

Message from the Chairperson

Achieving Sustainable Growth for society and business with the new *W Engine* structure of the Company organization



Kazunori Kajimoto

Kazunori Kajimoto
Representative Director,
Chairman of the Board and
Chief Executive Officer

Charting the future of CKD from a long-term perspective and have goals accomplished

The Company was established in 1943 for the purpose of developing and manufacturing electrical components for aircrafts, and launched a business developing, designing, and manufacturing automatic machinery such as production equipment for vacuum tubes and fluorescent lamps. Today, we produce a wide range of factory automation (FA) equipment, including pneumatic and fluid control components, and contribute to automation and efficiency in manufacturing (*monozukuri*) for customers in Japan and overseas. Our Corporate Philosophy aspires to *innovate fluid control and automation*, and we are pursuing a variety of initiatives with the aim of becoming a Total FA Worldwide Supplier.

As one of these initiatives, we have established a new management structure with a Chief Executive Officer (CEO) and Chief Operating Officer (COO) as of June 25, 2021, and I have been appointed as the Chairperson & CEO. At a time when society is undergoing major changes and the Company is at a major turning point, we will strengthen our management foundation with a sense of speed and aim to increase our corporate value.

Looking back on my tenure as president, it was a tumultuous start with the global financial crisis triggered by the collapse of Lehman Brothers striking soon after I took office in June 2008. To break through the stagnant atmosphere within the Company, I felt the need to listen to the views of employees at each of our locations and to present a medium- to long-term vision. Therefore, in 2010, we formulated our first Medium-Term Management Plan, NEW CKD 2012, which looked ahead three years.

Our business performance turned around as the entire company shared the desire and determination to move forward. We had an eye on what we should aim for in the future and we took action. After that, we still faced many difficult management challenges, such as trade friction and the Great East Japan Earthquake, but we were able to achieve growth from ¥68.2 billion in sales at the time of my appointment to over ¥100 billion through a series of future-oriented Medium-Term Management Plans. In 2016, in order to create a company that could respond to changes from a long-term perspective, we launched a long-term management plan, the 10-Year Vision: GO CKD! This plan describes our aspirations for a decade from now, and we are taking steps to make them a reality.

10-Year Vision Ver. 3 for the “New Normal”

In recent years, people's lifestyles and values have changed dramatically, and companies have been forced to change as well. Decarbonization initiatives and human rights issues that arise in the supply chain are becoming more and more important, and if they don't consider such matters, companies are at risk of becoming unable to survive.

In addition to a wide variety of these social issues, the spread of COVID-19 has forced us to rethink the sustainability of our society. We are now entering an era in which companies must reconsider their role and significance in society and on the earth, and move beyond the days when all they had to do was to simply generate earnings.

Our long-term vision, therefore, which indicates the direction the Company should take, must also be shaped to match the times. To adapt to the new normal in front of us, transform our mindsets and our work, and get ourselves on a sustainable growth track, we have adopted Sustainable Growth as a slogan expressing the president's policy for fiscal 2021. We have also unveiled Ver. 3 of our 10-Year Vision to follow on from Ver. 2,

which we announced in April 2018. While maintaining our vision of becoming a Total FA Worldwide Supplier, we have made a major change with the addition of two new basic policies: *Establishing a Sustainable Management Foundation* and *Building a Corporate Culture with Faith in Human Resources*.

To achieve sustainable growth while contributing to society, we need to urgently work on establishing a management foundation that will enable us to generate earnings while giving consideration to social sustainability, such as by reducing greenhouse gas emissions. To this end, we will also focus on digital investment. In addition, we will work together with our customers and partner companies to solve social issues by co-creating socially beneficial businesses and products with an eye toward the SDGs. We will leverage our accumulated experience in developing technologies and products that contribute to labor saving, automation, and reduced environmental load in our customers' businesses to take on the challenge of developing new markets.

Bringing about innovation to solve social issues with diverse human resources

To steadily push these initiatives forward, it is essential to develop human resources and to promote diversity. To this end, we have launched the *Kajimoto Juku* [Kajimoto School] to train the next-generation of leaders, and in April 2018, opened an on-site day care center beside the main gate to the Head Office. Going forward, President Okuoka will take the lead in developing employees and leaders, and we will strive to create a diverse company in which everyone can work and thrive their own way.

To contribute to society and achieve Sustainable Growth at the same time, it is vital to build a structure that allows us to view issues facing us over the short to medium term and the long term, make management decisions based on a bird's-eye view of the entire company, and steadily execute the policies we

have set. This is one of the main reasons why we have separated management and execution under the two-person structure comprising the CEO and the COO.

As Chairperson, I will determine the direction of management from a medium- to long-term perspective, while President Okuoka, who will be in charge of execution, will focus on achieving our short- to medium-term targets. We will always share the goals we are aiming for and support each other from time to time, while realizing an open management team consisting of the two engines named *W Engine*. The aim is to strengthen management and deliver new value. I would like to ask all of our stakeholders for their continued guidance and encouragement.

Interview with the Chairperson and President

Establishing a solid management foundation under the Aiming to become a Total FA Worldwide



Kazunori Kajimoto
Representative Director,
Chairman of the Board and
Chief Executive Officer

Katsuhito Okuoka
President and Chief Operating Officer

About the new structure

— You took up the post of president on June 25, 2021. Please share your candid thoughts and aspirations.

Okuoka: At first, I was frankly surprised when Chairman Kajimoto told me about the new structure. But then I listened carefully to the purpose of and reasons for the new organization, and I felt a sense of mission. That's when I made up my mind to take on the role of president.

As a pioneer in the field of automation, we have continued to innovate based on our automation and fluid control technologies since our inception, and have achieved growth through our two core businesses of Automatic Machinery and Component Products. In recent years, we have been

aggressively expanding into overseas markets, especially in the semiconductors business, taking us beyond Japan into places such as East Asia and the United States.

We have thus achieved growth by meeting the needs of customers in various industries, both in Japan and abroad. On the other hand, the era in which a company would more or less be validated just by expanding its market and generating earnings is now long gone.

In addition to the global trend toward decarbonization, companies are asked to consider Environmental, Social and Governance (ESG) issues such as work-style reforms to create a comfortable working environment for employees and enhancing the effectiveness of corporate governance. Amid such developments, the spread of COVID-19 has led to significant changes in people's lives, work, and values.

two-person structure comprising the CEO and the COO Supplier sought after by society

In response to such trends in society, we are receiving more diverse opinions and suggestions from shareholders and other stakeholders, and the roles and areas of responsibility of top management have expanded to cover various fields. The notion was that, to ensure that we follow the rules and accomplish both social contribution and sustainable growth as a company, it would be optimal to separate the roles of the CEO, who sets the policy, and the COO, who is responsible for execution in accordance with the policy, and then to run the Company with two people, the chairperson and the president, as two engines. This Chairperson Kajimoto's idea makes a lot of sense to me, and I am determined to devote myself as one of those engines to further evolve CKD in this era of transformation.

Specifically, as the chief executive officer, the Chairperson will make management decisions from a medium- to long-term perspective, giving consideration to the sustainability of society and the state of governance. As the president, the bulk of my efforts will be on achieving short- and medium-term goals.

Unlike the Chairperson, who has been driving market expansion in the sales division, I have been working in production engineering ever since I joined the Company, developing automation equipment. Subsequently, while gaining experience in production control, I was constantly engaged in spearheading and managing operations on the frontline of production. For example, I established a short-lead-time delivery system for plants and implemented initiatives to connect the production management system with the manufacturing frontline.

Nowadays, when we talk to customers in the manufacturing industry who have production facilities, they tell us that they are facing a variety of issues and problems, such as having to make efforts to reduce CO₂ emissions and promote digital transformation (DX) to improve productivity and efficiency. This is where our technology and products come into play. As a top executive with expertise in technology, I will utilize the experience and perspective obtained during my career to come up with offers and create businesses that contribute to the resolution of social issues.

Kajimoto: Since the president is expected to deliver results in a short period of time, he is forced to think about the situation at hand every day. I believe that the role of the chairperson is to complement that. It is not the case that all policies will be determined by the chairperson or that all execution will be handled by the president. Rather, I will formulate long-term policies in consultation with the president, who could be described as the commander-in-chief, to ensure that they are not out of step with what's happening on the frontline.

I think that our different careers and strengths will be useful in reaching better consensus, and I intend to assist the new

president when he is faced with difficult tasks as he steers the Company through the world of business, and to support him so that he can focus on speedy execution.

Views on the business environment

— In this era of rapid change and future uncertainty, how do you see the Company's operating environment?

Okuoka: The COVID-19 pandemic has changed people's lifestyles and dealt a major economic blow to the world. On the other hand, there are some changes that should be viewed positively from a long-term perspective. One of them is the proliferation of teleworking. For many years, there have been calls for work-style reform, but such initiatives have never gained much traction. But recently they have been taking off, albeit as a means of preventing infection, and I think this a positive development for improving work efficiency.

That being said, and this is also true for the Company, it is often the case that the production frontline cannot function without physical attendance. Maintaining and balancing the safety and peace of mind of employees working on the manufacturing (*monozukuri*) frontline and the production structure is a critical task. Our semiconductor-related components and electric motion components are essential for automation, so demand for them is on the rise, and we see this as a priority field in which we need to push further ahead with technological innovation in order to contribute to the sustainability of society.

Another positive change is that progress is being made with digitalization and DX initiatives, and this is being driven by rising teleworking demand. We are also seeing an increase in the number of inquiries concerning fluid control components for semiconductor manufacturing equipment, an area in which capital investment has expanded in response to the growing demand for communications equipment. In this regard, I feel that the investment we made three years ago to increase the floor space of the clean room at the Tohoku Plant to boost production for semiconductors is paying off. We intend to continue to expand our production capacity to meet the burgeoning demand for semiconductors.

Kajimoto: As the world is connected by supply chains, global pandemics like the one we've seen with COVID-19 are the biggest risks to our business. It is therefore vital to prepare for unprecedented events such as lockdowns in the future. From this perspective, I believe that the needs for labor saving and automation will continue to grow, and I believe that there will be more situations in which we can contribute.

Based on past experience, however, it is unlikely that demand for semiconductors and the desire to invest, which

Interview with Chairperson and President

has remained high for some time, will stay at the same levels forever. We should therefore expect a major downturn at some point. In particular, a slowdown in capital investment in China would have a large ripple effect, so I think this needs to be addressed as a risk factor.

Review of consolidated financial results for fiscal 2020

— With these changes in mind, please look back at the consolidated financial results for the fiscal year ended March 31, 2021, or fiscal 2020, and tell us what happened and why it happened, as well as what the impact of the COVID-19 pandemic will be going forward.

Okuoka: Regarding macroeconomic trends, despite the effects of the U.S.-China trade friction issue, which continued on from the previous fiscal year, and the prolonged battle with COVID-19, exports and production picked up in the second half of the fiscal year, and the economy experienced a gradual recovery. The first half of the fiscal year greatly affected us by factors such as the interruption of capital investment due to the pandemic, but in the second half, the Chinese market sprang back to life, and higher demand in the semiconductor market provided us with a tailwind.

As a result, our consolidated financial results for fiscal 2020 include net sales of ¥106,723 million (up 6.0% year on year), operating income of ¥7,698 million (up 47.2% year on year), so we were able to finish with both higher revenues and profits.

By segment, net sales of lithium-ion battery manufacturing systems increased, but in the automatic machinery business, net sales of 3D solder paste inspection systems and automatic packaging systems decreased as a consequence of the continued postponement or cancellation of capital investments due to deteriorating corporate earnings and uncertainty about the future. As a result, net sales were ¥14,163 million (down 10.3% year on year), and segment income was ¥1,659 million (down 43.3% year on year) due to the impact of such factors as a rise in the cost of developing new component products for the Chinese market.

In the components business, net sales of products for use in semiconductor manufacturing equipment, an area in which capital investment expanded, made a significant contribution. On the other hand, net sales of products for use in automobile manufacturing equipment and machine tools both decreased, although there was a partial recovery in demand. Overseas, net sales increased in China, where production activities in the manufacturing industry returned to normal, and also in South Korea and Taiwan, where semiconductor capital investment remained firm. Net sales declined in Southeast Asia, where COVID-19 continued to spread. As a result, net sales were ¥92,560 million (up 9.0% year on year), and segment income surged to ¥10,076 million (up 59.8% year on year) thanks to improved productivity and reduced expenses.

We have a history of maintaining the two business pillars, Automatic Machinery and Component Products, which have complemented each other well. This time again, they complemented each other well, leading to an overall increase in both revenues and profits.



Progress of the Fourth Medium-Term Management Plan

— Two years have now passed since the launch, in April 2019, of the fourth Medium-Term Management Plan: Build-up CKD 2021. How is it going? What are your prospects for achieving the goals it sets out?

Kajimoto: The plan was formulated as a three-year period for growth and laying foundations for the future, to achieve the 10-Year Vision, which looks ahead to 2025. As for goals, it sets targets of net sales of ¥377.0 billion (16% higher than the target in the previous medium-term plan) and operating income of ¥31.6 billion (15% higher). These are cumulative figures for the three-year period of the plan. However, in terms of progress as seen from the numbers, cumulative net sales over the two years that have so far elapsed were ¥207.4 billion, meaning the progress rate (i.e. the percentage of the cumulative target already reached) is 55%, and operating income was ¥12.9 billion, a progress rate of only 41%.

The foremost factor was that we were hit by a double setback: the impact of the trade friction between the U.S. and China on the one hand and the COVID-19 pandemic on the other. In addition, the fact that the figures of the second and third Medium-Term Management Plans outperformed the initial plan led us to raise the bar in terms of year-on-year targets.

However, we are beginning to see the results of the measures we have taken so far with regard to the three basic policies we have set as the framework for our activities, namely, “Evolve products from being best in Japan to becoming globally recognized products,” “Challenge new business activities and markets,” and “Strengthen our business foundations.”

Okuoka: With respect to “Evolve products from being best in Japan to becoming globally recognized products,” we have been working to develop machinery exclusively for China and to make use of the new production building at our Chinese plant in order to boost sales in the Chinese market of pharmaceutical products packaging machines, our mainstay in the automatic machinery segment. In April 2021, we received our first order for a pharmaceutical products packaging machine for the Chinese pharmaceutical market, and we plan to expand our production system at the Chinese plant, as this is a field where high growth can be expected in the future.

In the industrial machinery field, we have been strengthening our sales capabilities in Europe and the U.S. with regard to 3D solder paste inspection machines, and have launched a new model with expanded functions and revamped operability. In the field of lithium-ion battery manufacturing machines, we are entering the market in collaboration with our partner in China. In the U.S., we are strengthening the functions of our technical center to meet the growing demand for fluid control components for the



semiconductor market, and a new plant under construction in Texas is scheduled to start operation in the second half of fiscal 2021.

Regarding “Challenge new business activities and markets,” we are focused on strengthening the electric motion product business in collaboration with our partners. We handle both pneumatic and electric motion components, and we are using our accumulated know-how to strengthen synergies in development and sales with CKD Nikki Denso Co., Ltd., a Group company.

Likewise, in terms of partnerships, we are working with another company to jointly develop lithium pre-doping equipment that realizes higher capacity, longer life, and improved safety of lithium-ion batteries. We will continue to expand our business to contribute to the realization of a sustainable society by matching our technologies and products with those of other companies.

As for “Strengthening our business foundations,” we are reinforcing our locally-led development functions in China and the U.S., beginning local production in India and Italy incorporating automation and IoT, and bolstering our sales infrastructure. Going forward, we will continue to utilize our proprietary technologies to expand sales of products with advanced labor-saving features in countries around the world.

Kajimoto: The new production base in Texas was built in response to our customers’ requests amid growing global demand for semiconductors. We believe that establishing a production base in the world’s largest market will have a significant impact, not to mention outside the Company, but internally as well. By increasing the number of personnel with know-how and experience in local production overseas, we believe that we will be able to gain the momentum to expand into Europe, our next target market.

Impact of COVID-19 on corporate management

— What is your medium- to long-term strategy amid the COVID-19 pandemic?

Kajimoto: In response to the spread of infection, we established a Crisis Management Committee in April 2020, and started working on measures to prevent the disease spreading within the Company. We have been providing support in response to the many requests for cooperation we have received from customers engaged in the development and production of pharmaceuticals and medical devices.

The global economy is pivoting towards normalization in anticipation of the post-COVID era. However, as the pandemic highlighted risks in sustainability, I believe that the world will further accelerate toward the values that we must achieve growth in a sustainable manner while contributing to society.

We have set an internal target of reducing CO₂ emissions by 50% (per unit of sales) by fiscal 2030 compared to fiscal 2013, and we have broken down this numerical target to be achieved by each department. In addition, we need to think strategically about how our technologies and products can contribute to the sustainability of society. Without strategic

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thinking and reinforcement, the Company will not be able to achieve sustainable growth.

Okuoka: That's right. In fact, while many companies are under pressure to reduce CO₂ emissions and take other measures to become carbon neutral, it seems that many of them don't really know where to start. Our strength lies in our wide range of technologies and products. We believe that the ability to combine these products and offer them as a system or a unit depending on the problems facing our customers is the source of our business and an area in which we can contribute to society.

Revision of the 10-Year Vision

— In response to these changing times, you revised the 10-Year Vision, which constitutes the Long-Term Management Plan, announcing Ver. 3. What are the specific measures and initiatives that you will be focusing on in particular?

Kajimoto: We have kept our goal of becoming a Total FA Worldwide Supplier and retained the "Go CKD!" title, but we have revised our basic policies to match the times. "Sustainable" is a particularly important keyword.

We will establish a sustainable management foundation that will enable us to generate earnings on a sustained basis while contributing to the environment and society through our business, and pursue CSR activities that allow each of our divisions to contribute to society. We will expand our electric motion product business, which will be one of the pillars of our business in the future, through a best-mix strategy that leverages our strengths. At the same time, we are committed

to co-creating socially beneficial businesses and products with an eye on the SDGs.

In addition, with respect to "Accelerate globalization and expand overseas markets," which is included in our basic policies, we will move forward with the localization of management and R&D functions to improve our ability to respond locally, not only in terms of products but also in terms of human resources and systems.

A particularly important task is to *build a corporate culture with faith in human resources*, so as to enable the people who will be responsible for these policies and measures to work in a rewarding environment and to develop leaders for the next generation. I hope that President Okuoka will play the central role in these initiatives.

Okuoka: I certainly will. I also consider developing and investing in human resources as key initiatives that should be tackled first. We have many hardworking employees and a culture that is passionate about technological innovation. On the other hand, we still have a shortage of digital talent, who are well versed in advanced technologies and capable of promoting DX within the Company, global-based talent, who will be responsible for the future expansion of overseas markets, and next-generation leaders, who can drive CKD forward in the future. We will work out a specific program to promote systematic talent development, and are also considering the appointment of more external personnel to key posts as a means of enhancing diversity.

As for our global business, we dramatically expanded our market and increased our sales during the period when Chairperson Kajimoto was president. Expanded area coverage raised concerns on the drawbacks, namely differences in mindset and culture, of having Japanese top management when endeavoring to produce and sell products that meet the needs of local customers. We have already assigned two local people to top management posts, but we need to move faster to further localize management.

Kajimoto: As President Okuoka mentioned, our employees are hardworking, so they may not be very good at delegating tasks to others. Some people may be concerned about governance issues as we delegate authority to local staff. However, we are employing systems and rules to ensure that we keep a firm grip on control where necessary. To compete with fast-paced overseas companies, it will be necessary to foster a corporate culture that encourages trial and error, such that a few mistakes here and there can serve as steps toward the next leap forward.

As mentioned earlier, one positive outcome from the

COVID-19 pandemic has been the proliferation of teleworking, and the same can be said for communication with overseas bases. Information can be shared quickly without visiting the site all the way from the Head Office, and we were able to directly convey our message about the new management structure via video streaming.

As work styles change with the times, management methods should also change. By delegating to the frontline as appropriate, and making good use of technology to share information frequently, we should be able to achieve our aim of globalization more smoothly. I would like to offer customers proposals that utilize our technologies and products, such as bringing remote working to the production frontline, and present them as a good opportunity to rethink conventional commercial practices, norms, and business styles.

Okuoka: We will also work to improve operational efficiency through internal DX that combines digital technology and data. For example, we will expand the use of our newly-deployed ERP software system and firmly establish KPI management.

SDGs and ESG initiatives

— In connection to the revision of the 10-Year Vision to address sustainability, what does the growing awareness of the SDGs and ESG, which is accelerating worldwide, mean for CKD's business development? Also, what are you going to focus on?

Kajimoto: In 2019, we launched the SDG Promotion Committee (now the Sustainability Committee) and have been pursuing initiatives within the Company. In the beginning, the majority of employees were confused because the scope of the 17 SDGs is so broad.

So, the first thing we did was to list one by one what the CKD Group can do and what areas we are already taking action in with respect to the 17 goals. Thereafter, we went on to think about how our technologies and products could be useful by linking the goals to actual businesses, products, and technologies.

As a matter of fact, for Goal 12, "Ensure sustainable consumption and production patterns," we have already provided the world with a number of low environmental load



products. For Goal 5, "Achieve gender equality and empower all women and girls," we are working on assistance devices that contribute to creating a comfortable work environment for people of all ages and genders.

I believe that such realizations led to an increase in motivation and confidence that what we had been doing had not been a mistake and that we should further refine our technology to be of use to our customers. I think that this has accelerated our activities and enabled the pursuit of sustainable growth for both society and our business.

Okuoka: The cumulative effect of these activities took shape when two of our component products, the HP Series of high-durability component products and the NS Series of nitrogen gas extraction units, won the 2021 AICHI Environment Award. We received the highest award, the Golden Award, for "supporting the world's *monozukuri* processes, greatly contributing to the reduction of environmental loads and the achievement of SDGs."

This encourages CKD to hone its technical skills, and I would like to contribute by making use of my knowledge of the development of various systems and the transfers of products overseas. We also intend to work on creating new value that can contribute to society by utilizing cutting-edge technologies such as IoT and AI, while at the same time considering potential partnerships with other companies.

Message to stakeholders

— Finally, please give us your message to shareholders, investors, and other stakeholders.

Kajimoto: As a manufacturing (*monozukuri*) company, our strength lies in our technological capabilities, but what we have valued since our founding is the balance between human and technological capabilities. To reiterate, no matter how much we accumulate technologies that are likely to be profitable, create products that sell, or generate earnings, if our motive is self-centered, we can no longer expect the world to accept us. All of our employees are going to go back to the basics that formed the Company at its founding and refine their integrity to care not only about the community around them, but also the environment and the earth at large, with the aim of making us a company that can contribute to society under the new structure.

Okuoka: As I mentioned in the beginning, in this era of rapid change, I believe cultivating our technological capabilities to solve social issues and contributing to the creation of a prosperous society, as crystallized in our Corporate Philosophy, is one of my missions as the new president. In addition, as the Chairperson said, by applying integrity, we will aim to be a *beloved company* that is truly needed by the world.

I would like to ask our shareholders, investors, and all our other stakeholders for their continued guidance as we strive to meet their expectations of CKD, new and reborn.

Basic Policies of the 10-Year Vision: GO CKD!

- Basic Policy 1 Challenge new business activities and markets
- Basic Policy 2 Evolve products from being best in Japan to becoming globally recognized products
- Basic Policy 3 Strengthen our business foundations



Total FA Worldwide Supplier

- Basic Policy 1 Challenge new business activities and markets
- Basic Policy 2 Accelerate globalization and expand overseas markets
- Basic Policy 3 Establish a sustainable management foundation
- Basic Policy 4 Build a corporate culture with faith in human resources

CKD Supports Society

Fluid control components

CKD's technology for controlling virtually any type of fluid is active in various fields such as park sprinkler systems, machine tools, etc., and is making people's lives more convenient.



Electric actuators / Pneumatic cylinders

Also included in CKD products are electric actuators and pneumatic cylinders essential to factories where products such as automotive and daily necessities are made. They are used for pneumatically operated doors on trains.



Automated food packaging systems / Food manufacturing components

An increasing number of foods are being packaged to improve added value such as maintenance of food quality and hygienic conditions. CKD's food packaging technology ensures food safety and provides people with peace of mind.



Fluid control components for solar cells

Solar power generation systems are introduced in various fields to convert to sustainable energy. CKD products are also applied in the solar cell manufacturing process.



Fine system components

Semiconductors and liquid crystals are used in electronic devices such as data center servers and tablet devices. CKD's fluid control components are actively used in the clean working environments for manufacturing them.



3D solder paste inspection machines

These machines feature CKD's technology that identifies defects in printed circuit board manufacturing of smartphones, and contributes to high functionality and miniaturization of electronic components.



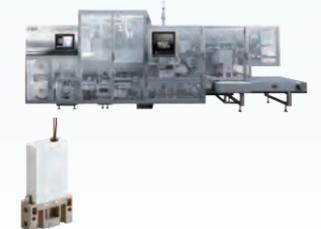
Lithium-ion battery manufacturing machines / Battery manufacturing components

Lithium-ion batteries are used for hybrid and electric vehicles, and their applications are increasing as cutting-edge storage batteries. CKD's technologies are also used in manufacturing them.



Automatic pharmaceutical packaging systems / Life science components

CKD's technologies are applied to pharmaceutical and medical machines that support safe medical care such as drug and syringe packaging machines, oxygen concentrators, analytical devices and dental instrument control.



CKD Continually Evolves

Having been engaged in the research and development of automation and fluid control technologies for more than 75 years since its inception in 1943, CKD presents a wide variety of products. These products have penetrated markets widely and are contributing to the realization of a rich society and the creation of a new era.

Social issues and needs

Rising need for automation

Commenced the manufacture of our first automatic machine, vacuum tube manufacturing equipment in 1947 at the time when consumables equipment and daily supplies, etc. were actively developed, but functional units required for automation equipment were rarely available in the market. Thereafter, entered the packaging market with ampoule filling machines developed from vacuum tube manufacturing equipment. In 1955, we developed an automatic strip packaging machine for pharmaceuticals.



Vacuum tube manufacturing equipment



Automatic pharmaceutical packaging machine

Increasing demand for unit systems

Demand for products including pneumatic components increased as major manufacturers started to build their own equipment in-house. Commenced the manufacture of AC solenoid, our first functional parts developed for automatic machinery in 1956. Then, developed cellular cylinders, a precursor to pneumatic cylinders in 1960 and a pneumatic index table with combined barrel cams and air cylinders in 1963. In 1977, developed various functional equipment including an electrolytic capacitor element winding machine as CKD's functional parts were used in machines for manufacturing electrolytic capacitors.



AC solenoid

Increasing demand for semiconductors

Developed fine system components for semiconductor manufacturing equipment in 1984. With a broad range of products covering supply systems to exhaust systems of semiconductor and liquid crystal manufacturing equipment including chemical liquid, gas and vacuum control, we provided state-of-the-art process control to support the electronic device industry.



Chemical liquid valve

Accelerated electrification

In need of optimal components to meet the requirements for ever-evolving equipment such as robotization, environmental countermeasures and energy-saving, we developed small table sliders in 1999. Then developed electric actuators which perform gripping, transporting and rotating motions with high speed and precision in an environment without pneumatic facilities. Supported automation of manufacturing plants.



Small table slider

Labor saving and full-scale use of AI

With the automation of production equipment and further application of IoT, we developed sensor components which enable monitoring based on telecommunications and sensors (visualization), failure prediction and remote operations, and contributed to creating smart factories. Engaged in image processing technology from the 1970s, and developed 3D solder paste inspection machines capable of high-speed 3D inspection. In 2020, developed Facilea, a visual programming tool which enables image processing with easy set up and operation, and achieved efficient production.



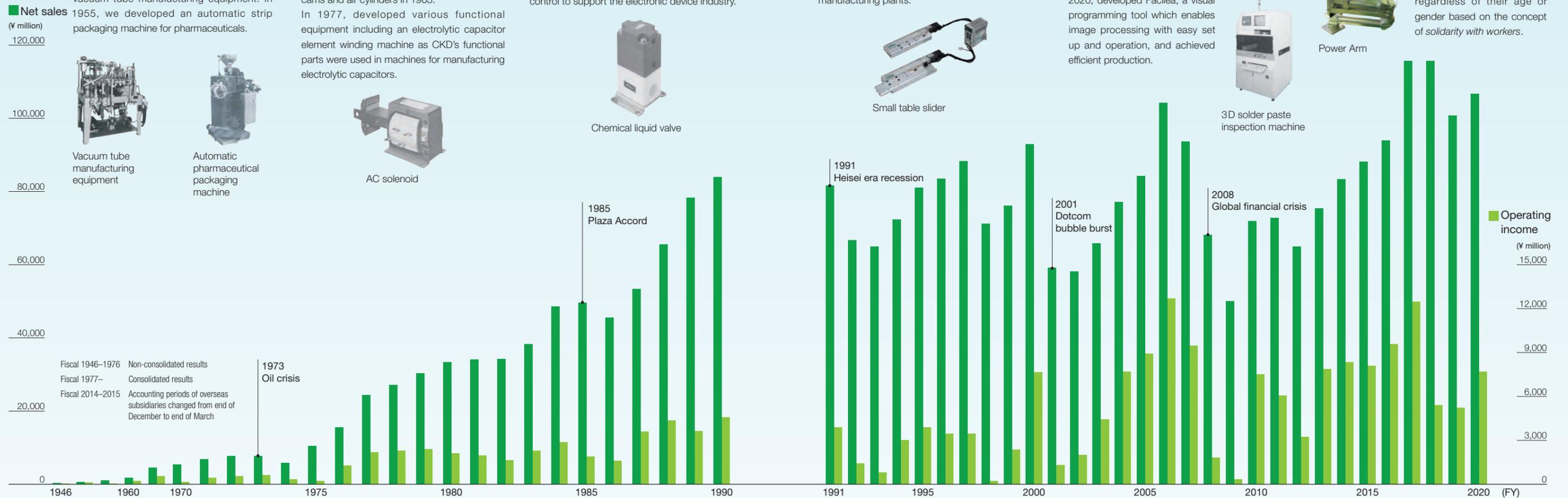
3D solder paste inspection machine

Sustainability initiatives such as ESG and SDGs take root

Promoted the development of products with low environmental load by consciously integrating environmental targets starting from the product planning and development phase. In 2014, developed Power Arm, a worker-friendly assistance device which contributes to creating a safe and comfortable working environment for workers regardless of their age or gender based on the concept of *solidarity with workers*.



Power Arm



Company History

1943
Established as Japan Aircraft Electric Co., Ltd. in Nagoya City, Aichi Prefecture



1945
Changed company name to Chukyo Electric Co., Ltd.

1961
Plant relocated to Komaki City, Aichi Prefecture



1962
Listed on the Second Section of the Nagoya Stock Exchange

1971
Listed on the First Section of the Nagoya Stock Exchange

1979
Changed company name to CKD Corporation
Listed on the First Section of the Tokyo Stock Exchange

1984
Established M-CKD PRECISION SDN. BHD. in Malaysia as first overseas subsidiary



1985
Established CKD USA CORPORATION

1988
Established CKD THAI CORPORATION LTD.



1989
Established CKD SINGAPORE PTE. LTD.

2001
Established CKD (Shanghai) CORPORATION in China

2002
Established CKD Korea Corporation in South Korea

2003
Established CKD (China) CORPORATION
Opened a branch in the Netherlands

2007
Established TAIWAN CKD CORPORATION

2011
Opened a branch in Singapore

2012
Changed company name to CKD Corporation
Established CKD Field Engineering Corporation as an automatic machinery service company

2013
New CKD (China) CORPORATION plant completed

2014
Established PT CKD TRADING INDONESIA
Established CKD VIETNAM ENGINEERING CO., LTD.
Established PT CKD MANUFACTURING INDONESIA

2015
Established CKD MEXICO, S. de R.L. de C.V.
Established CKD India Private Limited

2016
Established CKD Europe B.V. in the Netherlands

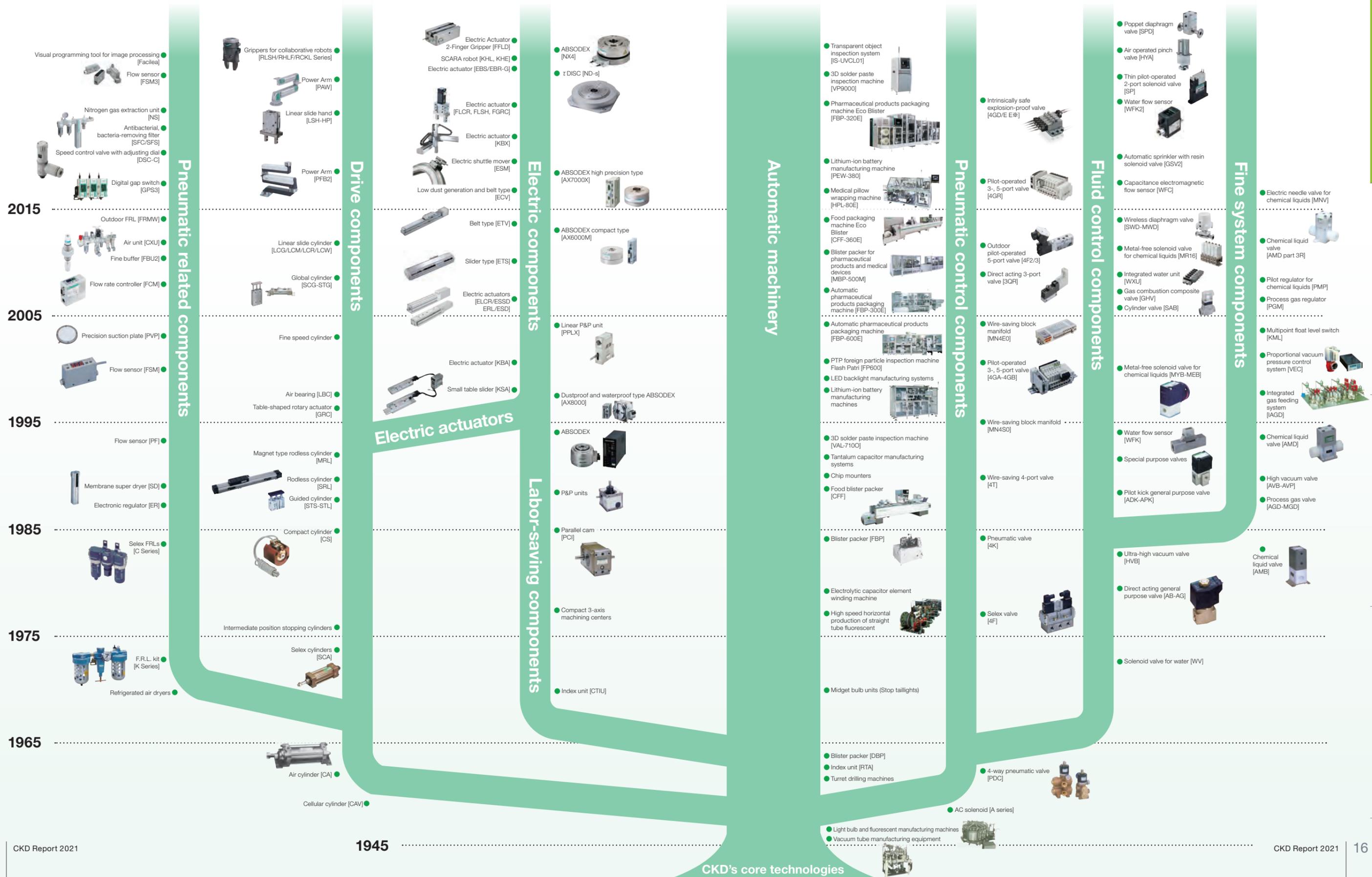
2017
Made CKD Nikki Denso Co., Ltd. a Group company

2018
Opened the 'Ohana nursery school', an on-site day care center at the Head Office/ Komaki Plant

2019
Tohoku Plant completed in Ohira-mura, in Kurokawa district of Miyagi Prefecture



Tree of Growth



Our pursuit of automatic machinery development and diversification sprung from the seeds of vacuum tube appliance manufacturing. We have used our core technologies as a platform to establish new machinery product fields and continue to develop technologies that meet customer needs. Going forward, we will provide wide-ranging support to manufacturing operations worldwide with our myriad of product lineups.

At a Glance

Automatic Machinery

In order to meet the rising market demand for automation and labor saving in line with the decline of the working population, we are working to strengthen the functions and expand the applications of the image inspection technology that we have cultivated through our pharmaceuticals packaging and circuit board mounting processes. Furthermore, we will advance product development that uses ICT to enhance production stability and productivity, and contribute to our customers' manufacturing operations.



Main products, solutions

The automatic machinery segment offers a wide array of products, including packaging machines for medical, pharmaceutical and food products, as well as the image inspection technology equipped on those machines, printed circuit board solder paste inspection machines, manufacturing machines for devices for vehicles that use lithium-ion batteries, and other products.

Packaging machines

- Pharmaceutical products packaging machines
- Medical-use packaging machines
- Food packaging machines

Industrial machinery

- Lithium-ion battery manufacturing machines
- 3D solder paste inspection machines
- Lamp manufacturing equipment



Component Products

Multiple CKD products, such as drive components and fluid control components, work in tandem to contribute to manufacturing (*monozukuri*) worldwide. Recent years have seen factories make progress in incorporating IoT into their operations, and that has spurred demand for machinery capable of interacting within a variety of networks. In the component product segment, we are working to address a host of needs, including to respond to the advancement of IoT technologies, automation and energy conservation within a framework for development that leverages our core technologies while collaborating closely with our customers.



Main products, solutions

The component product segment consists of a diverse lineup of products, including pneumatic components and drive components equipped on automatic production equipment for a variety of industries, and fluid control components used for processes for manufacturing semiconductor manufacturing equipment and medical devices.

Pneumatic control components

- Directional switching valves



Electric motion components

- Direct drive motors
- Electric actuators



Drive components

- Pneumatic cylinders
- Assistance devices



Fluid control components

- Fluid control valves
- Valves used in medical analysis
- Combustion gas valves
- Explosion prevention valves



Pneumatic related components

- Refining and pressure adjusting components
- Sensor components



Fine system components

- Process gas valves
- Chemical liquid valves
- Vacuum valves



Corporate Value Creation Model

CKD aims to contribute to achieving the SDGs by investing capital in each focus domain and working on technological innovation and value creation to resolve various social issues through its automation and fluid control business domains. Going forward, we will continue to contribute to *building a rich society*, as outlined in our corporate philosophy, by constantly spinning the cycle of social value creation.

10-Year Vision: GO CKD!



CKD's Foundation to Realize Value Creation

We will strive to provide value to society by working on solving social issues through product development based on automation technology and fluid control technology, while aiming to achieve our sustainable development and enhanced corporate value.

Human Capital Developing global human resources



Dispatch of trainees from Japan to overseas bases <small>(As of March 31, 2021)</small>	Dispatch of trainees from overseas bases to Japan <small>(As of March 31, 2021)</small>	Number of non-Japanese employees <small>(As of March 31, 2021)</small>
Cumulative total: 50	Cumulative total: 19	1,750

Developing global human resources

Our approach to human resource development

One of our key corporate commitments is creating a "Corporate Culture with Faith in Human Resources." Human resources are valuable corporate assets, and a key management resource for the sustained development and growth of the Company.

As further progress is made in globalization in the years to come, we will hire diverse human resources and allow them to demonstrate their capabilities to increase corporate competitiveness and bring about value creation. At the same time, a human resource strategy that will maximize our performance as an organization will become essential. We are making efforts to develop global human resources and local staff that form the core of value creation and undertaking diversity promotion to encourage the active participation of each and every employee.

Diversity P56 ▶

Programs for developing global human resources and local staff

To promote the development of global human resources as future executive candidates who will be active on the world stage, we have established two types of trainee programs. The overseas trainee system is a program where Japanese employees go to overseas bases to gain work experience in overseas business. The overseas subsidiary trainee system allows employees of overseas subsidiaries to visit Japan and deepen their understanding of Japan and the Company. We also have a system in place to help employees improve their skills, including support for language learning.

1 Overseas trainee system

This system is designed to develop young employees who can cope with globalization. By actually experiencing the climate, culture and operations outside Japan, employees themselves become aware of the skills needed overseas. This system encourages more communication between employees in Japan and those at overseas subsidiaries, helping the CKD Group grow as one.



2 Overseas subsidiary trainee system

The purpose of this system is to create an opportunity for employees of overseas subsidiaries to come to Japan, deepen their understanding of Japan and the Company, and develop employees who can cope with globalization. This system is beneficial not only for the employees of overseas subsidiaries who visit Japan but also CKD employees who accept them as it brings a global perspective on their companies and operations.



3 Support for language learning

With the globalization of business, we support language learning for employees who communicate directly with overseas bases. We have established a system to provide support for employees' self-driven study, such as access to external courses and online study support.



Examples of other systems

- Qualification incentive system
 - Career training
- This provides an opportunity where young employees have a roundtable discussion with senior employees playing an active role in the Company so that they can develop their own career image.

Intellectual Capital Challenging technological innovation



Number of patents held <small>(As of March 31, 2021)</small>	Research and development expenses <small>(Fiscal 2020)</small>	Newly developed products <small>(Fiscal 2020)</small>
1,456	¥3.58 billion	67

Maintaining departments that specialize in intellectual property, CKD works to further improve corporate value by managing intellectual property for all CKD Group companies and proposing/implementing intellectual property strategies. Our intellectual property strategies involve implementing detailed measures that reflect CKD business strategies based on close collaboration between intellectual property departments and development/technology departments.

CKD's development process for core technologies

We carry out new product development by gathering specialists from various departments to form a product development team under our development project system. By dedicating a small but elite group to the task, we enhance development quality.



Technology chart

CKD's core technologies are divided into the automatic machinery area, which includes pharmaceutical products packaging machines and the component products area, which includes products such as pneumatic and fluid control components that are used in equipment automation. Our customer base covers a wide range of industries, including automobiles, semiconductors, healthcare, pharmaceuticals, and food products. We use these core technologies to fulfill the various requirements of our customers, such as for products that are energy conservation, clean, miniaturized, high-speed, high-frequency, and long-life. Going forward, we will engage in further R&D and business development based on the CKD Corporate Philosophy.

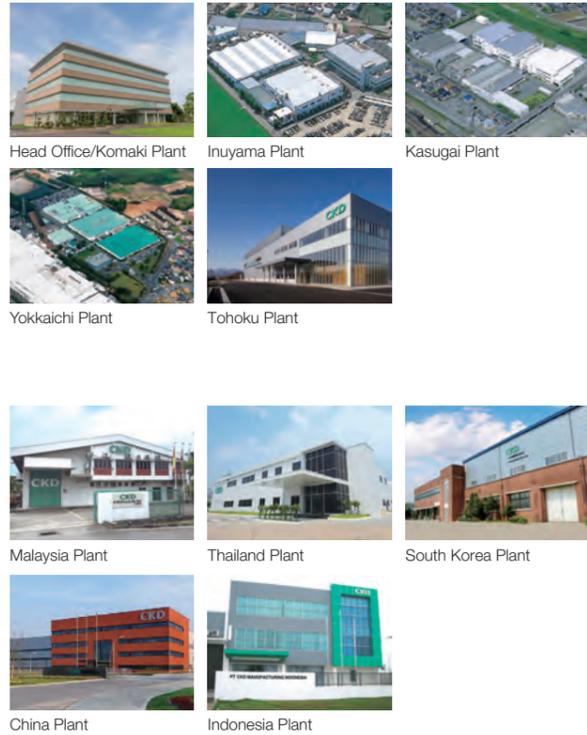
	Core technologies	Semiconductors	Medical and pharmaceuticals	Food products	Rechargeable batteries	Electronic components	Automobiles	Machine tools
Automatic machinery segment	Image processing technology		Foreign material inspection machines of blister sheets for pills			3D solder paste inspection machines		
	Resin film formation technology		Pharmaceutical products packaging machines	Food packaging machines				
	Resin film sealing (welding) technology		Pharmaceutical products packaging machines	Food packaging machines				
	Pill filling technology		Pharmaceutical products packaging machines					
	Film transportation technology		Pharmaceutical products packaging machines	Food packaging machines	Lithium-ion battery manufacturing machines			
Servo control technology					Lithium-ion battery manufacturing machines			
Components segment	Compact coil design	Directional control valves				Directional control valves	Directional control valves	
	Low-sliding friction technology	Process gas valves				Pneumatic cylinders	Pneumatic cylinders	
	Flow circuit analysis technology	Chemical liquid valves	Fluid control valves					
	Miniaturization process management technology	Chemical liquid valves						
	Water hammer reduction technology	Chemical liquid valves						Fluid control valves
	Air servo control technology	High vacuum valves Electro pneumatic regulators				Electro pneumatic regulators		
	MEMS technology	Sensor components			Sensor components	Sensor components	Sensor components	Sensor components
	Diaphragm design technology	Chemical liquid valves Process gas valves	Valves used in medical analysis	Fluid control valves				
	Clean technology	Chemical liquid valves Process gas valves	Valves used in medical analysis	Fluid control valves				
	Compact resolver technology	Direct drive motors					Direct drive motors	
Gas separation membrane technology			Refining and pressure adjusting components	Refining and pressure adjusting components		Refining and pressure adjusting components		
Porosity control technology	Static pressure bearing suction cups			Suction plates		Static pressure bearing suction plates		

CKD's Foundation to Realize Value Creation

Manufacturing Capital Global production bases and sales offices



Number of production bases and sales offices (As of March 31, 2021)			CAPEX (Fiscal 2020)
Asia: 77 bases	Europe: 5 bases	Americas: 7 bases	¥3.62 billion



To deliver the best products, technologies and services to our customers in a prompt and reliable manner, we have established a network covering not only Japan but also Asia, Europe, and North America and Latin America.

In Japan, we have three plants in Aichi Prefecture (Komaki City; Fuso-cho, Niwa-gun; and Kasugai City), one plant in Mie Prefecture (Yokkaichi City), and the Tohoku Plant in Miyagi Prefecture (Ohira-mura, Kurokawa-gun). The Tohoku Plant was established to strengthen production for the semiconductor market, where growth in demand is expected over the medium to long term, and to promote the Business

Continuity Plan (BCP) for products manufactured in the Tokai region. Adding Group companies CKD Shikoku Seiko Corporation (Sukumo City, Kochi Prefecture) and CKD Nikki Denso Co., Ltd. (Sakura City, Chiba Prefecture) makes a total of seven production bases.

Overseas, we have plants in five countries: China, Thailand, South Korea, Malaysia and Indonesia, and manufacture products that meet the needs of the local market. Our inventory centers located in various locations ensure a timely supply of products needed by our customers.



Outline of the new production plant
 Name: CKD USA Austin Manufacturing
 Location: Austin, Texas, United States
 Product: Fluid control components

Capital investment: Completion of new plant in North America

We are making investments aimed at building a business foundation for the future to enable our medium- to long-term growth and enhancement of corporate value. In the second half of fiscal 2021, CKD USA CORPORATION, an Illinois-based subsidiary, is scheduled to start operation of a new production plant. The new plant will strengthen the production system in anticipation of increasing demand in the field of fluid control components.

Social Capital

Building trusting relationships with external parties and serving the global customer base



Suppliers (As of March 31, 2021*)	Overseas distributors (As of the end of July 2021)
844	261

*Those active between April 2020 and March 2021.

CKD continues to co-create various forms of value for society through its businesses. To this end, we pursue high quality and safety by providing customers in various industries with controllers and drive components installed in automatic manufacturing equipment as well as automatic equipment including packaging machines.

In addition, we are upgrading systems to meet the various needs of our global customers by establishing facilities worldwide and building an elaborate network in Japan and abroad. The trusting relationship with our customers we have fostered to date not only enables steady operations but also has become a key asset for us to develop further going forward.

Natural Capital Development of low environmental load products



Environmentally friendly products developed (Fiscal 2020)

25

CKD believes that developing products that are more eco-friendly requires consciously formulating targets for environmental burden levels at the planning and development stages. With this in mind, we are developing products that reduce environmental burdens using our unique Environmental Acceptability Assessment Form*.

This effort in our product development was recognized as a contribution to the reduction of environmental impacts. We

received the highest Golden Award at the 2021 AICHI Environmental Award for two lines of products: the high durability component HP Series, which increases the life of machines, and the nitrogen gas extraction unit NS Series, which enables the long-term storage of food products.

*Environmental Acceptability Assessment Form: Evaluates environmental burden levels in four areas—energy conservation, resource conservation, waste, environmental pollution both in terms of customer and internal environments.

Automatic machinery

3D solder paste inspection machine VP9000

Pharmaceutical products packaging machine Eco Blister FBP Series

Food packaging machine Eco Blister CFF-360E

Component products

High durability component HP Series

Nitrogen gas extraction unit NS Series

AICHI Environmental Award

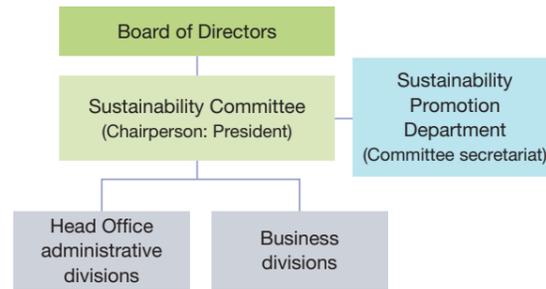
Materiality

Sustainable growth and enhancing corporate value

We have identified materiality (key issues) that should be prioritized, in order to contribute to building a rich society, as stated in our corporate philosophy, aiming for sustainable growth hand in hand with society. Going forward, we will work to resolve these issues through our business activities and strive to enhance our corporate value.

Materiality identification process

Materiality is identified by initial reviews by the relevant divisions, after which the Sustainability Committee, chaired by the President and composed mainly of Directors, regularly deliberates to determine the items and the degree of their impact and importance. The material issues that have been identified are then discussed and finalized by the Board of Directors. Therefore, all Directors have a shared awareness of materiality.



October 2019 SDG Promotion Committee established

The SDG Promotion Committee was established to promote our SDGs initiatives. Regarding its structure, we also set up and operated working groups focused on products, sales and CSR as subordinate organizations of the Promotion Committee.



April 2021 Sustainability Committee established

The Sustainability Committee was established as a successor to the SDG Promotion Committee. The purpose of the Sustainability Committee is to support the CKD Group's business activities in contributing to the global environment and helping enrich society. The Committee strengthens the Group's efforts to realize a sustainable society by promoting management focused on Environment, Society, Governance (ESG) and compliance with the SDGs. At the same time, it raises awareness internally and disseminates relevant information externally.

Materiality matrix



Examples of initiatives

Challenging technological innovation

Our products can be broadly divided into two segments. We work with our customers to make creative products by leveraging our comprehensive technological capabilities.

One example is the high durability component HP Series. It is a component product with enhanced durability used in vehicle body assembly, machine tools, medical and analytical equipment, pharmaceutical manufacturing processes, agriculture, semiconductor manufacturing equipment and other areas. The series was developed by incorporating feedback from maintenance staff, enabling a reduced number of replacements and time required. Longer service life reduces the number of replacements, which in turn reduces downtime. Furthermore, as it reduces the frequency of disposing defective products, the product helps curb waste, and thus significantly contributes to the reduction of environmental impact.

We will continue to meet the needs of our customers through manufacturing (*monozukuri*) based on our core technologies and engage in research and development to help enrich society further.



Promoting health and productivity management

CKD believes the health of employees is one of the key issues for management and has set up the CKD Health Management Declaration. In cooperation with health insurance societies and labor unions, we are working to improve health awareness among employees, building a working environment conducive to healthy minds and bodies.

Self-training campaigns

As part of our health promotion activities, we encourage our employees to set their own goals for measurable exercises. For example, walking and bicycling can be measured in steps or distance, and muscle training in time. We give prizes to those who continue to achieve their goals for more than six months.

Healthy food on the menu

Each plant has a company cafeteria as part of a welfare program, offering a unique and healthy menu.



Risks and Opportunities

Political conditions and market environments change day by day. Natural disasters, the COVID-19 pandemic, and other risks that affect corporate activities become more global and diversified every year. We have a system in place that allows us to respond to the risks that may affect our corporate value, and review selected risks as necessary. Risks are not always negative factors; some may become opportunities for further growth of the Company. We will continue to capture such risks as opportunities and take bold actions when appropriate. As we conduct risk management and improve our corporate value through business initiatives, we will work to help bring about a sustainable society.

Approach to risk

We define risks as uncertain events that may affect corporate value such as achieving management goals and social credibility as a result of changes in the external or internal environment. In our aim to become a Total FA Worldwide Supplier and expand our business globally, we view the appropriate management of risk as a vital management issue and have a risk management system in place.

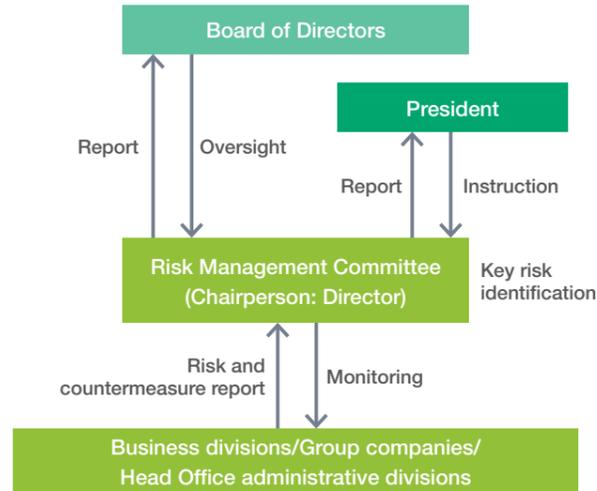
	Risk factors	Risks	Responses and opportunities
Business	Changes in market environment due to political factors	• Restrictions on imports, exports, or semiconductor-related transactions due to political factors, such as trade frictions between the U.S. and China or problems between Japan and South Korea, would affect the Company's business, due to our high ratio of semiconductor industry sales in the components business	Responses <ul style="list-style-type: none"> Prompt action to address changes in the market environment Promotion of local procurement of products manufactured overseas and production at multiple bases Opportunities <ul style="list-style-type: none"> Increased demand for new capital investment due to decentralized siting of semiconductor production bases <p>P23, 41, 42 ▶</p>
	Product and service quality and liability	• Burden of compensation for damages and loss of customer trust in the event that a product causes personal injury or property damage	Responses <ul style="list-style-type: none"> Reinforcement of the quality assurance structure at all stages, from substances contained in raw materials to shipping inspections Development of IoT-compatible components, preventive maintenance, and long service life products Opportunities <ul style="list-style-type: none"> Increased demand for high value-added products due to an increase in customers who place importance on quality <p>P22, 24 ▶</p>
	Supply chain	<ul style="list-style-type: none"> Impact on production activities due to shortages in the supply of parts procured from suppliers as a result of natural disasters and fires Impact on material procurement due to business succession issues affecting suppliers 	Responses <ul style="list-style-type: none"> Securing multiple suppliers for procured parts and conducting evaluation tests of alternative materials Proactive information sharing, including holding BCP seminars for suppliers Identifying business partners at risk through supplier evaluations, and implementing transaction improvements through monitoring of business conditions
	Decrease in market prices	• Decreased profits due to commodification of some products and intensified competition with players in emerging economies	Responses <ul style="list-style-type: none"> Development of high value-added products that stay ahead of competitors in emerging economies Development of competitively priced products <p>P22, 24 ▶</p>
Environment	Climate change and other environment-related risks such as plastic pollution	<ul style="list-style-type: none"> The impact on business activities due to regulation on the use and emission of greenhouse gases due to increased global environmental issues and from the strengthening of regulations on energy conservation laws Impact on business activities of stricter regulations on chemical substances in use Impact on the continuity of the Company's packaging machinery business in the event of delayed response in the packaging business to adapt to the global trend away from plastics 	Responses <ul style="list-style-type: none"> Prompt response to new regulations and to the demands placed on companies Prompt switch away from materials containing regulated substances Development of packaging machinery adapted to plastic-free packaging materials Opportunities <ul style="list-style-type: none"> Sales expansion of low environmental load products Expansion of business in packaging machinery adapted to plastic-free packaging materials <p>P24, 53, 54 ▶</p>

	Risk factors	Risks	Responses and opportunities
Foundation	Compliance	<ul style="list-style-type: none"> Deterioration of corporate image and loss of trust caused by surcharges, fines, other sanctions, suspension of business, etc., due to exposure of bribery or violations of competition law or other laws and regulations Loss of social credibility due to negligence stemming from insufficient knowledge on overseas laws and regulations at overseas bases with lack of legal specialists 	Responses <ul style="list-style-type: none"> Enforcement of the Conduct Guidelines, and education on compliance for employees Confirmation of information on countries' laws and regulations, and provision of such legal information to Group companies Opportunities <ul style="list-style-type: none"> Improvement of corporate image through reform of mindset and corporate culture to enact improvements without overlooking misconduct <p>P51 ▶</p>
	Information security	<ul style="list-style-type: none"> Dysfunction in internal systems or information leaks due to computer viruses, cyberattacks and associated loss of social credibility Impact on deliveries to business partners caused by suspension of production lines and distribution systems Stagnation in procurement, production, and distribution due to the shutdown of the ERP software system, and the resulting negative impact on business activities 	Responses <ul style="list-style-type: none"> Putting information security management policies and other regulations in place and implementation of employee training and internal audits Installment and updating of the latest information security equipment and software Opportunities <ul style="list-style-type: none"> Increased opportunities for dealings with customers by improving social credibility through strengthening of information security systems <p>P52 ▶</p>
	Risks related to overseas bases	<ul style="list-style-type: none"> Impact on financial capital such as impairment when the performance of overseas bases deteriorates due to an unexpected change in business environment Unexpected losses that can arise from inadequacy of management at bases with short history or small-scale locations 	Responses <ul style="list-style-type: none"> Support for overseas Group companies to strengthen governance Human resource strategy with a strengthened development plan for global human resources <p>P21 ▶</p>
	Pandemic	<ul style="list-style-type: none"> Impact on deliveries to business partners caused by suspension of operations at domestic and overseas plants or at key supplier plants due to lockdowns, etc. Stagnation of business conditions in key customers' industries due to the prolonged economic downturn, affecting business performance Impact on business performance due to a decrease in conventional face-to-face sales activities 	Responses <ul style="list-style-type: none"> Establishment of the Crisis Management Committee to ensure employees' safety and continuity of business and implementation of measures to prevent infection in collaboration with overseas Group companies Strengthening of non-contact support including remote sales and services Strengthening of development of sensors and image processing technology for remote control and labor saving Opportunities <ul style="list-style-type: none"> Increased demand for automation and labor saving such as production equipment that does not rely on humans and remote diagnosis and operation of equipment as measures against the COVID-19 pandemic <p>P52 ▶</p>
	Natural disasters	<ul style="list-style-type: none"> Impact on production activities of earthquakes in the Tokai, Tonankai, and Nankai regions where our key production bases are located (Aichi Prefecture and Mie Prefecture) Impact on production activities due to the suspension of operations at production plants caused by natural disasters such as heavy rain and flooding 	Responses <ul style="list-style-type: none"> Establishment of a system enabling local procurement at each production base, and decentralization of production bases including expansion of production at the Tohoku Plant Strengthening of response capabilities through BCP Installation of seawalls at production bases with high risk of water damage <p>P23, 52 ▶</p>
Society	Securing and training human resources	<ul style="list-style-type: none"> Impact on production activities due to the difficulty of securing labor in Japan under a declining birthrate Impact on new businesses and global activities due to shortages of global-based human resources and human resources capable of project planning 	Responses <ul style="list-style-type: none"> Establishment of production systems that promote automation in domestic plants Human resource strategy incorporating strengthened in-house education, including implementation of a global-based human resource development plan Opportunities <ul style="list-style-type: none"> Increased demand for automation and labor saving on production lines due to the difficulty of securing labor in Japan <p>P21, 23, 55 ▶</p>

Risks and Opportunities

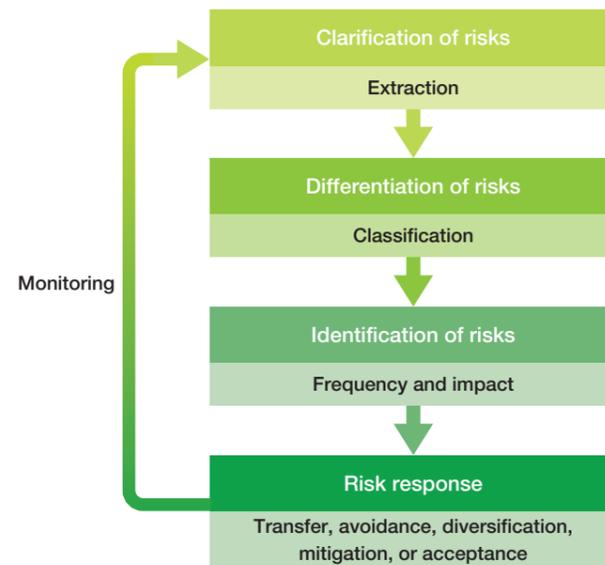
Risk management structure

The Risk Management Committee has been established as an organization under the direct control of the Board of Directors, and reports the progress and results of its activities to the Board of Directors on a regular basis to promote risk management.



Risk identification process

Each of the business divisions, Group companies, and the Head Office administration divisions identifies risks that may hinder the improvement of corporate value and the achievement of management goals and their countermeasures. The Risk Management Committee, chaired by a director, identifies external factors (risks surrounding corporate management, risks related to random attacks, natural disasters and other contingent risks) and internal factors (risks related to management's decision-making on business strategies and risks related to business execution). We then evaluate and identify the significance of the risk based on frequency and impact. Identified risks are reported to and shared at the Board of Directors.



Addressing climate change risks and the TCFD

The number and scale of damage caused by extreme weather events such as storms, floods, and droughts is increasing in many parts of the world. In addition, regulations and markets are likely to undergo major changes in order to transition to a decarbonized society in the future. We recognize that the social and economic impact of climate change is an important management issue that seals the fate of our sustainability, and we will continue to promote measures to tackle climate change.

At CKD, risks and opportunities in climate change are handled by the Sustainability Promotion Department,

analyzed and reviewed by the Risk Management Committee, and discussed by the Board of Directors to implement appropriate measures. We have also set medium- to long-term reduction targets for CO₂ emissions, and are working to reduce CO₂ emissions not only directly through the expansion of renewable energy sources and the use of CO₂-free energy, but also indirectly through the development of low environmental load products. Going forward, we will further enhance our response to climate change risks and disclose information in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Stakeholder Engagement

In order to contribute to the realization of a sustainable society through our main businesses, we strive to understand the expectations of our stakeholders through communication with them and fulfill our responsibilities.

Policies and initiatives

We appropriately execute the social contribution responsibilities, ethical responsibilities, economic responsibilities, and legal responsibilities that we, as a company, must fulfill for our stakeholders, based on our Corporate Philosophy, Corporate Commitment, and Conduct Guidelines. Within each division, we also utilize communication tools and provide opportunities to communicate with our stakeholders as part of our efforts to facilitate their understanding of our activities.



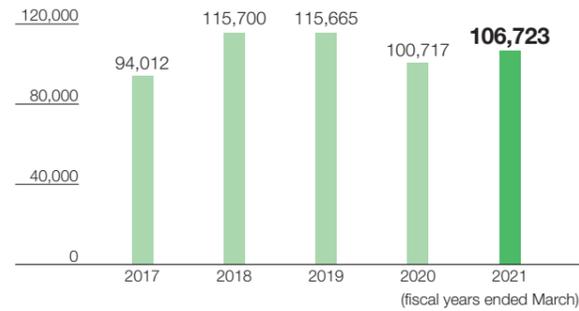
Stakeholder engagement initiatives

Stakeholders	Primary stakeholder expectations	Primary dialogue opportunities	Primary responsibilities and challenges	Main relevant information
Customers	High quality, reasonable price, strengthening of supply system, technological innovation, etc.	<ul style="list-style-type: none"> Inquiry forms and other inquiry contact points Product information provided through websites and social media Plant/showroom tours, seminars, and exhibitions 	We consistently engage our customers with a customer-oriented and modest mindset, prioritize safety, quality, and the environment, and offer products and services that satisfy our customers.	Contacts
Suppliers	Fair trade, green procurement, etc.	<ul style="list-style-type: none"> Shared procurement policies Production trend briefings Shared quality assurance policies CKD Green Procurement Guide 	We establish principles and basic policies for procurement activities, strengthen partnerships through fair and just transactions with our suppliers, and aim for mutual prosperity.	Material Procurement
Employees/Families	Health and productivity management, equal opportunity, etc.	<ul style="list-style-type: none"> In-house publications and intranet Employee awareness surveys Opportunities of dialogue with top management Whistleblower contact points Discussions with labor unions Safety and Health Committee Various training programs 	We are promoting a workforce that makes the best use of its diversity and do not discriminate on the basis of gender, nationality, or age. We aim to create workplaces where all employees can work in health with safety and a sense of purpose.	P51, 55, 56 ▶
Shareholders/Investors	Corporate value improvement, appropriate share price, provision of information, etc.	<ul style="list-style-type: none"> General meeting of shareholders Financial results briefings IR events and individual meetings IR information website Integrated reports and shareholder newsletters 	We strive to actively disclose information and carry out dialogue in order to ensure transparency.	Basic IR Policy
Local society	Job creation, reduction of environmental load, etc.	<ul style="list-style-type: none"> Social contribution activities (science classes, forestation activities, etc.) Dispatch of lecturers to seminars and educational sites Sharing information through websites and social media 	We aim to be an open company that can contribute to society and local communities.	Social Contribution Activities
Global environment	Conservation of the global environment, etc.	<ul style="list-style-type: none"> Environmental management framework Environmental education Compliance with environmental regulations Development of low environmental load products 	We comply with environmental laws and regulations, work to prevent environmental pollution and reduce CO ₂ emissions, and undertake environmental management activities.	P24, 53, 54 ▶

Financial Highlights

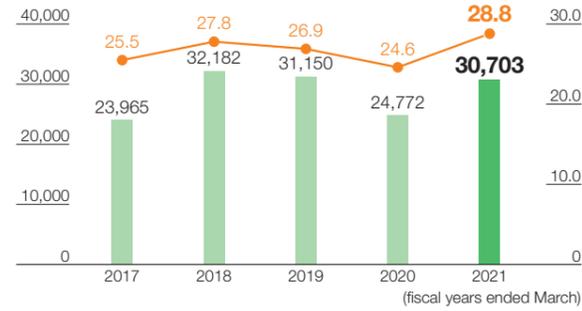
Earnings

Net sales **¥106,723 million**



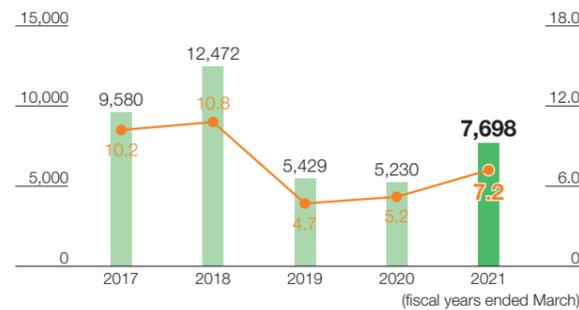
■ Net sales (¥ million)

Overseas sales **¥30,703 million**
Ratio of overseas sales **28.8%**



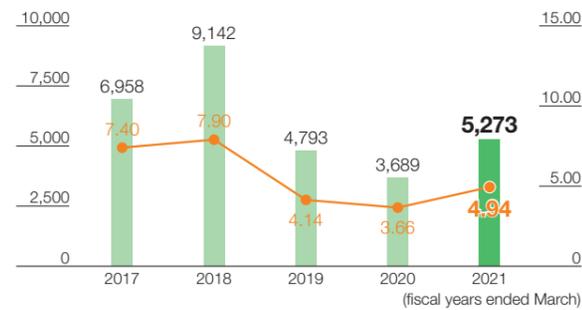
■ Overseas sales (¥ million) ● Ratio of overseas sales (%)

Operating income **¥7,698 million**
Operating income margin **7.2%**



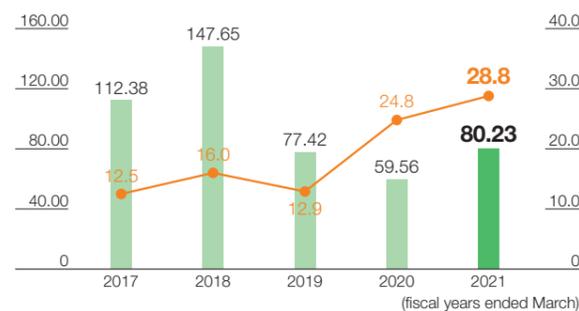
■ Operating income (¥ million) ● Operating income margin (%)

Net income attributable to owners of parent **¥5,273 million**



■ Net income attributable to owners of parent (¥ million) ● Ratio of net income attributable to owners of parent (%)

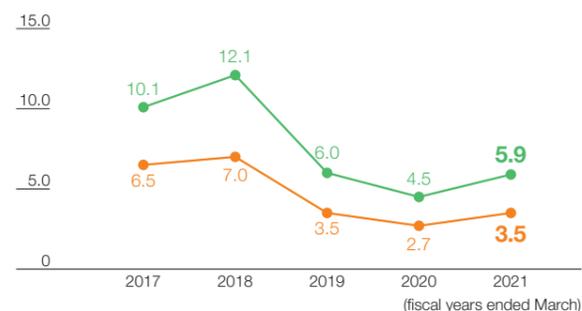
Earnings per share (EPS) **¥80.23**



■ Earnings per share (EPS) (¥) ● Price-to-earnings ratio (PER) (times)

Profitability

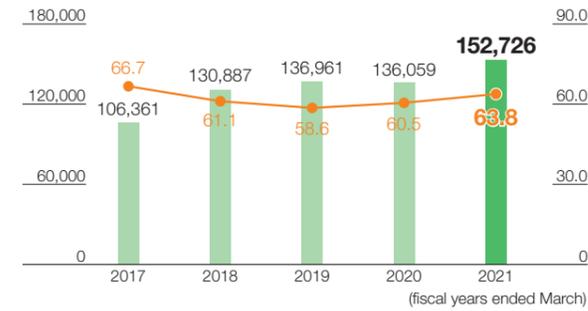
ROE **5.9%** ROA **3.5%**



● ROE ● ROA (%)

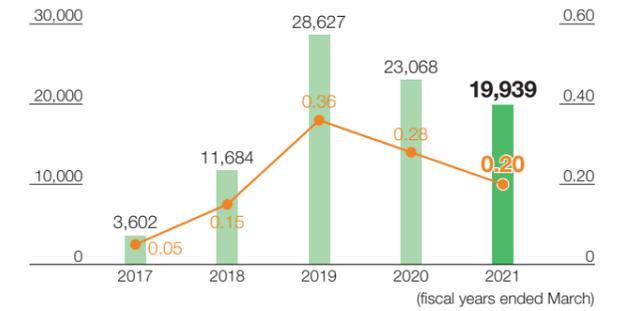
Financial base

Total assets **¥152,726 million** Equity ratio **63.8%**



■ Total assets (¥ million) ● Equity ratio (%)

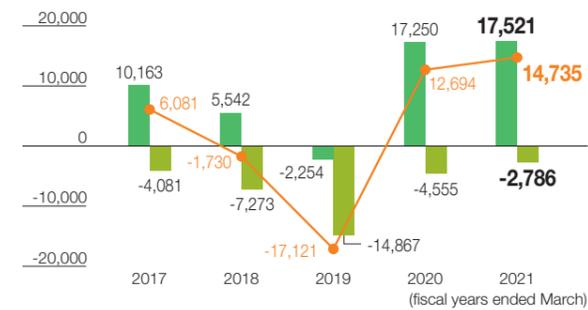
Interest-bearing debt **¥19,939 million**
D/E ratio **0.20 times**



■ Interest-bearing debt (¥ million) ● D/E ratio (times)

Cash flow

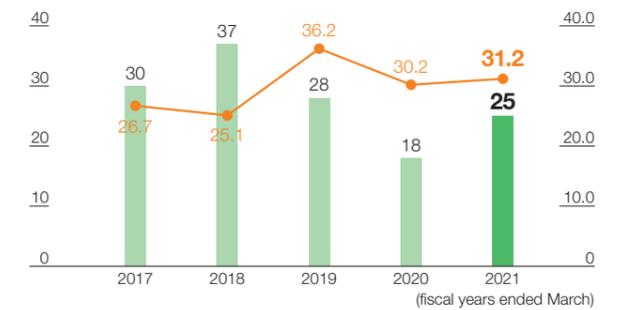
Free cash flows **¥14,735 million**



■ Cash flows from operating activities
■ Cash flows from investing activities (¥ million) ● Free cash flows (¥ million)

Shareholder return

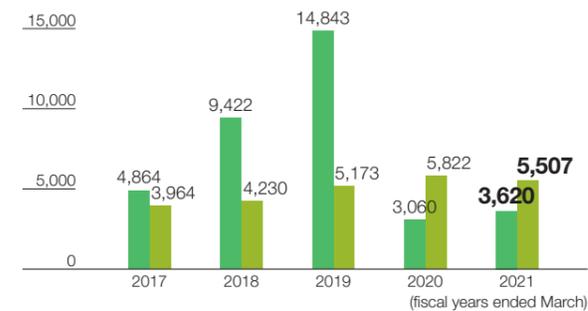
Dividends per share **¥25**
Dividend payout ratio **31.2%**



■ Dividends per share (¥) ● Dividend payout ratio (%)

Capital investment

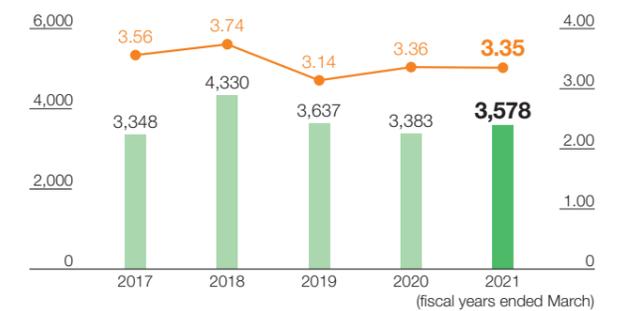
CAPEX **¥3,620 million** Depreciation **¥5,507 million**



■ CAPEX ■ Depreciation (¥ million)

Research and development

R&D expenses **¥3,578 million**

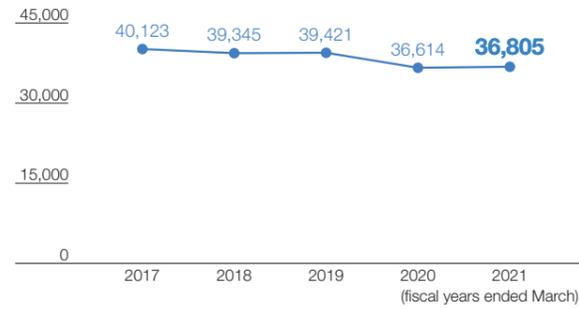


■ R&D expenses (¥ million) ● Ratio of R&D expenses to net sales (%)

Non-Financial Highlights

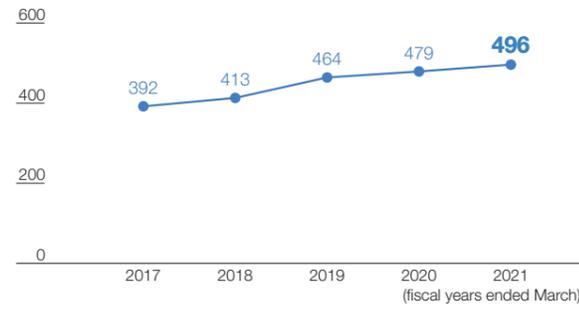
Environment

CO₂ emissions **36,805** tCO₂



● CO₂ emissions (tCO₂)
 * Scope of aggregation: Total of domestic plants (excluding those of domestic Group companies) and overseas plants (using domestic emission factors)

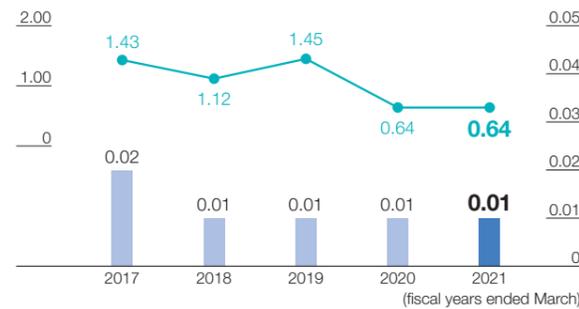
Water consumption **496,000** m³



● Water consumption (1,000 m³)
 * Scope of aggregation: Total of domestic (excluding domestic Group companies) and overseas plants

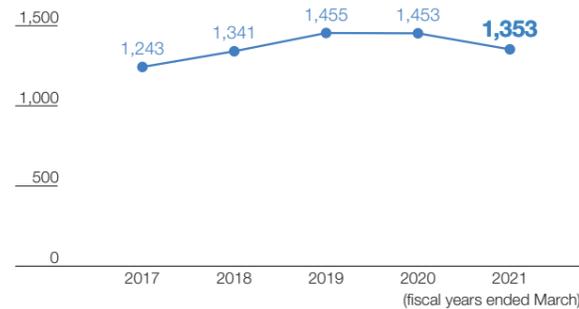
Occupational safety and health

Frequency rate¹ **0.64%** Severity rate² **0.01%**



● Frequency rate (%) ● Severity rate (%)
¹ Frequency rate: The frequency with which accidents occurred, indicated by the number of casualties through industrial accidents per one million hours worked.
² Severity rate: The severity of accidents, indicated by the total number of working days lost per one thousand hours worked.

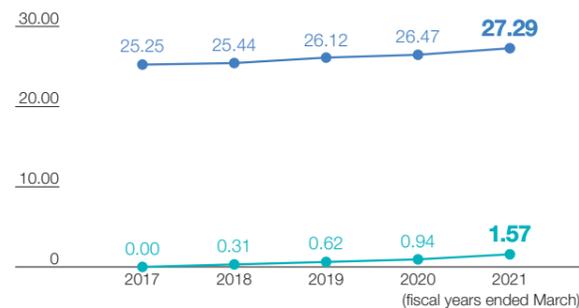
Industrial waste **1,353** t



● Industrial waste (t)
 * Scope of aggregation: Total industrial waste from domestic plants (excluding domestic Group companies) and overseas plants

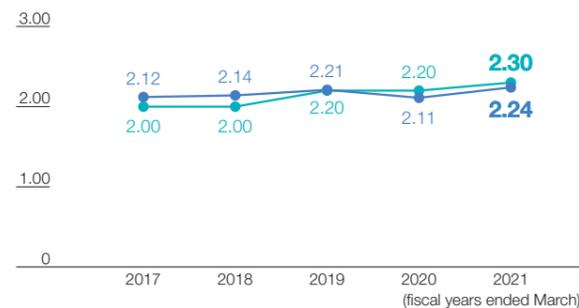
Diversity

Ratio of female employees **27.29%**
 Ratio of female managers **1.57%**



● Ratio of female employees ● Ratio of female managers (%)

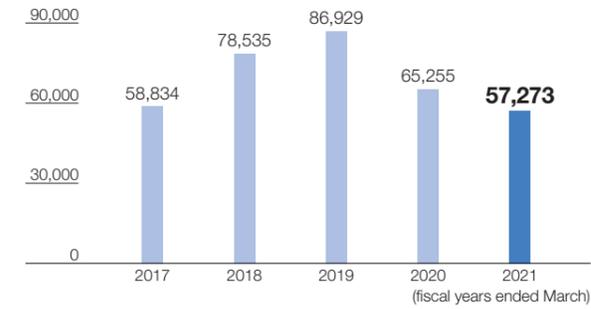
Ratio of employees with disabilities **2.24%**



● Ratio of employees with disabilities ● Statutory requirement (%)

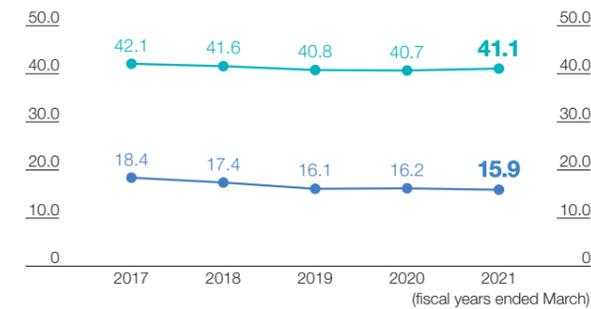
Human resources

Training costs **¥57,273,000**



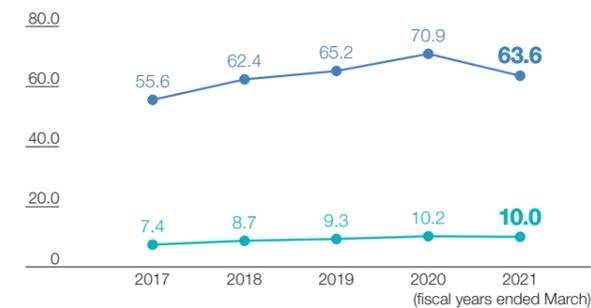
■ Training costs (¥ thousand)

Average years of service **15.9**
 Average age **41.1**



● Average years of service (years) ● Average age

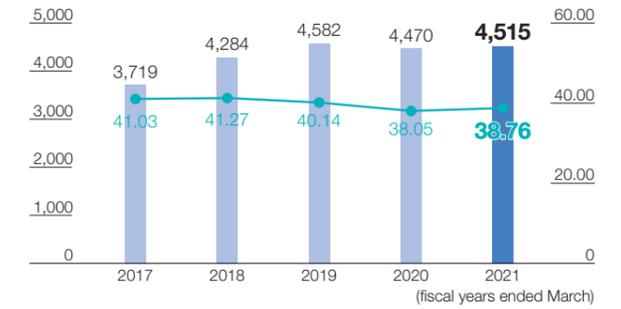
Annual paid leave utilization rate **63.6%**



● Annual paid leave utilization rate ● Hourly paid leave utilization rate (%)

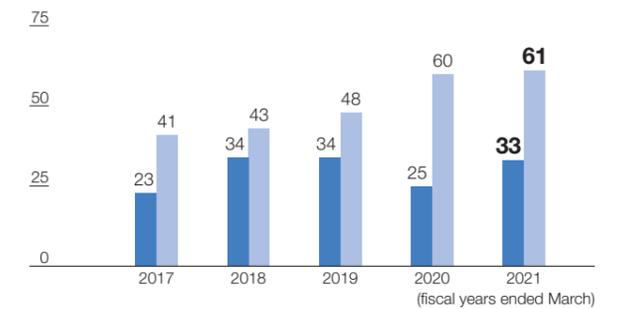
Employees

Employees **4,515**
 Ratio of overseas employees **38.76%**



■ Number of employees ● Ratio of overseas employees (%)

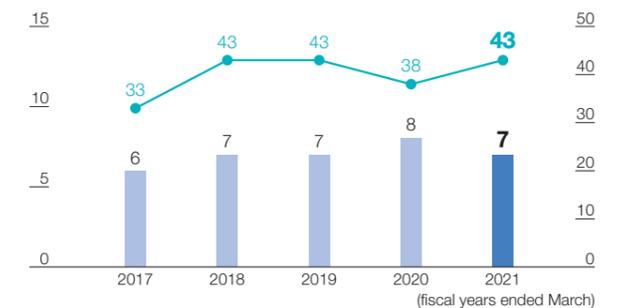
Number of employees using the childcare leave system **33**



■ Number of employees using the childcare leave system
 ■ Number of employees using the short working hour system for childcare

Governance

Number of directors **7**
 Ratio of external directors **43%**



■ Number of directors ● Ratio of external directors (%)