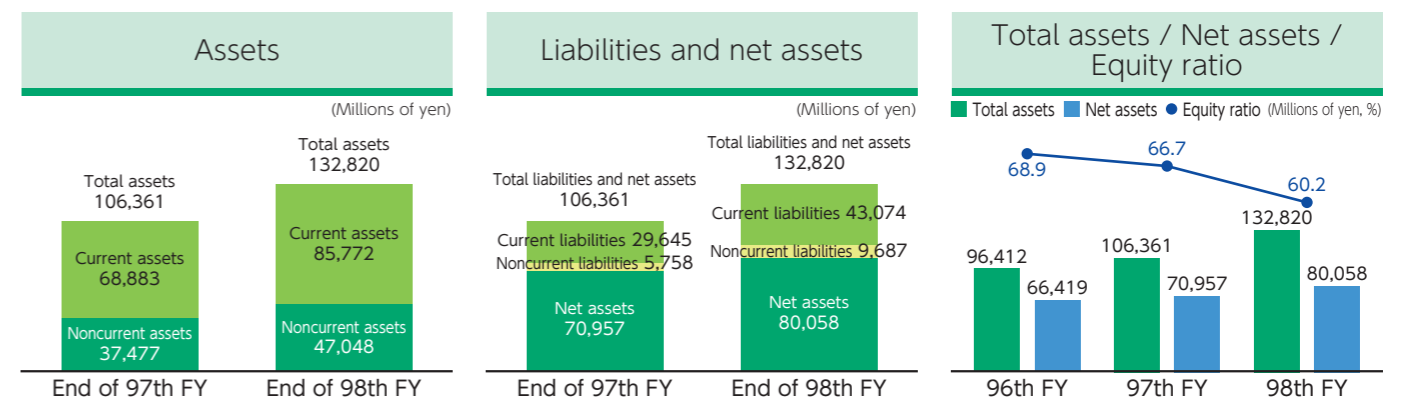
### Annual results



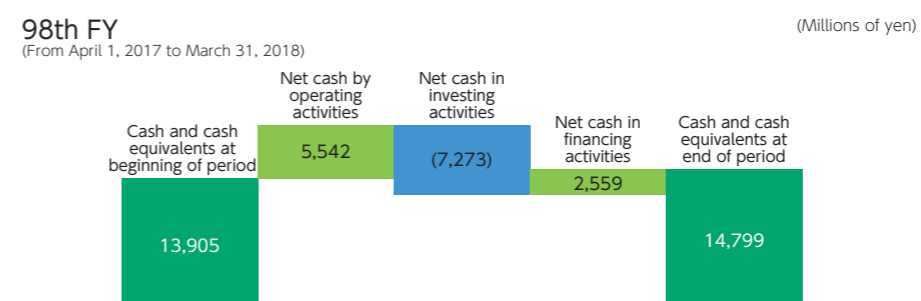
### Profit and loss (Millions of yen)



### Assets, liabilities, and net assets



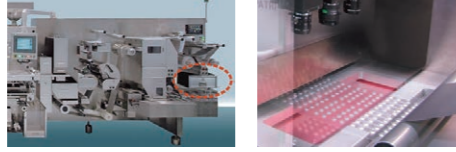
### Cash flows



## Topics

### TOPIC 1 FP-U Flash Patri Series of inline inspection system

We have launched the Flash Patri FP-U Series of built-in inspection equipment for pharmaceutical packaging machines. The series enables the inspection of misaligned cuts and printed marks on each tablet sheet with an accuracy of ±1mm. This can prevent scanning failures of barcodes containing tablet information due to incomplete printing, as well as ensure sealability of the tablet quality, preventing it from deteriorating. In addition, the measured degree of misalignment can be converted to usable data, leading to improved productivity.



### TOPIC 3 Nitrogen gas extraction units NS Series

Nitrogen constitutes about 80% of the air. We have launched the Nitrogen gas extraction units NS Series, which separates nitrogen and oxygen from the air, resulting in a concentration of nitrogen with a purity of up to 99.9%. Nitrogen gas has a wide range of uses, including anti-oxidation and explosion-proofing applications in food processing, packaging processes and laser processing systems. Generally, this is supplied in the form of cylinders, etc., which require labor to refill and replace, but the NS Series can be used anywhere compressed air is available, enabling trouble-free supply of nitrogen gas.



### TOPIC 5 Joint development with Toyo Automation Co., Ltd.

The Company has begun joint development of an electric actuator with Taiwan's Toyo Automation Co., Ltd. ("TOYO"). In recent years, the shift to factory automation and IoT in production facilities is accelerating on a global scale, and there is a rising need for equipment powered by electricity. By incorporating into an electric actuator both the motor control technology in which CKD excels, and TOYO's core pneumatic cylinder technology, we will be able to develop competitive products speedily and to deal with a wider range of customer needs than previously possible, with the aim of expanding the business further. Furthermore, in order to encourage joint development and a further strengthening of the relationship, we have invested approximately ¥500 million in TOYO, acquiring the equivalent of 10% of its shares.



### TOPIC 2 DSC-C Series speed controller with adjusting dial wins the iF DESIGN AWARD 2018

The DSC-C Series speed controller with adjusting dial has won the prize in the internationally acclaimed iF DESIGN AWARD 2018. The development goal for this product was to create the world's smallest direct-mounted speed controller, while resolving the ease-of-use and visibility problems that are caused by miniaturization through good designs. In addition to expanding sales of this item around the world, going forward we will continue to develop products that also have attractive designs.



### TOPIC 4 Portable air supply unit ASU-S

Offices and research facilities are not equipped with the compressed air supply facilities using large compressors that can be found on production lines in factories, and there is demand for air supplies that do not compromise the atmosphere in clean and quiet rooms to small facilities. To respond to such requests, we developed the "ASU-S," which integrates a quiet compressor, filter, regulator, valve and other components into a compact carry case, allowing it to be transported easily. This not only enables air supply to small facilities, but also allows compressed air to be used in a diverse range of situations, where such equipment do not exist.



### TOPIC 6 Opening of the "Ohana nursery school" on-site day-care center

As part of our efforts to create an environment in which employees can work without worries when raising children, the Company has opened the "Ohana nursery school" on-site day-care center at the Headquarters / Komaki Factory. "Ohana" means "family" in the Hawaiian language, and represents our feeling that those who join the family of our employees are also the family of the Company.

In addition, by locating the facility to the side of the main gate of the Company, we hope that it will be seen and loved by all employees, and take on a symbolic existence that will lead to the emergence of an even better corporate culture.



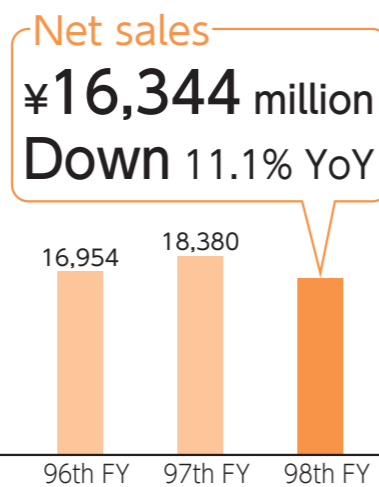
## Results by segment

### Automatic machinery

Sales of automatic packaging systems decreased due to a downturn in capital investment for generic pharmaceutical products in Japan.

Industrial machinery, meanwhile, saw an increase in sales for both lithium ion battery production systems and 3D solder paste inspection machines.

As a result, sales for this segment were ¥16,344 million (down 11.1% YoY). In addition to the decrease in sales, an increase in research and development expenses along with the impact of maintenance costs that occurred during the second quarter of the fiscal year saw this segment generate ¥1,176 million in segment income (down 44.1% YoY).



#### Automatic packaging systems

Pharmaceutical products packaging



Food packaging



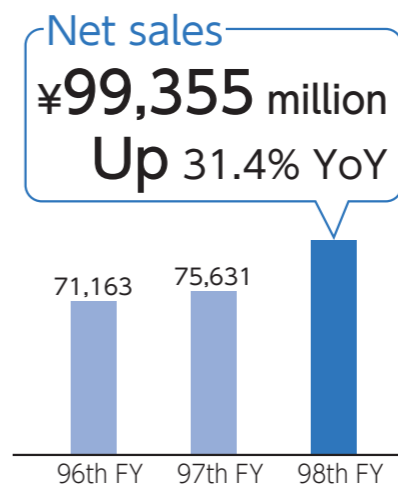
#### Winding machines for lithium-ion batteries



#### 3D solder paste inspection machines



### Component products



In the domestic market, sales increased for semiconductor production equipment parts due to ongoing investment in refinement and 3D memory, for machine tools due to strong demand both domestically and overseas, and for FPD production equipment parts.

In overseas markets, sales increases were particularly notable in South Korea, where strong investment in semiconductor facilities is taking place, and China, where there is ongoing capital investment for purposes such as information and communication equipment, rechargeable batteries, and automation.

This resulted in sales of ¥99,355 million (up 31.4% YoY) and segment income of ¥15,831 million (up 41.5% YoY).

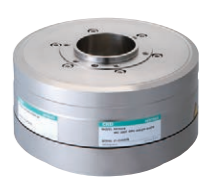
#### Fine system devices



#### Fluid control components



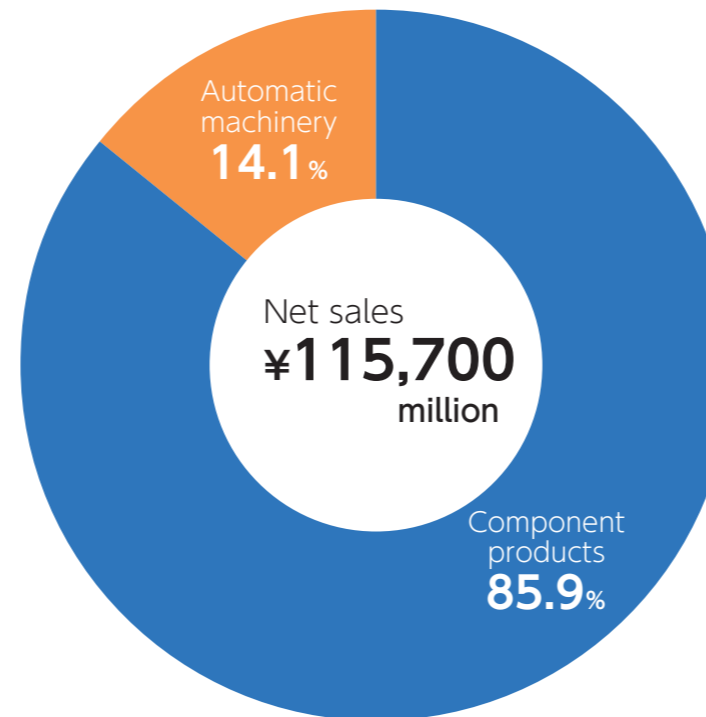
#### Labor-saving components



#### Electric actuators



#### Pneumatic control systems





## Company / stock information

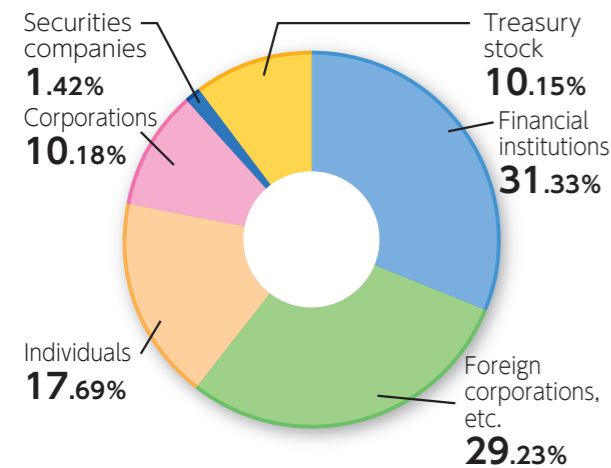
### Company profile (as of March 31, 2018)

<b>Name</b>	CKD Corporation
<b>Established</b>	April 2, 1943
<b>Capital stock</b>	¥11,016,380,748
<b>Head office</b>	250, Ouji 2-chome, Komaki, Aichi, 485-8551, Japan Phone: +81-568-77-1111
<b>Number of employees</b>	2,248 (Consolidated: 4,284)
<b>Main businesses</b>	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

### Stock information (as of March 31, 2018)

<b>Total number of authorized shares</b>	233,000,000
<b>Total number of issued shares</b>	68,909,449
<b>Number of shareholders</b>	9,731

#### Breakdown by shareholder type



### Officers (as of June 22, 2018)

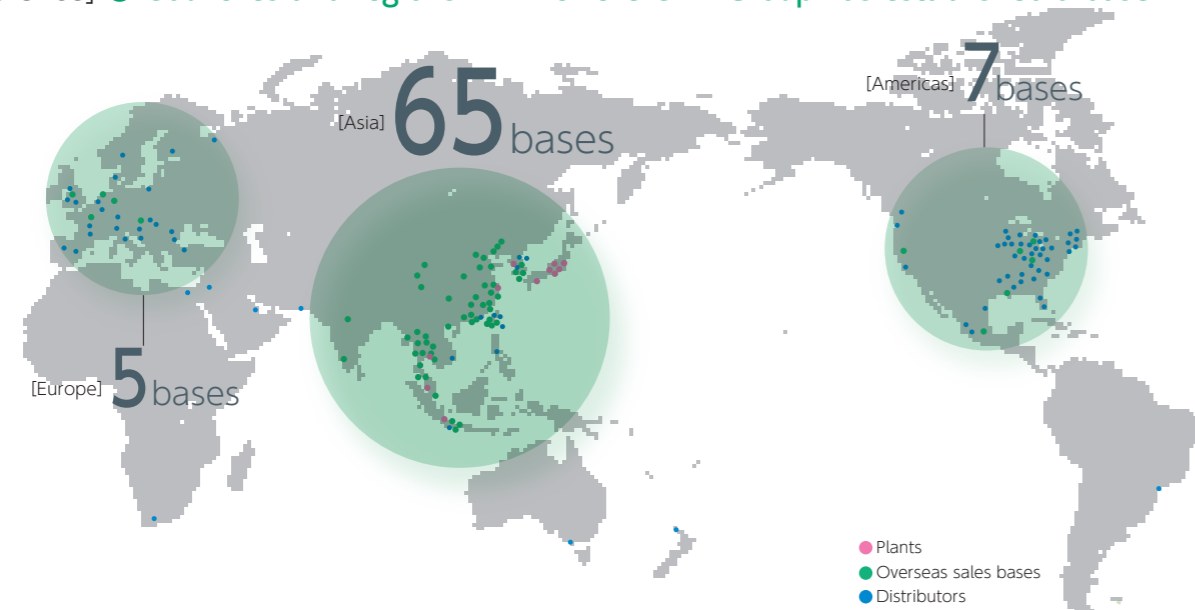
<b>Directors</b>	<b>Executive Officers</b>
President <b>Kazunori Kajimoto</b>	Managing Executive Officer <b>Katsuhito Okuoka</b>
Director <b>Katsuhito Okuoka</b>	Executive Officer <b>Masafumi Kokubo</b>
Director <b>Masafumi Kokubo</b>	Executive Officer <b>Shinji Yuhara</b>
Director <b>Shinji Yuhara</b>	Executive Officer <b>Tatsuya Nishio</b>
Director <b>Junichi Kagawa</b>	Executive Officer <b>Yoshinori Nozawa</b>
Director <b>Noriko Asai</b>	Executive Officer <b>Takuya Takahashi</b>
Director <b>Kazumasa Uemura</b>	Executive Officer <b>Norikazu Yamauchi</b>
<b>Audit &amp; Supervisory Board Members</b>	Executive Officer <b>Noriaki Ichimura</b>
Standing Audit & Supervisory Board Member <b>Shigeru Ohmori</b>	Executive Officer <b>Toru Iwata</b>
Audit & Supervisory Board Member <b>Koichi Hayashi</b>	Executive Officer <b>Kiyoshi Fukui</b>
Audit & Supervisory Board Member <b>Naotaka Nanya</b>	Executive Officer <b>Katsuhiro Niidera</b>
Audit & Supervisory Board Member <b>Takeshi Sawaizumi</b>	Executive Officer <b>Kazuhide Okada</b>
	Executive Officer <b>Katsunori Hayashida</b>

### Major shareholders (as of March 31, 2018)

Name	Number of shares held (thousand)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust account)	3,826	6.18
The Master Trust Bank of Japan, Ltd. (Trust account)	3,210	5.18
STATE STREET BANK AND TRUST COMPANY	3,189	5.15
CKD Shareholding Association	2,751	4.44
BBH FOR MATTHEWS JAPAN FUND	2,551	4.12
SUMITOMO LIFE INSURANCE COMPANY	1,914	3.09
Sumitomo Mitsui Banking Corporation	1,581	2.55
CKD Corporative Companies Investment Association	1,572	2.54
The Dai-ichi Life Insurance Company, Limited	1,400	2.26
Mitsui Sumitomo Insurance Company, Limited	1,210	1.96

Note: The above shareholding ratios have been calculated after excluding treasury stock.

[Reference] ● Countries and regions in which the CKD Group has established a base



## Shareholder memo

<b>Fiscal year</b>	From April 1 of each year to March 31 of the following year
<b>Annual General Meeting of Shareholders</b>	Held in June each year
<b>Record dates</b>	Annual General Meeting of Shareholders: March 31 each year Year-end dividend: March 31 each year Interim dividend: September 30 each year Also held as necessary on other dates, as set and publically announced in advance
<b>Method of public notice</b>	To be made public on the Company website. ( <a href="https://www.ckd.co.jp/japanese/ir/bspl.htm">https://www.ckd.co.jp/japanese/ir/bspl.htm</a> )
<b>Number of shares of one unit</b>	100
<b>Stock exchange listing</b>	Tokyo Stock Exchange and Nagoya Stock Exchange, First Section (stock exchange code: 6407)
<b>Website</b>	<a href="https://www.ckd.co.jp/english/">https://www.ckd.co.jp/english/</a>
<b>Administrator of shareholder registry and account management institution for special account</b>	1-4-1, Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
<b>Administrator of shareholder registry and handling office</b>	15-33, Sakae 3-chome, Naka-ku, Nagoya Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited
<b>(Mailing address)</b>	2-8-4 Izumi, Suginami-ku, Tokyo 168-0063 Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited
<b>(Telephone inquiries)</b>	☎ 0120-782-031
<b>(Website)</b>	<a href="http://www.smtb.jp/personal/agency/index.html">http://www.smtb.jp/personal/agency/index.html</a>

#### [Notifications and inquiries regarding changes of address etc. in relation to shares]

Shareholders who have an account with a securities company are requested to direct inquiries and notifications regarding changes of address, etc., to the securities company at which the account is held. Shareholders who do not have an account with a securities company are requested to use the telephone number for inquiries given above.

#### [Special accounts]

For shareholders who were not using JASDEC (Japan Securities Depository Center, Incorporated) before the introduction of the electronic share certificate system, we have opened an account (referred to as a "special account") at the administrator of shareholder registry, the above-mentioned Sumitomo Mitsui Trust Bank, Limited. Please direct inquiries regarding special accounts to the telephone inquiries number given above.

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

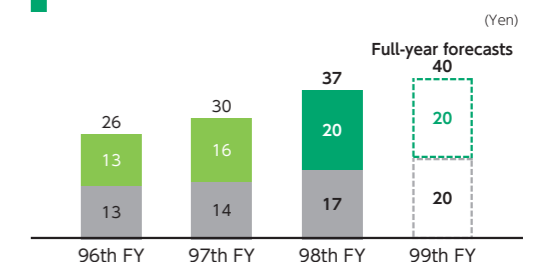
#### ■ Timing of presentation of benefits

Dispatch of benefits is planned in late June each year.

#### ■ Details of shareholder benefits

Number of shares held	Details of benefits
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
1,000 shares or more	QUO gift card 2,000 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 investments and investments in research and development, etc., while in relation to shareholder returns, paying a stable dividend.