

CKD

10-Year
Vision

Global FA Total Supplier

Interim Newsletter to Shareholders for the 101st Fiscal Year

From April 1, 2020 to September 30, 2020

CKD Corporation

Stock Exchange Code: 6407

To our shareholders

First of all, 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 101st fiscal year of the Company (from April 1, 2020 to September 30, 2020). In the six months ended September 30, 2020, the Japanese economy showed signs of bottoming out, with exports and production activities picking up, despite the impact of the USA-China trade dispute and the extended spread of COVID-19. Capital investment has faced postponements and cancellations due to deteriorating corporate earnings and uncertainty about the economic outlook. During this situation, performance remained firm in the electronics industry, with investment in the expanding applications of information and communication technology, such as for 5G and IoT.

In overseas economies, the USA employment conditions continued to improve and the manufacturing industry continued to pick up. As economic activity resumed in China, the manufacturing industry in general has made progress in normalizing production activities, and with increased demand for 5G-related products, there has been active capital investment in the country. Meanwhile, the pace of recovery in Southeast Asia has slowed, although measures have been



President **Kazunori Kajimoto**

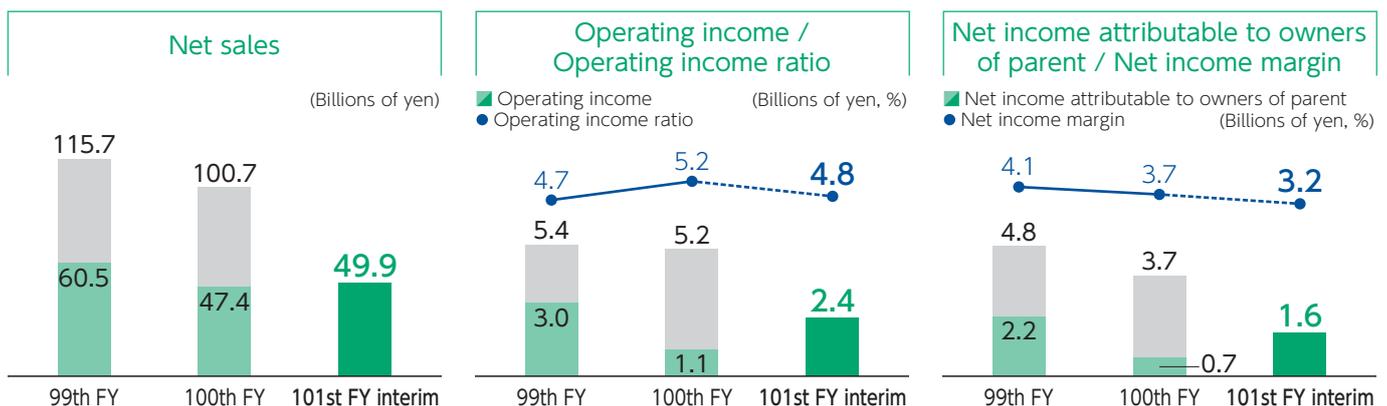
put in place to counter the spread of the pandemic and economic activity had gradually resumed.

Against this backdrop, the CKD Group's net sales in the six months ended September 30, 2020 came to ¥49,942 million (up 5.4% YoY), while operating income was ¥2,405 million (up 112.7% YoY), ordinary income was ¥2,473 million (up 127.5% YoY), and net income attributable to owners of parent reached ¥1,618 million (up 136.9% YoY).

The interim dividend has been set at ¥8 per share, and we expect the annual dividend to be ¥17 per share.

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

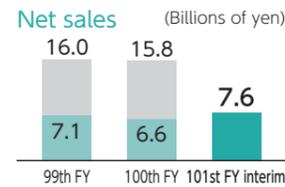
Business results



Results by segment

Automatic machinery

In industrial machinery, sales of 3D solder paste inspection machines decreased, but sales of lithium ion battery production systems increased. In addition, sales of automatic packaging systems increased. As a result, sales for this segment were ¥7,633 million (up 15.2% YoY), and the income came to ¥856 million (down 19.1% YoY) due to changes in the sales mix and the increase of development expense for new equipment for the Chinese market, etc.



Automatic packaging systems

Pharmaceutical products packaging



Food packaging



Winding machines for lithium-ion batteries



3D solder paste inspection machines

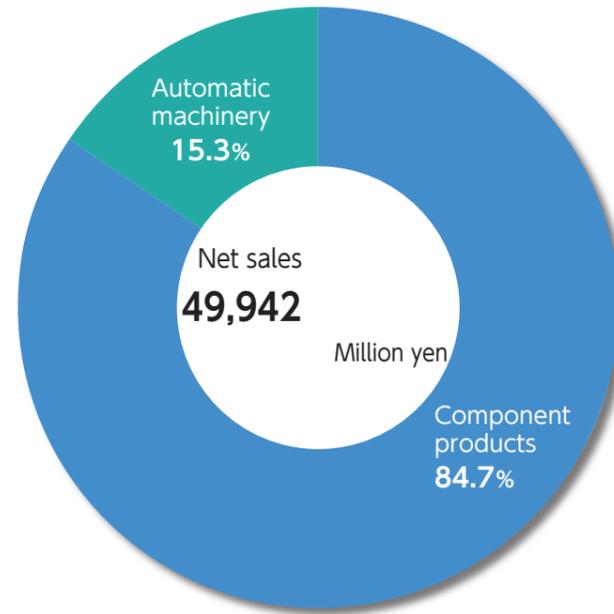
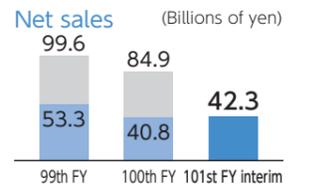


Component products

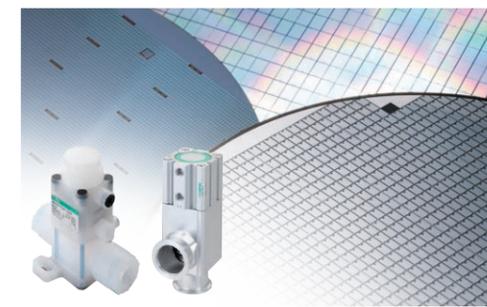
In the domestic market, the spread of 5G overlapped with demand related to telework and with the increase of capital investment, sales increased for semiconductor production equipment parts. However, sales significantly decreased for automotive manufacturing equipment parts and machine tool parts.

For the overseas market, sales increased in China, where the manufacturing industry in general has made progress in normalizing production activities, as well as in South Korea and Taiwan, where investment in semiconductor equipment has remained firm. However, sales in Southeast Asia decreased due to the spread of COVID-19.

As a result, sales for this segment were ¥42,309 million (up 3.8% YoY), and the income came to ¥3,603 million (up ¥72.9% YoY) due to improved productivity and cost reductions.



Fine system devices



Fluid control components



Related pneumatic components



Drive components

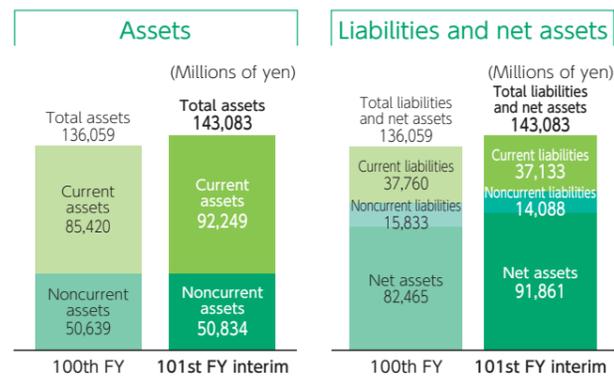


Pneumatic control components

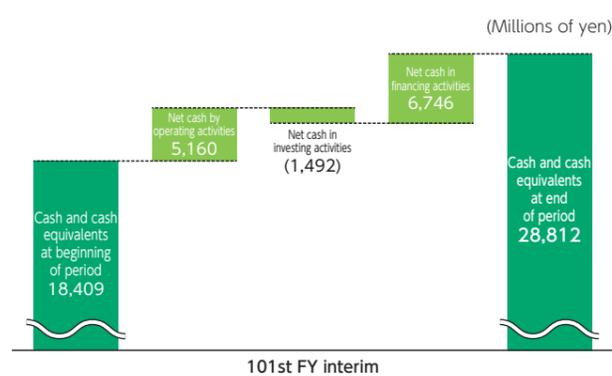


Consolidated Financial Data

Assets, liabilities, and net assets



Cash flows



Total assets
Although notes and accounts receivable - trade and property, plant and equipment decreased, cash and deposits and investment securities increased.

Liabilities
Although loans payable and provision for bonuses increased, notes and accounts payable - trade, accrued bonuses and accrued consumption taxes decreased.

Shareholders' equity ratio
64.1%, a 3.7 point increase compared with the end of the previous fiscal year

Net cash by operating activities
Income before income taxes of ¥2,437 million, depreciation and amortization of ¥2,684 million, increase in provision for bonuses of ¥2,049 million, increase in funds resulting from a decrease in notes and accounts receivable - trade of ¥3,598 million, decrease in accounts payable - bonuses of ¥2,025 million, decrease in notes and accounts payable - trade of ¥1,445 million, decrease in funds resulting from income taxes paid of ¥1,105 million.

Net cash in financing activities
Increase in short-term loans payable of ¥2,290 million, increase in funds due to the exercise of share acquisition rights of ¥7,309 million, repayment of long-term loans payable of ¥1,790 million, decrease in cash due to cash dividends payment of ¥808 million

Net cash in investing activities
Decrease in funds resulting from purchase of property, plant and equipment of ¥1,521 million

Topics

USA - Establishment of a production plant

CKD USA CORPORATION (Illinois State), our subsidiary in the USA, plans to establish a production plant around the fall of 2021.

The Company is making investments to build its business foundation for the future with an eye on medium- to long-term growth and raising corporate value. The plant is expected to strengthen the production system to meet the growing demand in the field of fluid control components.

As for financing, the Company will use funds from disposal of treasury stock, which has already been carried out for the same purpose.



[Production plant overview]

Name	CKD USA Austin Manufacturing
Location	Austin, Texas, USA
Products	Fluid control components
Land area	Approx. 15,000m ²
Building area	Approx. 5,000m ²
Real estate	Acquired in September 2020
Expected date of construction commencement	Spring 2021
Expected date of establishment	Fall 2021
Initial investment amount	Approx. ¥1.3 billion
Financing method	Funds from disposal of treasury stock

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/>



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 our 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

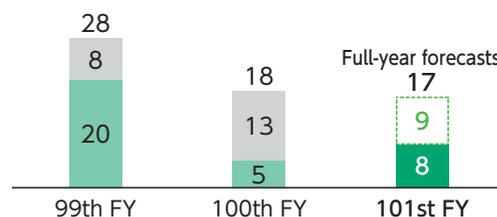
Dispatch of benefits is planned in early June each year.

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
	1,000 shares or more	QUO gift card 2,000 yen value
3 years or more	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

(Yen)



Dividend policy

With regard to returning profits to shareholders, the Company aims 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 aiming for a payout ratio of 30% for shareholder returns.

Company profile (as of September 30, 2020)

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	2,512 (consolidated: 4,556)
Main businesses	Development, manufacture, sale and export of automation machinery, drive components, pneumatic control components, pneumatic auxiliary components, and fluid control components

Stock information (as of September 30, 2020)

Total number of authorized shares	233,000,000
Total number of issued shares	67,909,449
Number of shareholders	14,561

Officers (as of September 30, 2020)

Directors

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

Audit & Supervisory Board Members

Standing Audit & Supervisory Board Member	Masafumi Kokubo
Audit & Supervisory Board Member	Koichi Hayashi
Audit & Supervisory Board Member	Takeshi Sawaizumi
Audit & Supervisory Board Member	Shuzo Hashimoto

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)

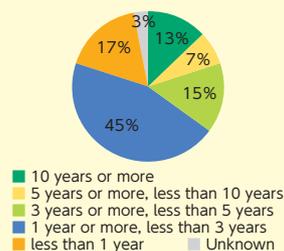
Shareholder Questionnaire Results

We would like to use this opportunity to thank our shareholders for answering the questionnaire online in June 2020.

Your responses will be utilized in our future management and IR activities.

Here is a report of a part of the questionnaire results.

Holding period



Important aspects considered at the time of purchase

Future prospects	50
Line of business	47
Shareholder benefits	27
Stability	15
Management policy	13
Share price deemed undervalued	12
Profitability	9
Dividends	8
Familiarity	1
Other (Persons)	7

Opinions and requests received from our shareholders (excerpt)

- We would like to know about your overseas activities and future plans.
- We expect continuous and stable shareholder returns going forward.
- We understand that you are in a difficult stage due to COVID-19, and we wish for the continuation and development of your business activities.

CKD Corporation

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