

Automation Technology for the Future

Interim Newsletter to Shareholders for the 99th Fiscal Year

From April 1, 2018 to September 30, 2018

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 99th fiscal year of the Company (from April 1, 2018 to September 30, 2018).



President **Kazunori Kajimoto**

Business review

The Japanese economy gradually improved in the six months ended September 30, 2018, driven by a solid volume of personal consumption resulting from continued improvements in employment conditions and income environment. Strong domestic demand and gradual 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.

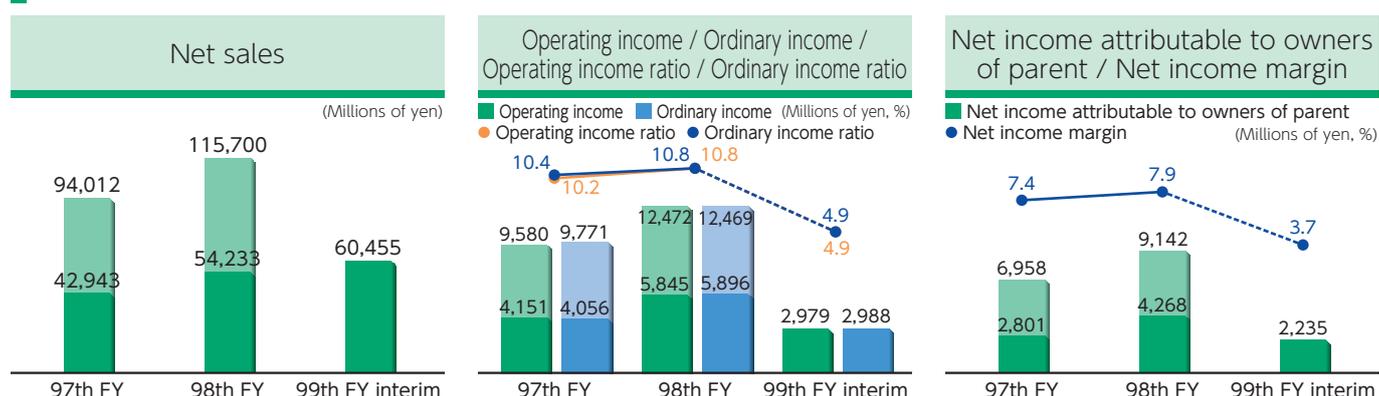
In terms of overseas economies, employment in the USA remained favorable, resulting in strong personal consumption that enabled expansion of production activities. European economies showed recovery as a result of measures such as monetary easing. In China, personal consumption provided a foundation for strong results despite the slowdown in infrastructure investment due to government restrictions, and the impact of the trade dispute with the USA.

Against this backdrop, the CKD Group's net sales in the six months ended September 30, 2018 came to ¥60,455 million (up 11.5% YoY), while operating income was ¥2,979 million (down 49.0% YoY), ordinary income was ¥2,988 million (down 49.3% YoY), and net income attributable to owners of parent reached ¥2,235 million (down 47.6% YoY).

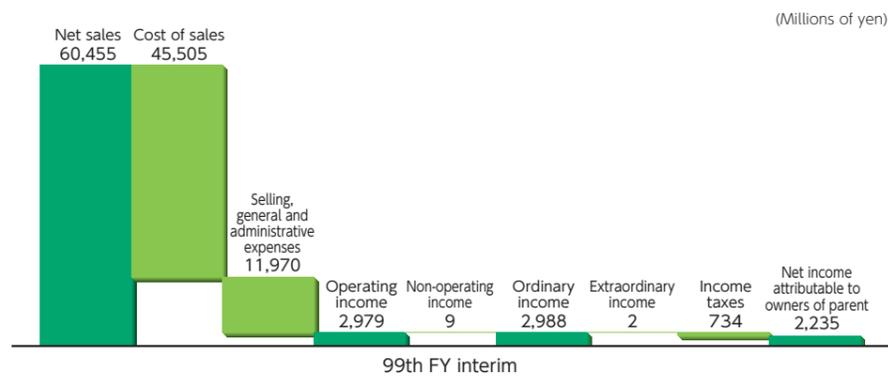
Full-year earnings forecasts announced on May 14, 2018 have now been revised to net sales of ¥116,000 million, operating income of ¥6,700 million, ordinary income of ¥6,700 million, and net income attributable to owners of parent of ¥4,800 million in consideration of the performance of the CKD Group over the six months ended September 30, 2018 and recent trends in orders influenced by the slowdown of semiconductor memory capital investments and decrease in automation investment in China.

The interim dividend has been set at ¥20 per share, and we expect the annual dividend to be ¥40 per share. As we move forward, we humbly request the further support and encouragement of our shareholders.

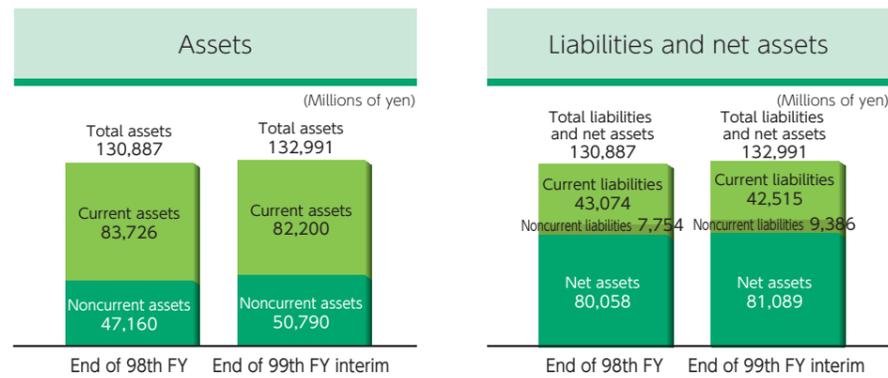
Business results



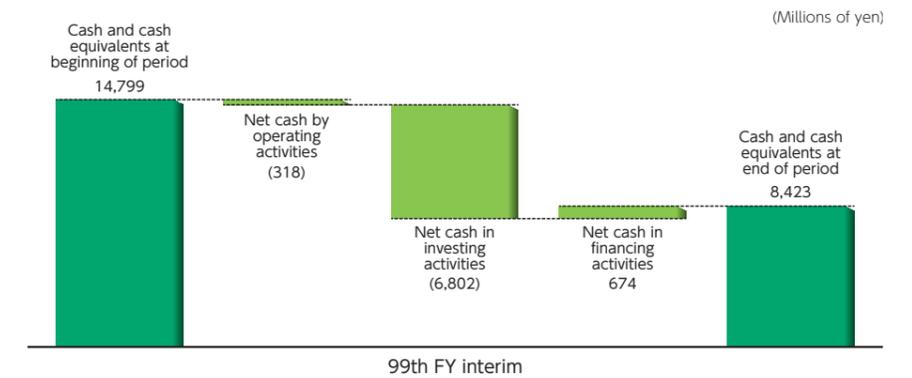
Profit and loss



Assets, liabilities, and net assets



Cash flows



Results by segment

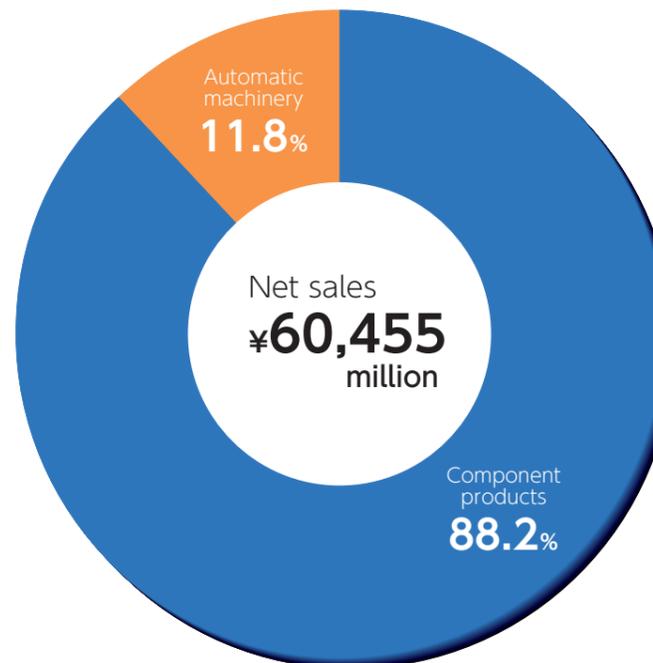
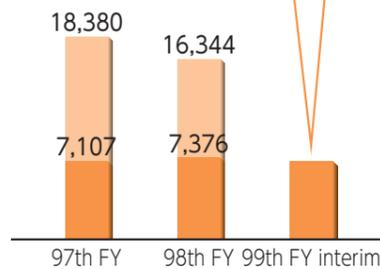
Automatic machinery

There was a decrease in the sales of automatic packaging systems for pharmaceutical products.

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

As a result, sales for this segment were ¥7,106 million (down 3.7% YoY), and the segment loss came to ¥99 million (the segment income of ¥391 million in the same period of the previous year) due to tough conditions regarding domestic order prices as well as strategic order taking from overseas with an eye to the future.

Net sales
¥7,106 million
 Down 3.7% YoY



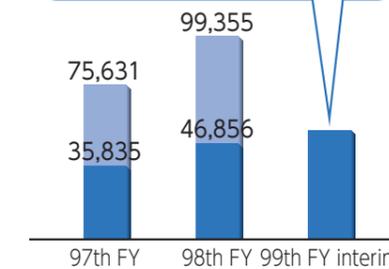
Component products

In the domestic market, sales increased for semiconductor production equipment parts due to ongoing capital investments mainly in memory, and for machine tool parts due to steady domestic demands.

In overseas markets, sales increased mainly in East and Southeast Asian countries, though a slowdown in investment in semiconductor facilities was observed as was in the domestic market.

As a result, sales for this segment were ¥53,348 million (up 13.9% YoY), and segment income came to ¥5,473 million (down 28.7% YoY) due to the increase in costs arising from capital investment and production staff reinforcement to cope with the increased sales, and the slowdown of semiconductor memory capital investments from the second quarter ended September 30, 2018.

Net sales
¥53,348 million
 Up 13.9% YoY



Automatic packaging systems

Pharmaceutical products packaging



Food packaging



Winding machines for lithium-ion batteries



3D solder paste inspection machines



Fine system devices



Fluid control components



Labor-saving components



Electric actuators



Pneumatic control systems



Company profile (as of September 30, 2018)

Name	CKD Corporation
Established	April 2, 1943
Capital stock	¥11,016,380,748
Head office	250, Ouji 2-chome, Komaki, Aichi, 485-8551, Japan Phone: +81-568-77-1111
Number of employees	2,497 (Consolidated: 4,627)
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, 2018)

Directors

President	Kazunori Kajimoto
Director	Katsuhito Okuoka
Director	Masafumi Kokubo
Director	Shinji Yuhara
Director	Junichi Kagawa
Director	Noriko Asai
Director	Kazumasa Uemura

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

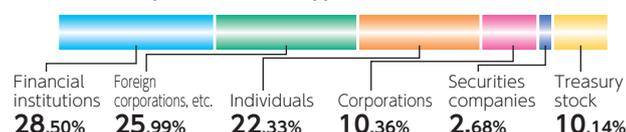
Executive Officers

Managing Executive Officer	Katsuhito Okuoka
Executive Officer	Masafumi Kokubo
Executive Officer	Shinji Yuhara
Executive Officer	Tatsuya Nishio
Executive Officer	Yoshinori Nozawa
Executive Officer	Takuya Takahashi
Executive Officer	Yoshikazu Yamauchi
Executive Officer	Noriaki Ichimura
Executive Officer	Toru Iwata
Executive Officer	Kiyoshi Fukui
Executive Officer	Katsuhiro Niidera
Executive Officer	Kazuhide Okada
Executive Officer	Katsunori Hayashida

Stock information (as of September 30, 2018)

Total number of authorized shares	233,000,000
Total number of issued shares	68,909,449
Number of shareholders	13,105

Breakdown by shareholder type



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.

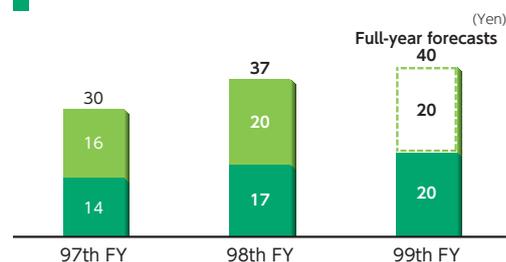
■Timing of presentation of benefits

Dispatch of benefits is planned in 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.

CKD Corporation

250, Ouji 2-chome, Komaki, Aichi, Japan
+81-568-77-1111

Search here for IR information



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

[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.