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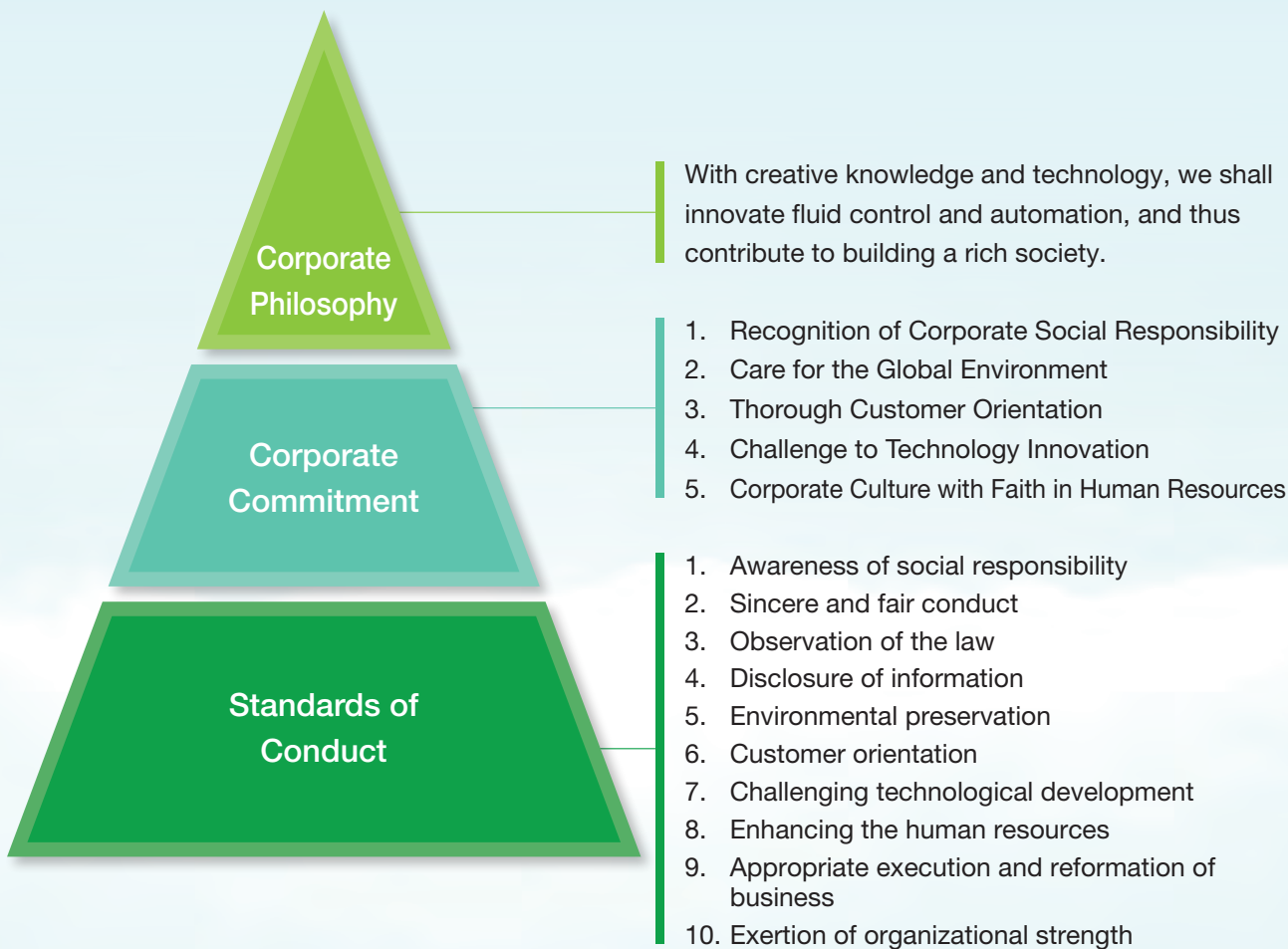
Automation Technology for the Future

Pioneering the Future with Automation

Having remained ahead of the needs of the times since its inception as a pioneer in automation technology, CKD has developed a variety of products centered on automatic machinery and component products. The technologies for these products have been handed down for generations and are continuing to evolve in keeping with the times.

With an extensive product lineup, CKD possesses a wide range of supporting technologies that extend across industrial fields.

In the years to come, we are aiming to become a Total FA Worldwide Supplier by integrating the automatic machinery and component products technologies that have been refined over many years.



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Disclaimer
The forward-looking statements with regard to the business forecasts contained in this report are based on information currently available to the Company and certain information deemed reasonable, and do not constitute a guarantee. Actual results may differ significantly due to a variety of factors.

About This Report

- This publication aims to provide all stakeholders with an understanding of the overall picture at CKD. Published as an integrated report, this report brings together summaries of financial information, such as medium- to long-term management strategies, value creation and business performance as well as non-financial information, including that relating to the environment, society and governance (ESG).
- This edition is based on the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) and Global Reporting Initiative (GRI) standards.
- We will use integrated reports as a tool to communicate with our stakeholders to make social contributions through our business, to realize a sustainable society and to improve corporate value.

Positioning of the Integrated Report

Financial information

Non-financial information

Integrated report

IR information website

CSR information website

QR code for Securities report

QR code for ESG data

QR code for Materials related to business results

QR code for Materials for general meeting of shareholders

QR code for Corporate governance report

QR code for CKD Technical Journal

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

Medium-Term Management Plan: Build-up CKD 2021

Basic Policies

Evolve products from being best in Japan to becoming globally recognized products

Challenge new business activities and markets

Strengthen our business foundations

Basic Requirement

Human resource development

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

Interview with Chairperson and President



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 acuminate 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

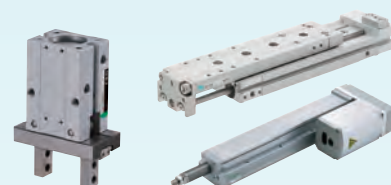
Fluid control components

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.



Convenience in our everyday lives

Electronics

IT

Energy

Medical and healthcare

Environment

Food safety

Manufacturing (monozukuri)

CKD

Through its automation and fluid control business domains, CKD is working on technological innovation and value creation to help resolve various social issues. Going forward, we will commit to achieving SDGs and continue to contribute to *building a rich society*, as outlined in our corporate philosophy.

SDGs addressed by CKD	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	7 AFFORDABLE AND CLEAN ENERGY
	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	17 PARTNERSHIPS FOR THE GOALS

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

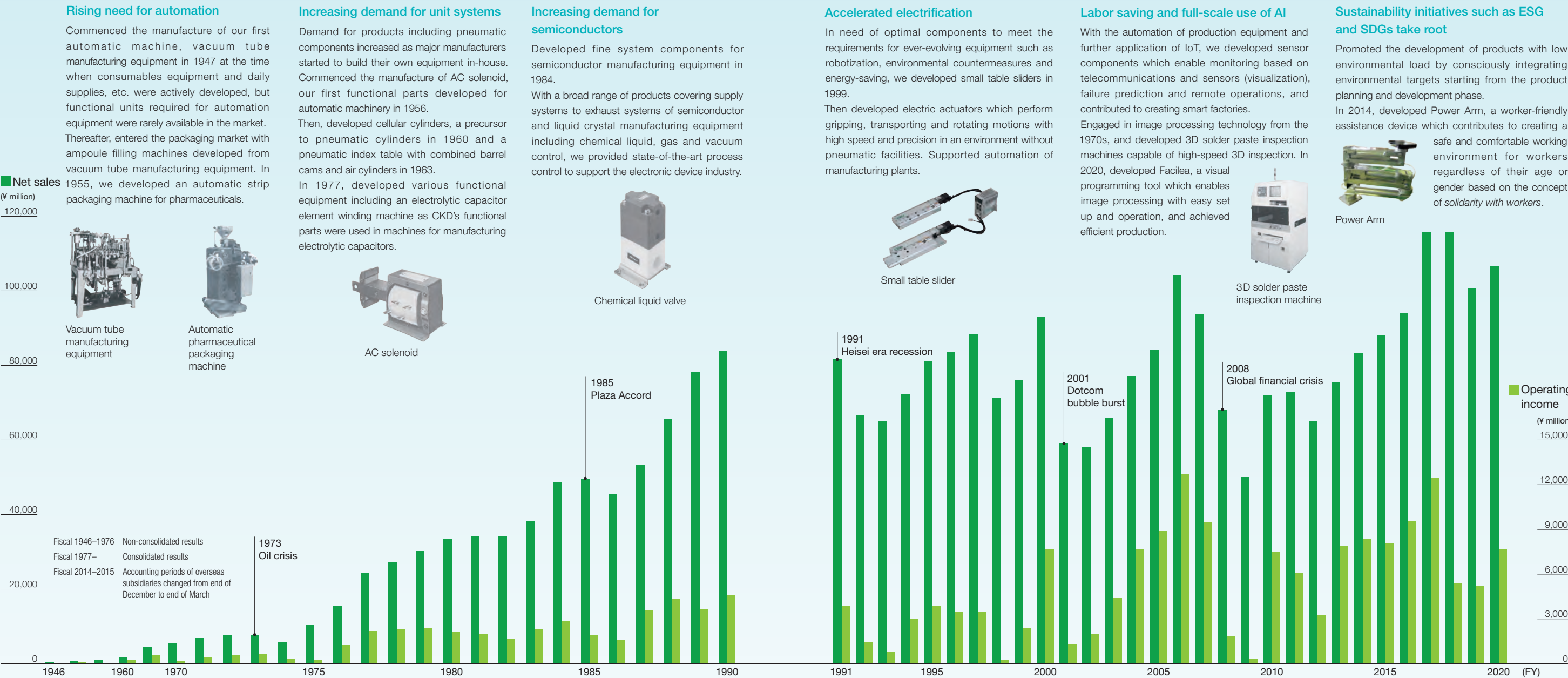
CKD's technologies are applied to pharmaceutical and medical machines that support safe medical care such as drug and syringe packaging machines, oxygen concentrators, analytical devices and dental instrument control.


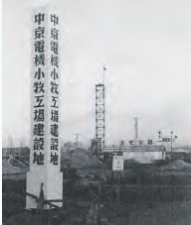






CKD Continually Evolves

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.

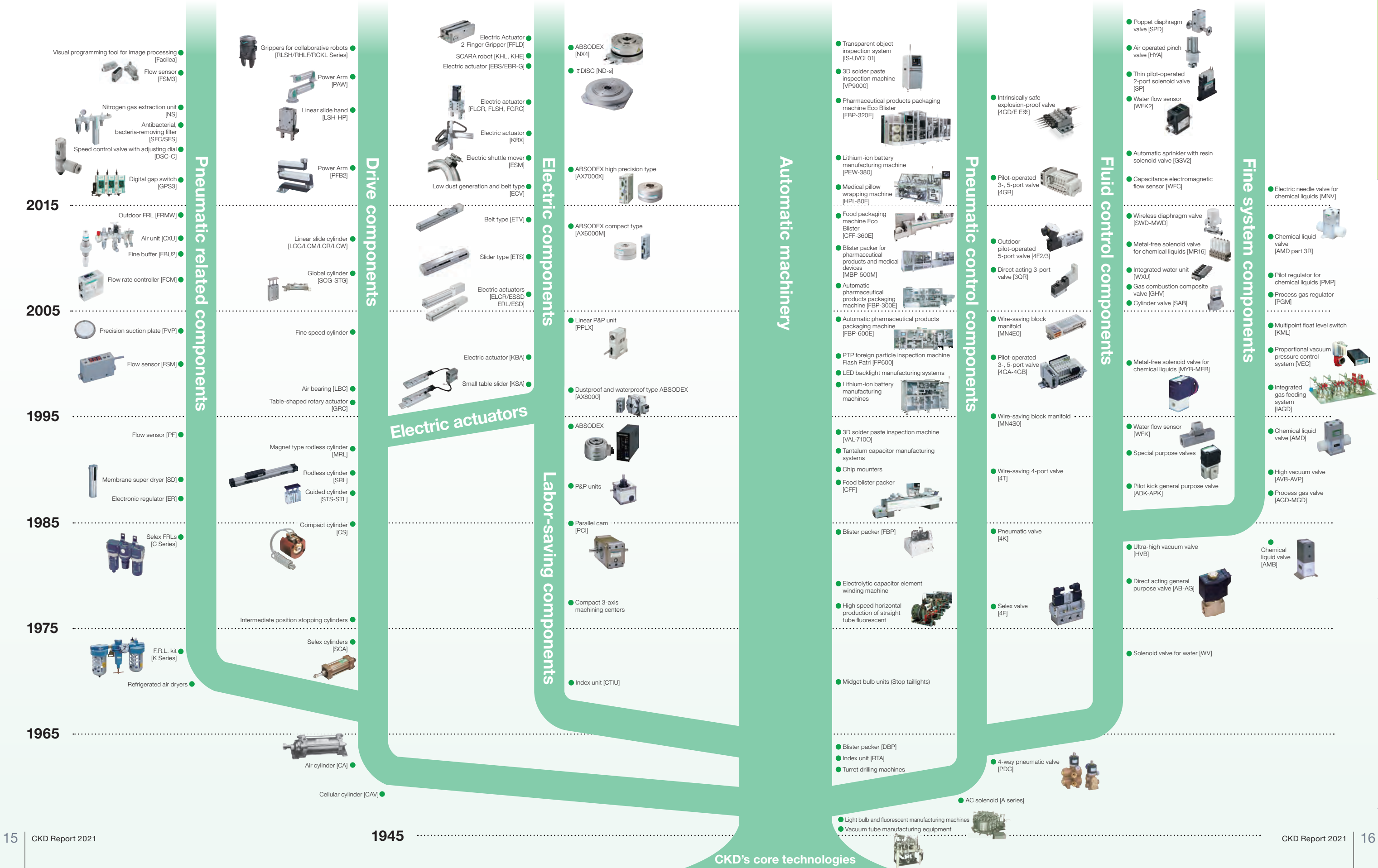
Social issues and needs



Company History							
1943 Established as Japan Aircraft Electric Co., Ltd. in Nagoya City, Aichi Prefecture	1961 Plant relocated to Komaki City, Aichi Prefecture	1962 Listed on the Second Section of the Nagoya Stock Exchange	1984 Established M-CKD PRECISION SDN. BHD. in Malaysia as first overseas subsidiary	1985 Established CKD USA CORPORATION	2001 Established CKD (Shanghai) CORPORATION in China	2013 New CKD (China) CORPORATION plant completed	2018 Opened the 'Ohana nursery school', an on-site day care center at the Head Office/ Komaki Plant
		1971 Listed on the First Section of the Nagoya Stock Exchange		1988 Established CKD THAI CORPORATION LTD.	2002 Established CKD Korea Corporation in South Korea	2014 Established PT CKD TRADING INDONESIA	
1945 Changed company name to Chukyo Electric Co., Ltd.		1979 Changed company name to CKD Corporation Listed on the First Section of the Tokyo Stock Exchange		1989 Established CKD SINGAPORE PTE. LTD.	2003 Established CKD (China) CORPORATION Opened a branch in the Netherlands	2015 Established CKD MEXICO, S. de R.L. de C.V. Established CKD India Private Limited	2019 Tohoku Plant completed in Ohira-mura, in Kurokawa district of Miyagi Prefecture
					2007 Established TAIWAN CKD CORPORATION	2016 Established CKD Europe B.V. in the Netherlands	
					2011 Opened a branch in Singapore	2017 Made CKD Nikki Denso Co., Ltd. a Group company	
					2012 Changed company name to CKD Corporation Established CKD Field Engineering Corporation as an automatic machinery service company		

Tree of Growth

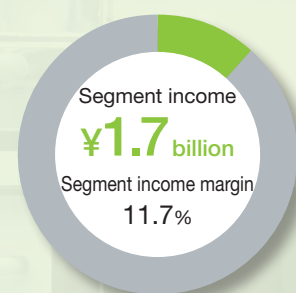
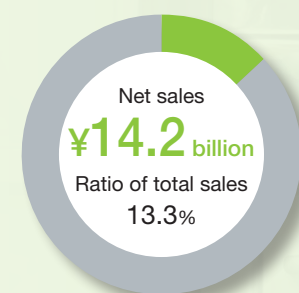
Our pursuit of automatic machinery development and diversification sprung from the seeds of vacuum tube appliance manufacturing. We have used our core technologies as a platform to establish new machinery product fields and continue to develop technologies that meet customer needs. Going forward, we 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

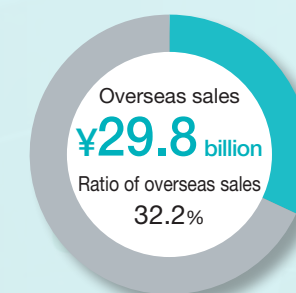
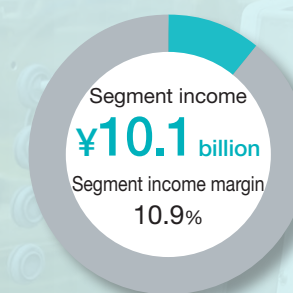
Industrial machinery

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.

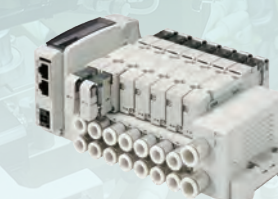


Main products, solutions

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



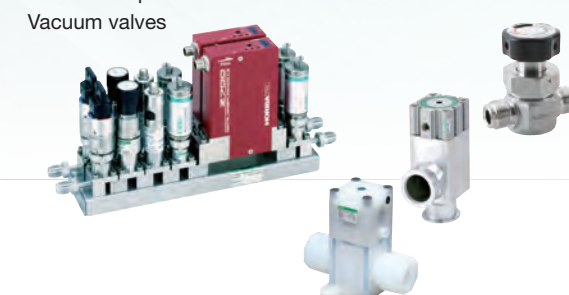
Pneumatic related components

Refining and pressure adjusting components
Sensor components



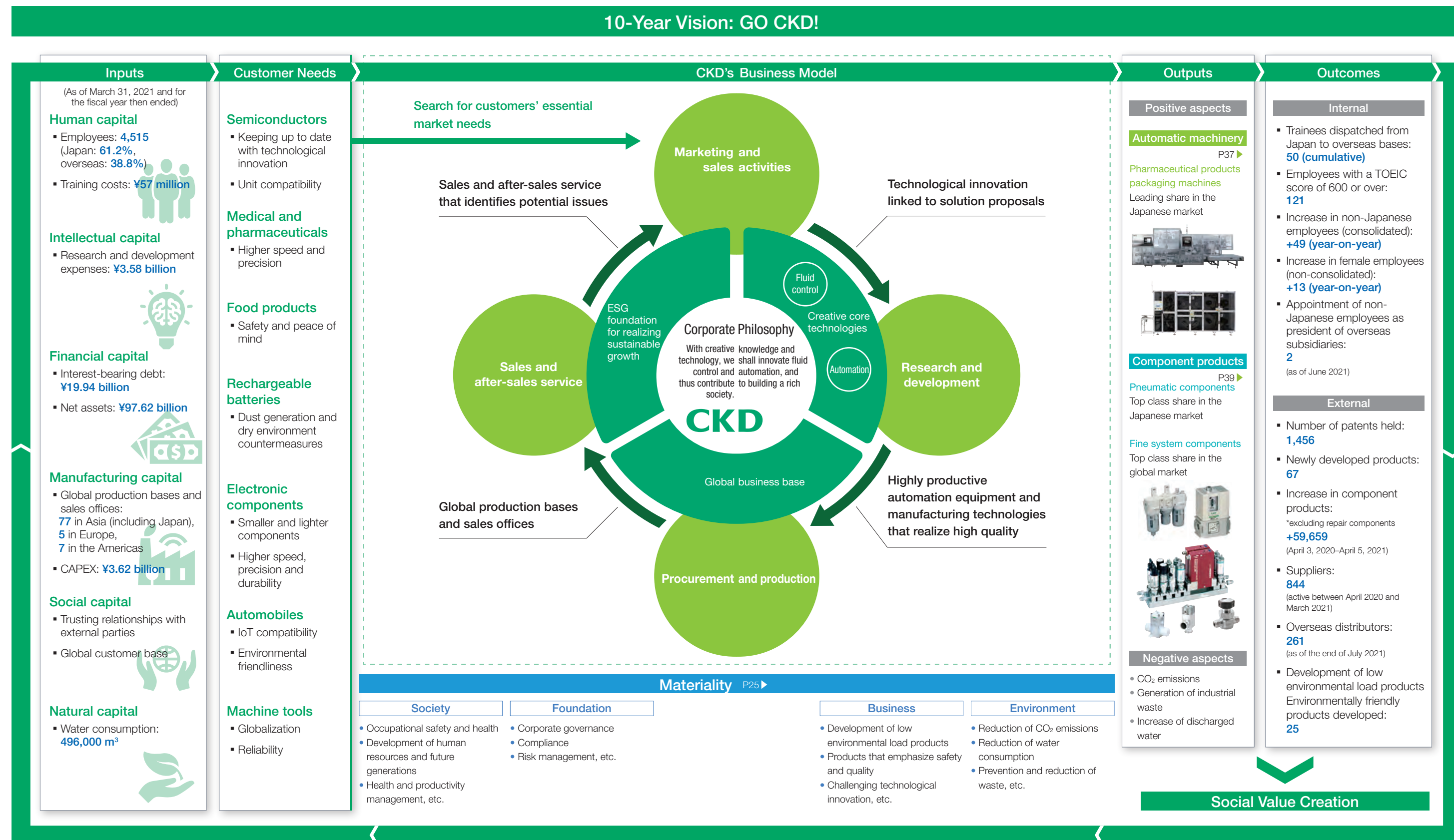
Fine system components

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.



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 (As of March 31, 2021)	Dispatch of trainees from overseas bases to Japan (As of March 31, 2021)	Number of non-Japanese employees (As of March 31, 2021)
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

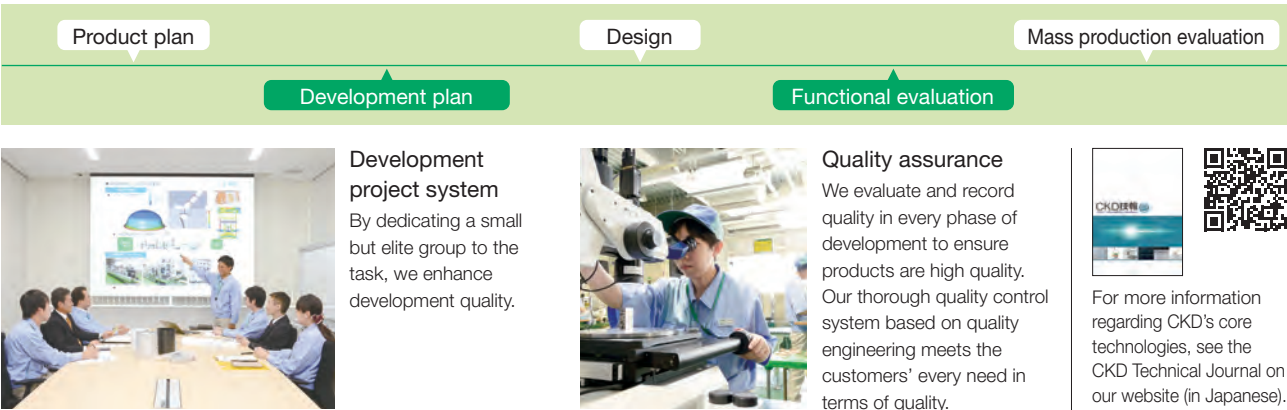


Number of patents held (As of March 31, 2021)	Research and development expenses (Fiscal 2020)	Newly developed products (Fiscal 2020)
1,456	¥3.58 billion	67

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.



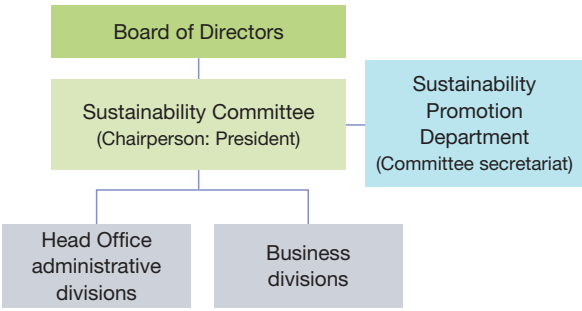
Materiality

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.

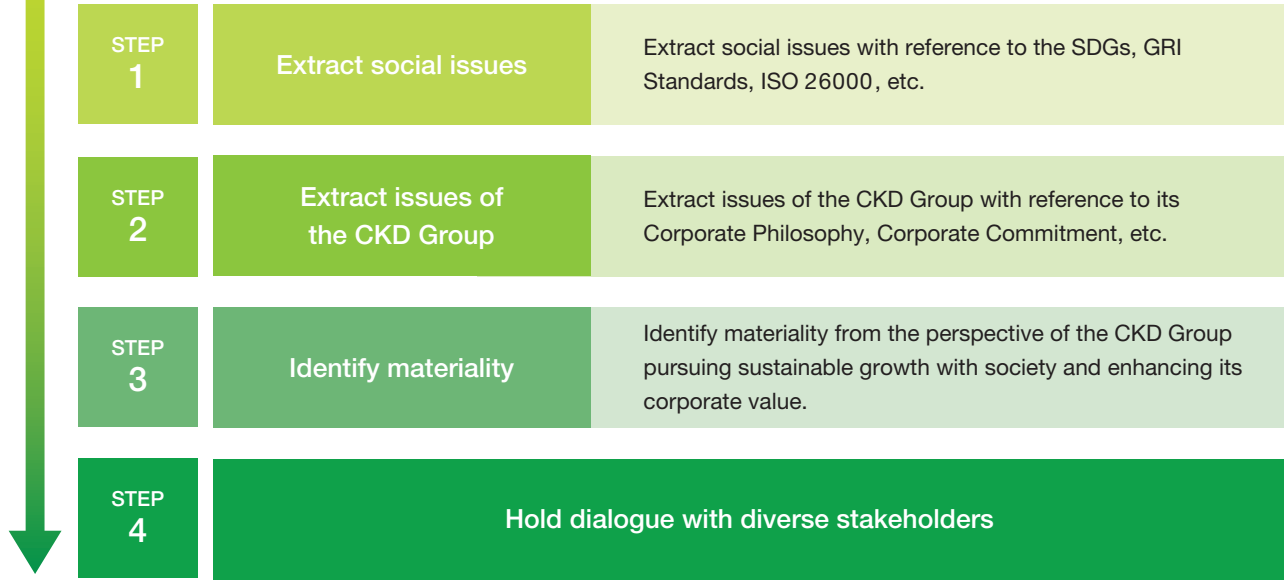
Materiality identification process

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

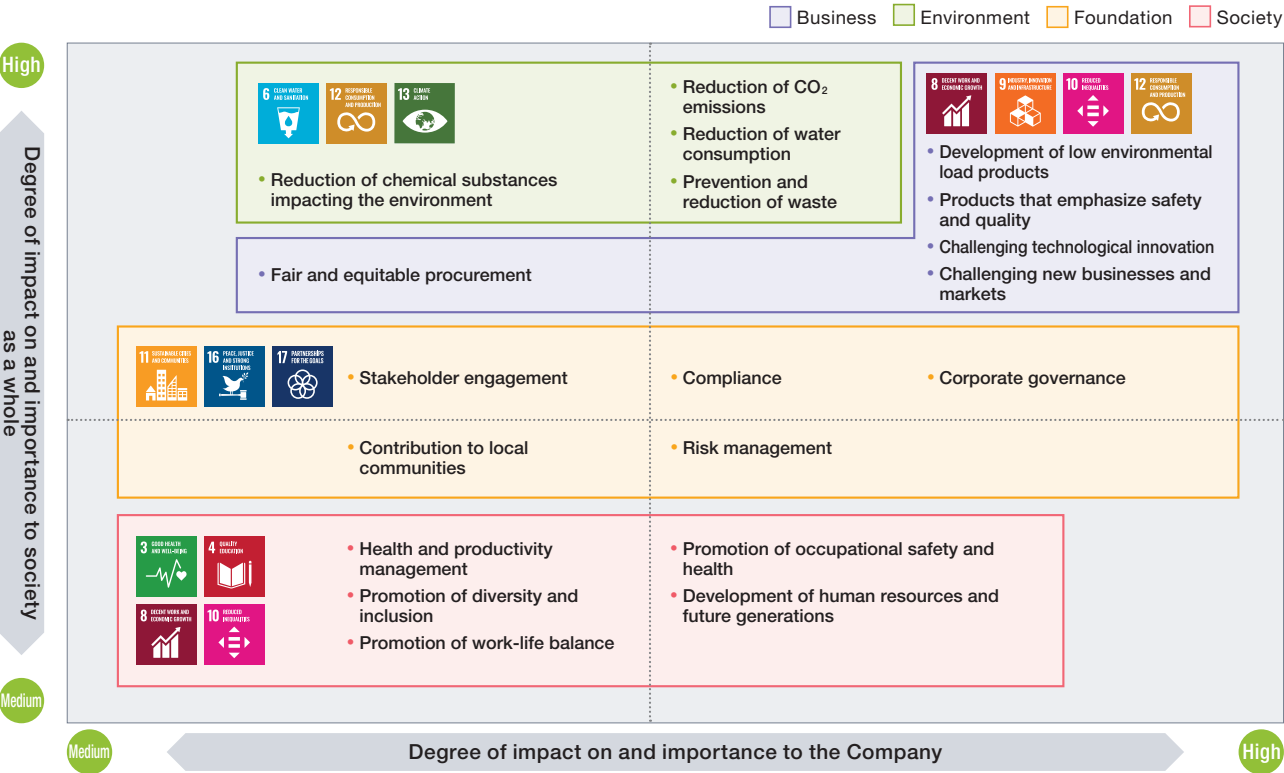
The SDG Promotion Committee was established to promote our SDGs initiatives. Regarding its structure, we also set up and operated working groups focused on products, sales and CSR as subordinate organizations of the Promotion Committee.



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.

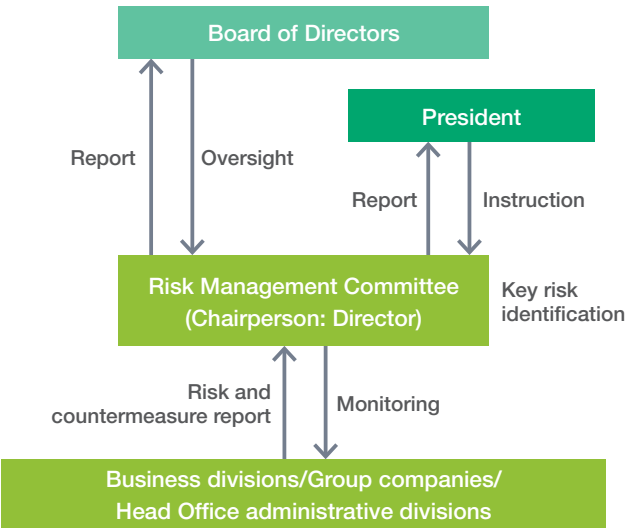
	Risk factors	Risks	Responses and opportunities
Business	Changes in market environment due to political factors	<ul style="list-style-type: none"> Restrictions on imports, exports, or semiconductor-related transactions due to political factors, such as trade frictions between the U.S. and China or problems between Japan and South Korea, would affect the Company's business, due to our high ratio of semiconductor industry sales in the components business 	<p>Responses</p> <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 <p>Opportunities</p> <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	<ul style="list-style-type: none"> Burden of compensation for damages and loss of customer trust in the event that a product causes personal injury or property damage 	<p>Responses</p> <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 <p>Opportunities</p> <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 	<p>Responses</p> <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	<ul style="list-style-type: none"> Decreased profits due to commodification of some products and intensified competition with players in emerging economies 	<p>Responses</p> <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 	<p>Responses</p> <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 <p>Opportunities</p> <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 	<p>Responses</p> <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 <p>Opportunities</p> <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 	<p>Responses</p> <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 <p>Opportunities</p> <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 	<p>Responses</p> <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 	<p>Responses</p> <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 <p>Opportunities</p> <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 	<p>Responses</p> <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 	<p>Responses</p> <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 <p>Opportunities</p> <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

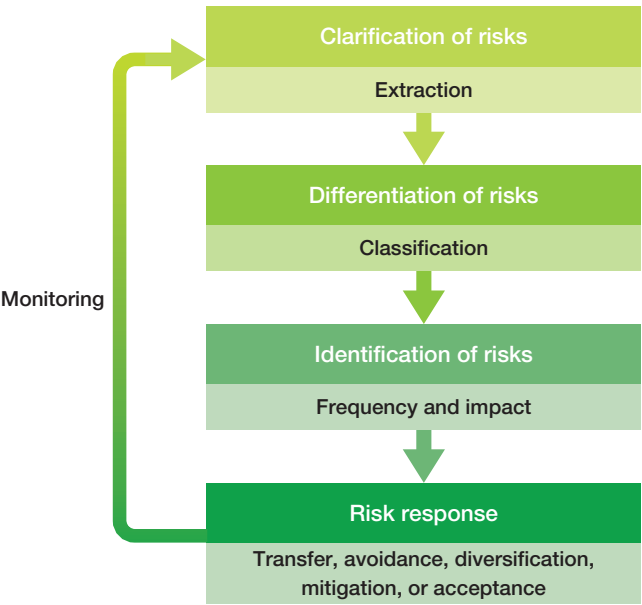
Risk management structure

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, economic responsibilities, ethical 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.



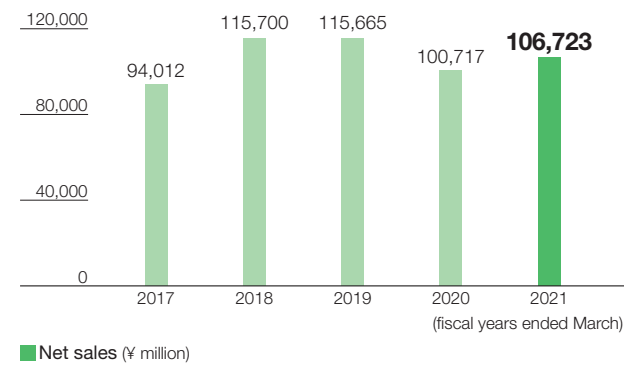
Stakeholder engagement initiatives

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 pointsProduct information provided through websites and social mediaPlant/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 policiesProduction trend briefingsShared quality assurance policiesCKD 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 intranetEmployee awareness surveysOpportunities of dialogue with top managementWhistleblower contact pointsDiscussions with labor unionsSafety and Health CommitteeVarious 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 shareholdersFinancial results briefingsIR events and individual meetingsIR information websiteIntegrated 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 sitesSharing 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 frameworkEnvironmental educationCompliance with environmental regulationsDevelopment 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 ▶

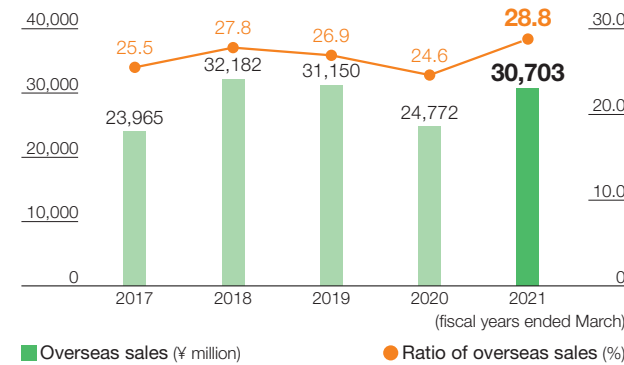
Financial Highlights

Earnings

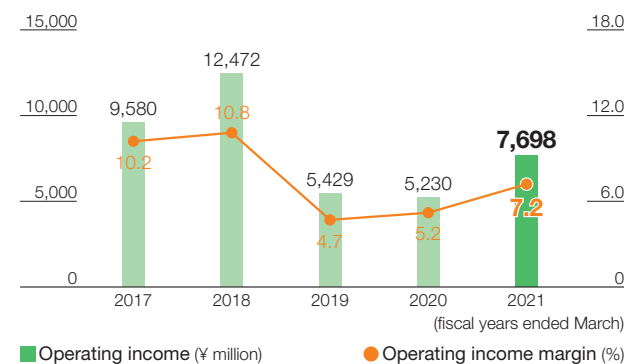
Net sales **¥106,723 million**



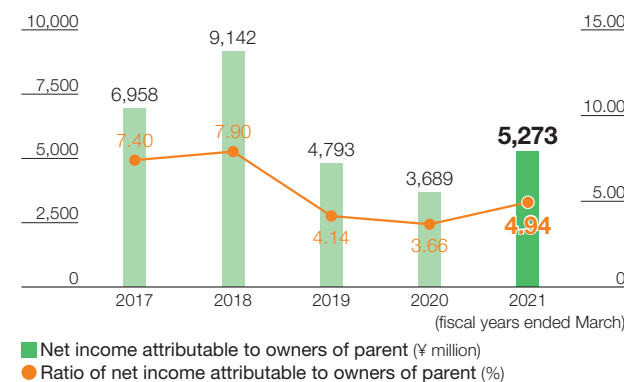
Overseas sales **¥30,703 million**
Ratio of overseas sales **28.8%**



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

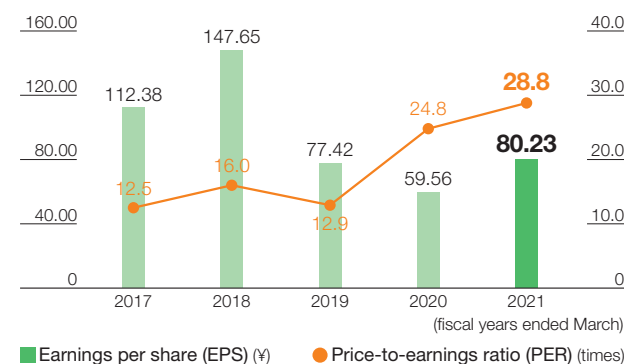


Net income attributable to owners of parent **¥5,273 million**

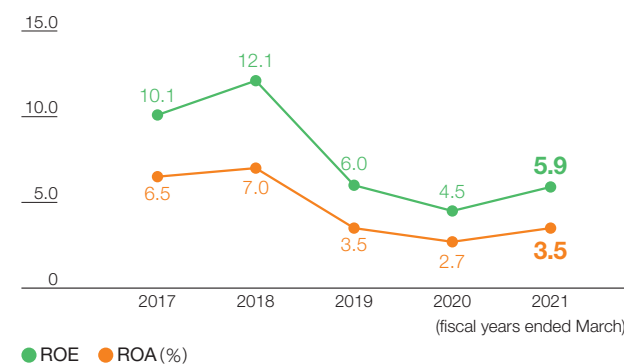


Profitability

Earnings per share (EPS) **¥80.23**

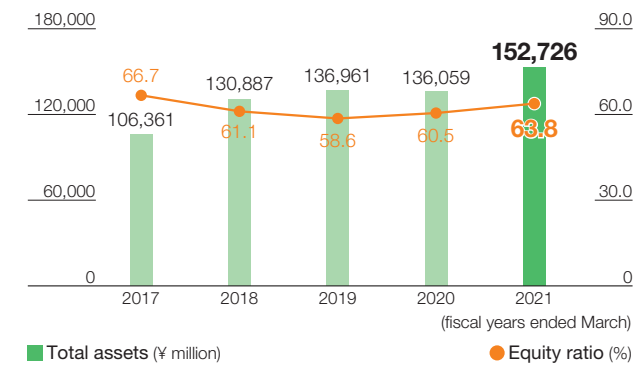


ROE **5.9%** ROA **3.5%**

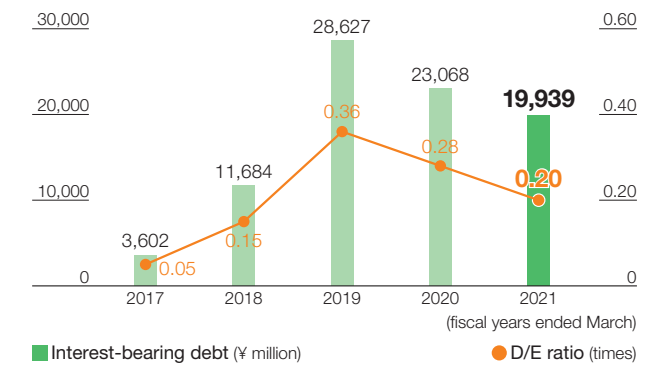


Financial base

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

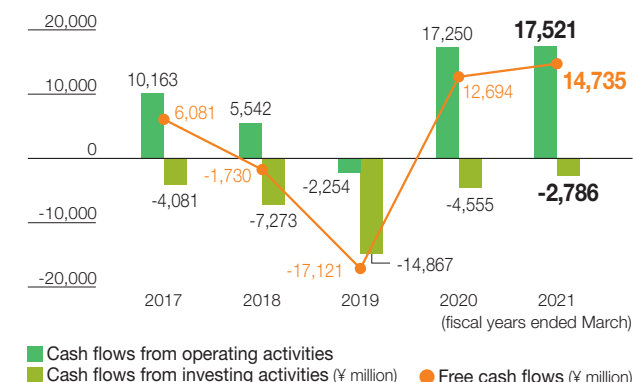


Interest-bearing debt **¥19,939 million**
D/E ratio **0.20 times**



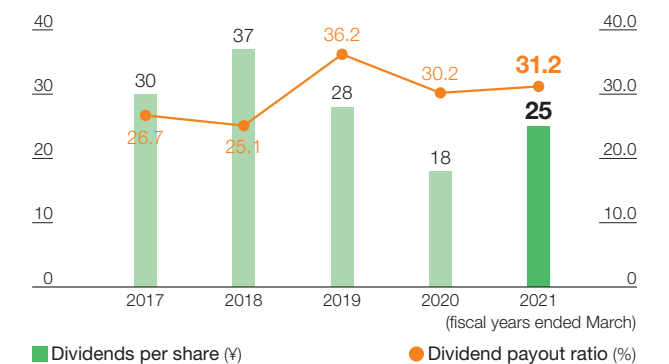
Cash flow

Free cash flows **¥14,735 million**



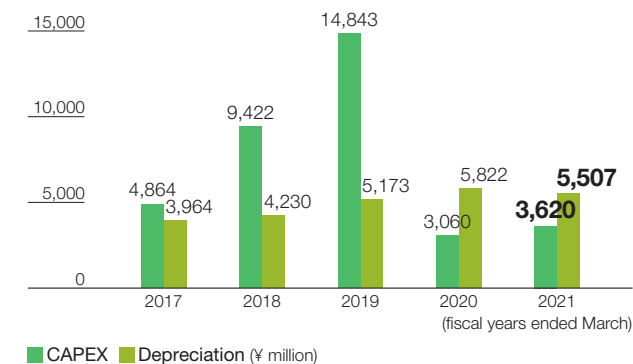
Shareholder return

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



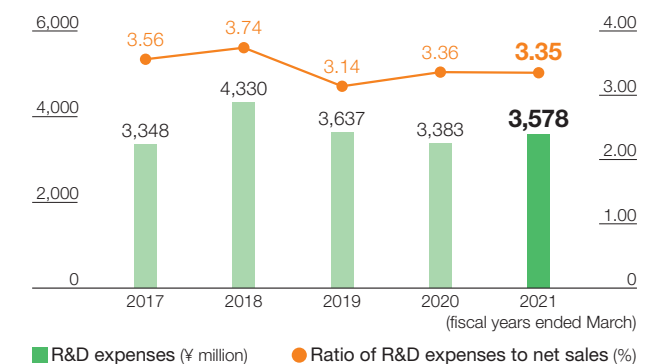
Capital investment

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



Research and development

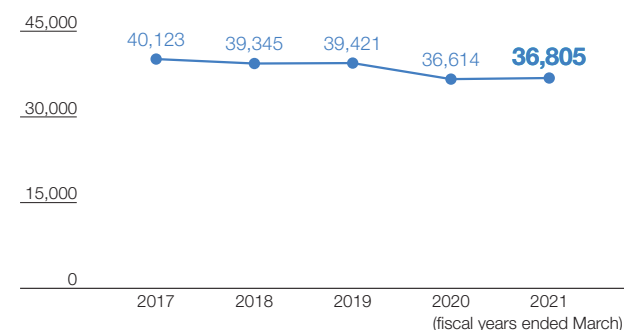
R&D expenses **¥3,578 million**



Non-Financial Highlights

Environment

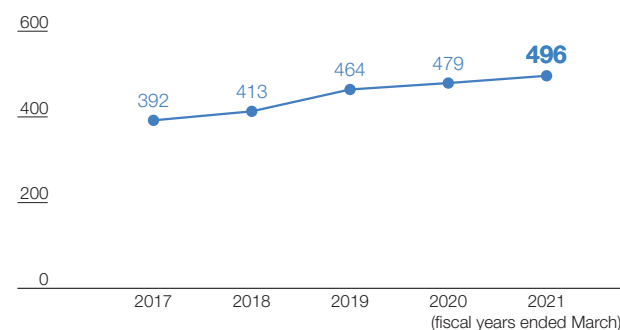
CO₂ emissions **36,805 tCO₂**



● 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**

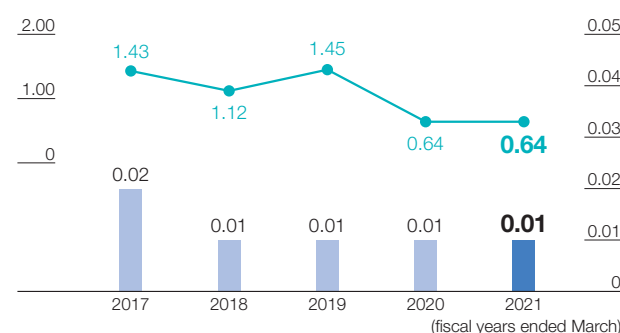


● Water consumption (1,000 m³)

* 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 (%)

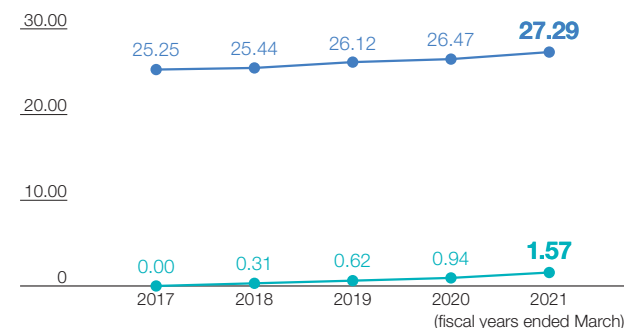
*1 Frequency rate: The frequency with which accidents occurred, indicated by the number of casualties through industrial accidents per one million hours worked.

*2 Severity rate: The severity of accidents, indicated by the total number of working days lost per one thousand hours worked.

Diversity

Ratio of female employees **27.29%**

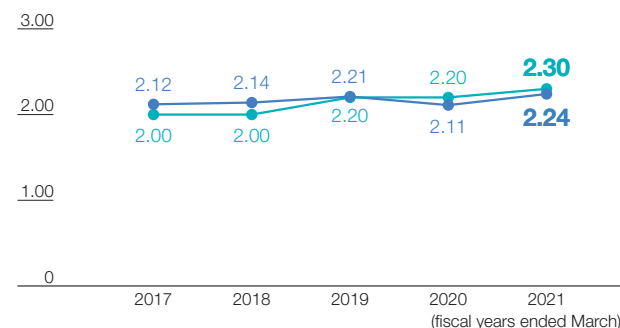
Ratio of female managers **1.57%**



● Ratio of female employees

● Ratio of female managers (%)

Ratio of employees with disabilities **2.24%**

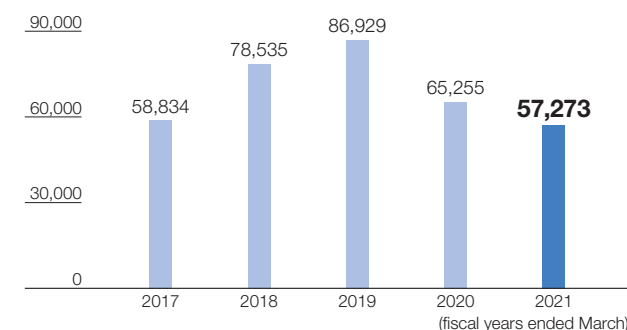


● Ratio of employees with disabilities

● Statutory requirement (%)

Human resources

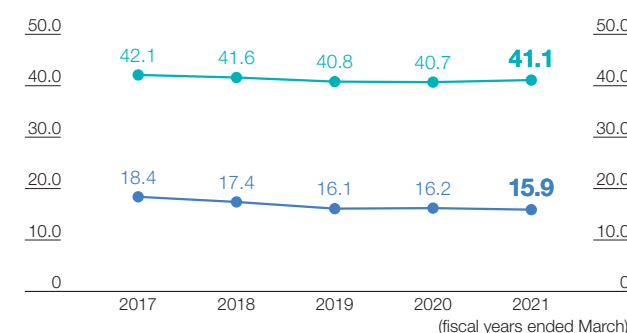
Training costs **¥57,273,000**



■ Training costs (¥ thousand)

Average years of service **15.9**

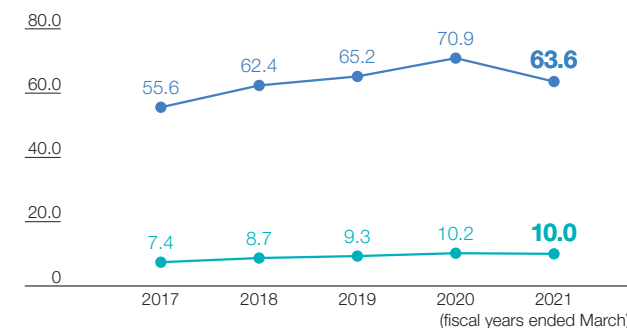
Average age **41.1**



● Average years of service (years)

● Average age

Annual paid leave utilization rate **63.6%**



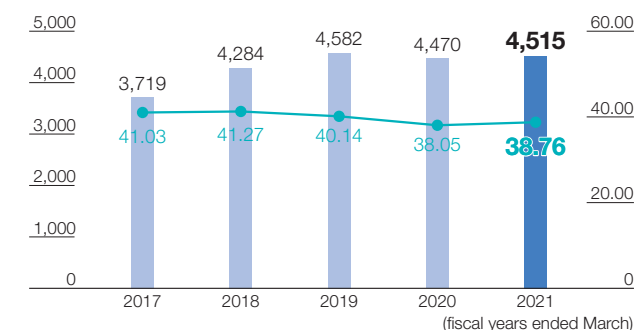
● Annual paid leave utilization rate

● Hourly paid leave utilization rate (%)

Employees

Employees **4,515**

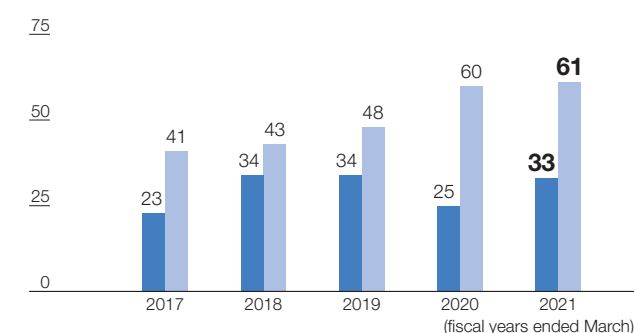
Ratio of overseas employees **38.76%**



■ Number of employees

● Ratio of overseas employees (%)

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



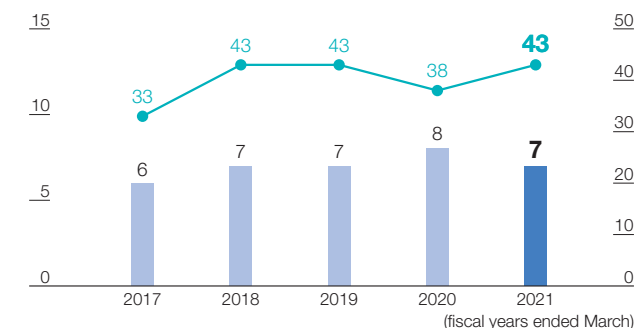
■ Number of employees using the childcare leave system

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

Governance

Number of directors **7**

Ratio of external directors **43%**



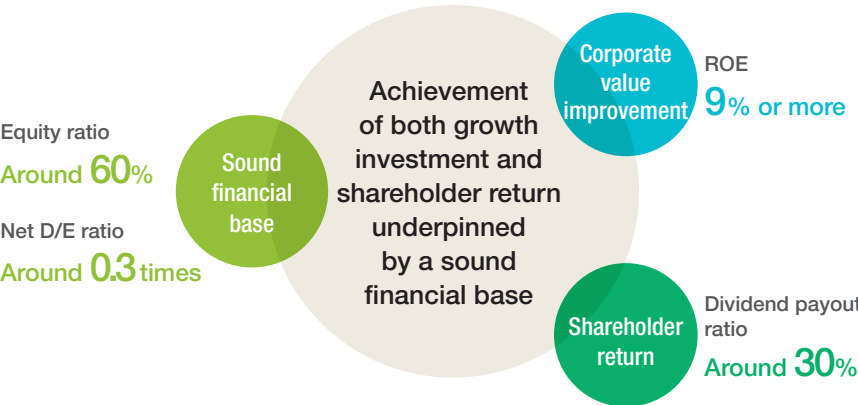
■ Number of directors

● Ratio of external directors (%)

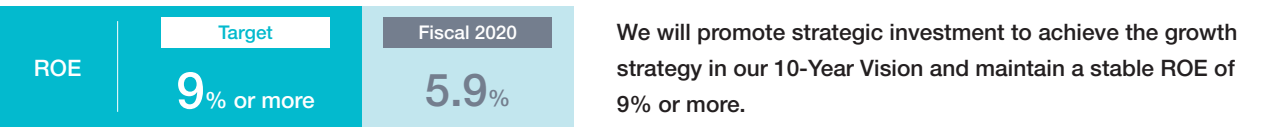
Financial and Capital Strategies

Basic policy on financial and capital strategies (Allocation of management resources)

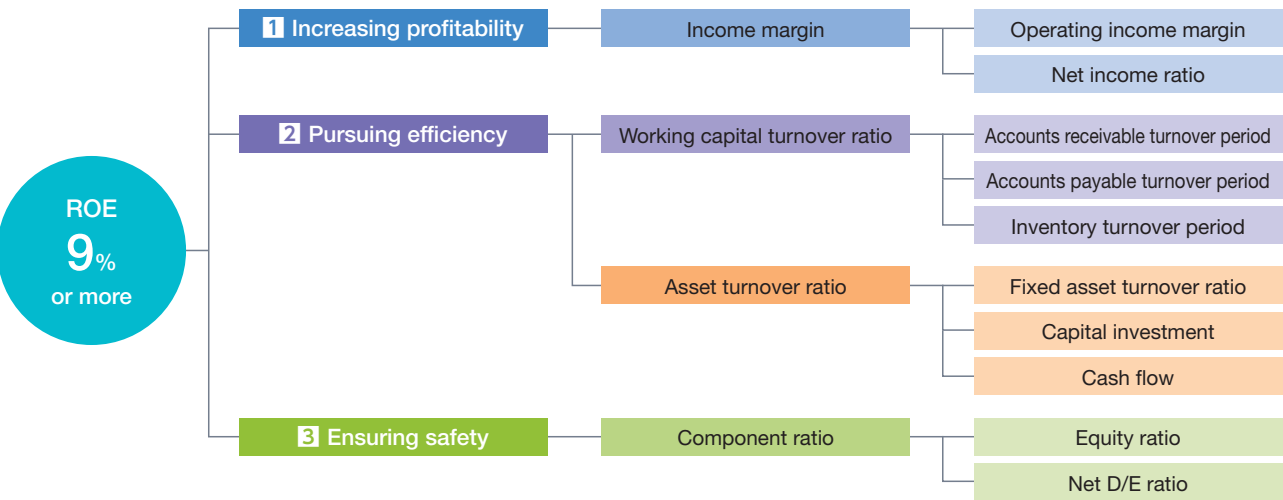
The CKD Group aims to improve corporate value through the achievement of both growth investment and shareholder return underpinned by a sound financial base.



Improving corporate value

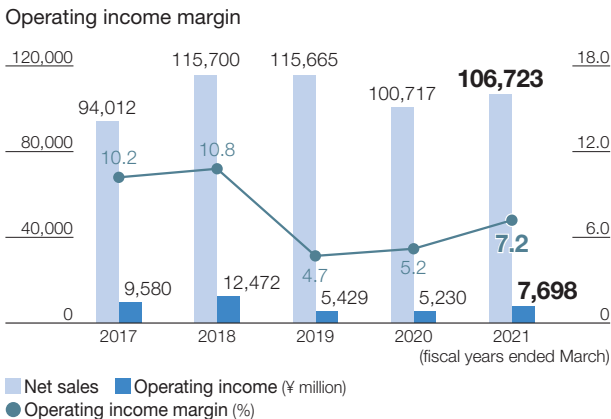


To maintain a stable ROE of 9% or more, we will monitor and improve the three priority items: **1** Increasing profitability, **2** Pursuing efficiency, and **3** Ensuring safety.



Expanding profitability

To expand profitability, we focus on the operating income margin as the most important success factor. As a manufacturer, we are making particular efforts to reduce manufacturing costs. We use our ERP software system to assign appropriate personnel and reduce manufacturing overhead according to production volume.

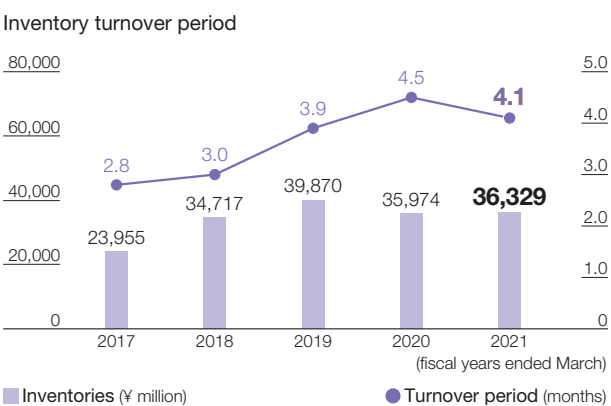


Pursuing efficiency

Inventory turnover period

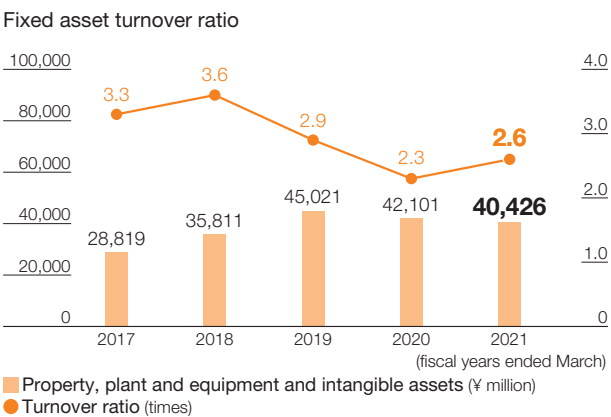
To respond quickly to customer needs, we systematically manage necessary inventories using our ERP software system. At the same time, we respond flexibly according to the volume of orders.

We focus on managing the appropriate amount of inventory and closely monitor its impact on cash flow (CF) from operating activities.



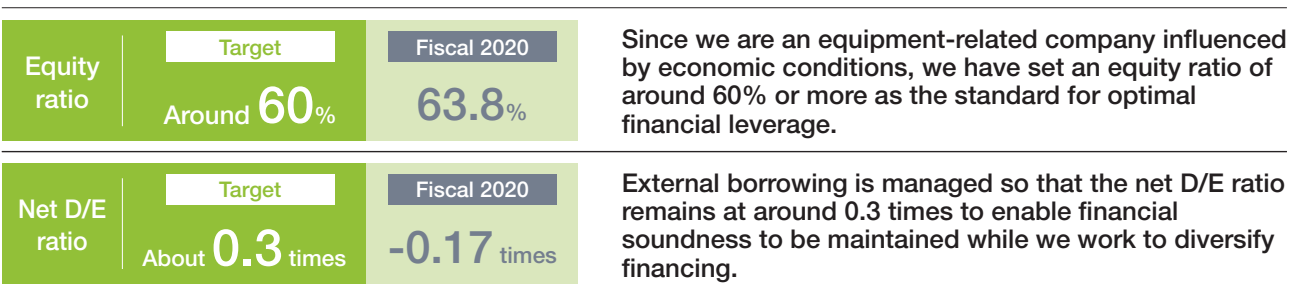
Fixed asset turnover ratio

We will make efficient and effective use of existing assets, and implement capital investment necessary for the sustained growth of the Company to improve corporate value after considering the optimal financing methods.

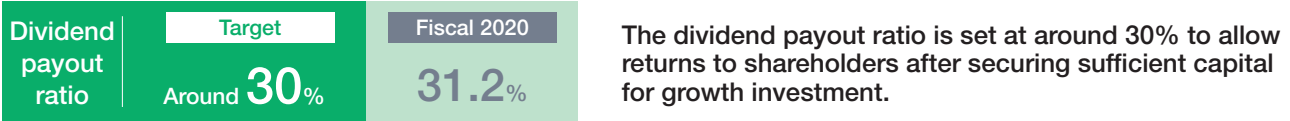


Ensuring safety

We will consider the cost of raising funds from shareholders' equity and interest-bearing debt to achieve an optimal balance of equity and debt in funding that takes into account the need to improve capital efficiency.



Shareholder return



Business Overview and Outlook

Automatic Machinery Business



Yoshiaki Kitahora
Executive Officer
General Manager, Automatic Machinery Business Division

Strategy We in the Automatic Machinery Business Division welcome change and endeavor to evolve automation technology along a multitude of avenues as an organization that continually offers automatic machinery that satisfies customers around the world. We have made this our 10-Year Vision through which we will differentiate ourselves from competitors. We incorporate the requirements and requests of each customer into our automatic machinery, whether it be equipment that packages pharmaceutical or food products with heat-processed film, 3D solder paste inspection systems that feature image inspection technology, or lithium-ion battery manufacturing machines that perform high-speed wrapping of multiple materials. We strive to satisfy customers by providing quality products that meet their needs for delivery and cost.

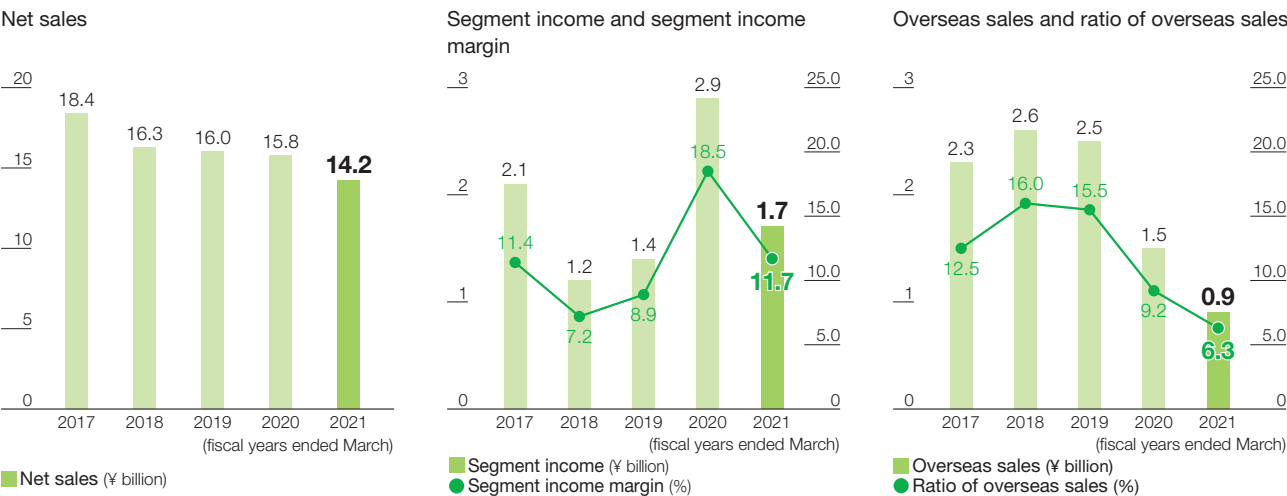
Report on fiscal 2020

In fiscal 2020, the industrial machinery field increased sales of lithium-ion battery manufacturing machines, but sales of 3D solder paste inspection systems decreased for both domestic and overseas markets. Although sales of food packaging machines increased, sales of pharmaceutical products packaging machines declined due to the impact of restrained capital investments in the Japanese market. The business division overall recorded net sales and segment income that were both below those of the previous fiscal year.

In the pharmaceutical product packaging field, we promoted activities to expand sales of machine models exclusively for the Chinese market jointly developed by Japan

and China. In the Japanese market, to respond to significant changes in the industrial structure due to the drastic reform of the NHI drug price system and other factors, we have been striving to materialize products and services that lead to productivity improvement and automation using ICT.

In the food packaging field, in addition to expanding sales of individual wrapping and disposable portion packs which are the trend in the market, we are promoting the development and offering of new products and packaging forms that contribute to solving social issues such as eliminating plastics and food loss.



Value provided through business	
Automatic packaging systems	These systems provide safe and secure products with equipment that packages pharmaceutical products (tablets, capsules), medical equipment, and food items.
Inline medical product inspection systems	These systems facilitate the safe and secure supply of pharmaceutical products with high-speed and highly accurate inspections for pill flaws, foreign particle contamination, torn sheets, and other problems.
3D solder paste inspection systems	These machines contribute to enabling quality guarantees and raising productivity in the printed circuit board mounting process through machines that inspect solder paste printing on printed circuit boards using image processing.
Lithium-ion battery manufacturing machines	These are systems that contribute to environmental efforts and the spread of eco-friendly vehicles with machines to manufacture lithium-ion batteries for electric vehicles (EVs), other automotive and lifeline infrastructure use.

In the industrial machinery field, the semiconductor and mobility markets recovered rapidly from a slowdown due to the COVID-19 pandemic. As a result, new products launched in the market in the previous fiscal year, such as 3D solder paste inspection systems, are performing well. In the

Japanese market, we benefited from demand for lithium-ion battery manufacturing machines triggered by the accelerated shift to EVs. We are strengthening cooperation with Chinese companies in China, which is the largest market for automotive batteries.

Future outlook and challenges

In the pharmaceutical packaging field, our mainstay business, we will further focus on our service businesses, particularly through CKD Field Engineering Corporation, to improve customer productivity in the Japanese market. Global development has been a challenge for us. We will expand sales not only in the Chinese market where we have introduced new models but also in the East Asian and ASEAN markets by strengthening our production and service systems and developing products that meet the needs of each market.

In the industrial machinery field, demand for 3D solder paste inspection systems in semiconductor and mobility markets is robust, rapidly recovering and expanding. To capture this opportunity, we need to strengthen our

procurement and production systems as well as introduce price-compatible machines to the East Asian and ASEAN markets. We will also work with food and packaging manufacturers to strengthen our measures against social issues such as eliminating plastics and food loss.

In the inspection machine field, which is a new business for us, we will expand sales of the transparent object inspection system, launched in March 2021, from the pharmaceutical market to various fields such as food and medical equipment.

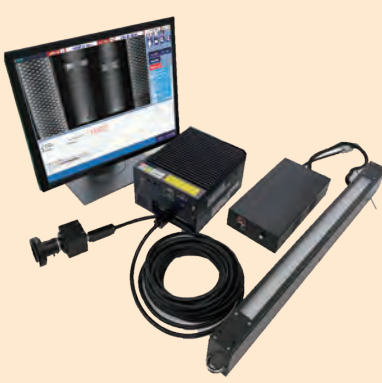
We will develop our business by rapidly responding to market changes and customer requests by making the best use of our market-oriented organization that integrates sales and technology.

CLOSE

UP

Transparent object inspection system [IS-UVCL01]

Amid the growing need for more efficient and labor-saving manufacturing sites due to the decline in the working population, the market demands more consistent quality and improved productivity. To respond to the needs, we launched the IS-UVCL01, the industry's first automated inspection system for transparent object defects, for in-line inspection applications where the inspection process is incorporated into manufacturing equipment. This product has made it possible to automate inspection processes that was previously only possible with the naked eye.



Component Products Business

Katsunori Hayashida
Director & Managing Executive Officer
General Manager, Components Business Division



Shinji Yuhara
Director & Executive Officer
Deputy General Manager, Components Business Division



Organizational change

Effective on February 1, 2021, the Components Business Division and the Sales and Marketing Division were integrated into the new Components Business Division. The integration will strengthen the cooperation between the field and sales to enable more flexible sales activities.

Strategy In the component products segment, our target in the 10-Year Vision is to become a Total FA Worldwide Supplier. We are working to build a broad lineup of FA systems to meet diversifying customer demands that include high speed/high precision, small size/high definition, safety/high quality, and digitalization, and provide new value and creativity. To that end, we will tackle technological innovation, develop products and provide services that are differentiated, strengthen our global production foundation, and offer products to build a business structure that can meet the needs of customers worldwide.

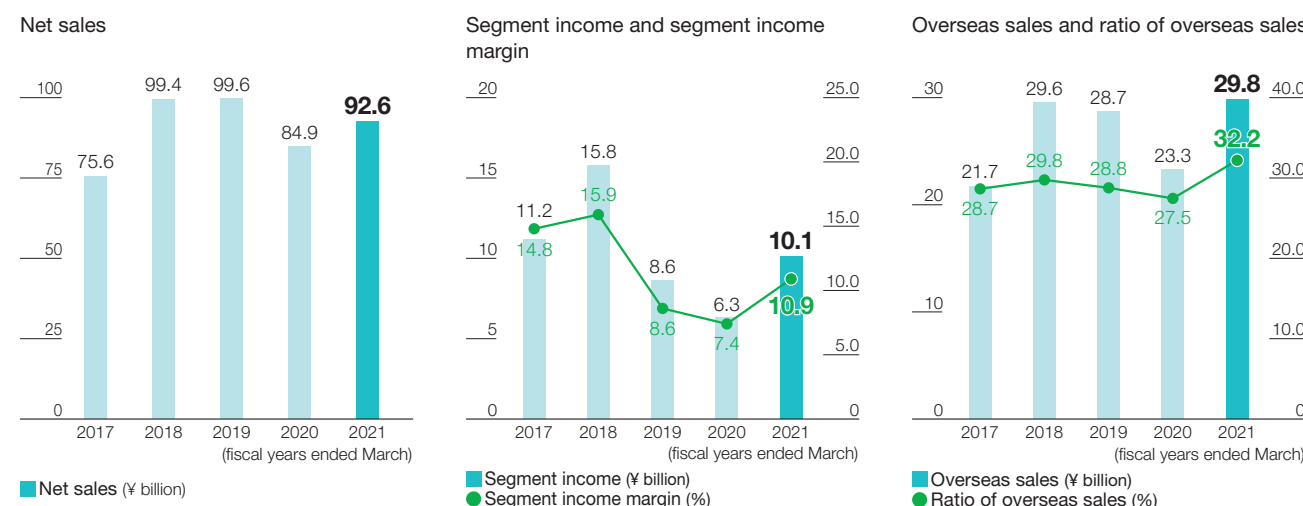
Report on fiscal 2020

Fiscal 2020 started under severe conditions, with sluggish market conditions in Japan and overseas due to the impact of COVID-19. In terms of sales, however, we are working on new modes of sales activities that respond to the new normal by promoting teleworking, providing product information online, and actively communicating with customers through digital transformation (DX) sales methods, such as webinars and virtual factory tours.

In production, we have developed the industry's top-notch clean acid cleansing process with reduced metal elution for the semiconductor industry, where further process shrink and

higher detergency are required. This process ensures cleanliness precision that no other companies can achieve through cleaning, assembly, and cleanliness control.

We are also building and operating smart factories that combine the latest automatic, unmanned operation technology and IoT, such as the introduction of automated assembly lines for small pneumatic valves (4E series) and the operation of multiple processing machines by autonomous guided vehicle (AGV) robots, to increase production efficiency and improve production capacity.



Value provided through business	
Pneumatic control components	These devices control the refinement of airflow, pressure adjustments, the driving of a cylinder, and so on. We develop automatic systems and excellent connection responding to a broad range of industrial needs and offer pneumatic technologies considering environmental preservation and energy conservation.
Drive components Electric motion components	As pneumatic cylinders are easily automated, they are used in a wide range of industrial fields. We offer high precision and user-friendly electric actuators, and achieve automation in line with customer needs with control technologies that utilize air and electric motion.
Fluid control components	Using fluid control components, we have a broad range of products under the concept of high quality and wide variation, ranging from various types of valves, product series that meet the needs of medical and pharmaceutical along with food processing as well as environmental equipment such as water treatment systems.
Fine system components	We provide state-of-the-art process control with a broad range of products covering supply systems to exhaust systems of equipment to manufacture semiconductors and flat panel displays. We support the electronic device industry with our fine system components that can be used in clean environments.

In product development, in addition to developing products that meet customer needs, we are working to develop products that contribute to reducing society's environmental impact. The HP Series high durability components contributes to longer equipment maintenance intervals, reduced waste, and reduced production losses due to downtime. The NS Series nitrogen gas extraction unit enables

the long-term preservation of food, and together with the HP Series, won the Golden Award at the 2021 AICHI Environmental Award as products that contribute to reducing food loss, which has become a global issue. We will continue to develop low environmental load products that contribute to achieving the SDGs.

Future outlook and challenges

The COVID-19 pandemic has caused significant changes in social values and markets. In addition, corporate social responsibility is becoming even more important for the realization of carbon neutrality. On the other hand, with the spread of IoT and AI, the manufacturing industry is further accelerating its efforts to enhance product functionality as well as automation and labor saving.

We will continue to be attentive to the changing needs of the external environment and develop products that satisfy customers and impress them. We will also contribute to society by supplying low environmental load products.

Under the slogan of *becoming the company of choice by meeting customer needs*, the new organization will unite the sales and production divisions and domestic and overseas divisions to achieve the 10-Year Vision.

CLOSE
UP

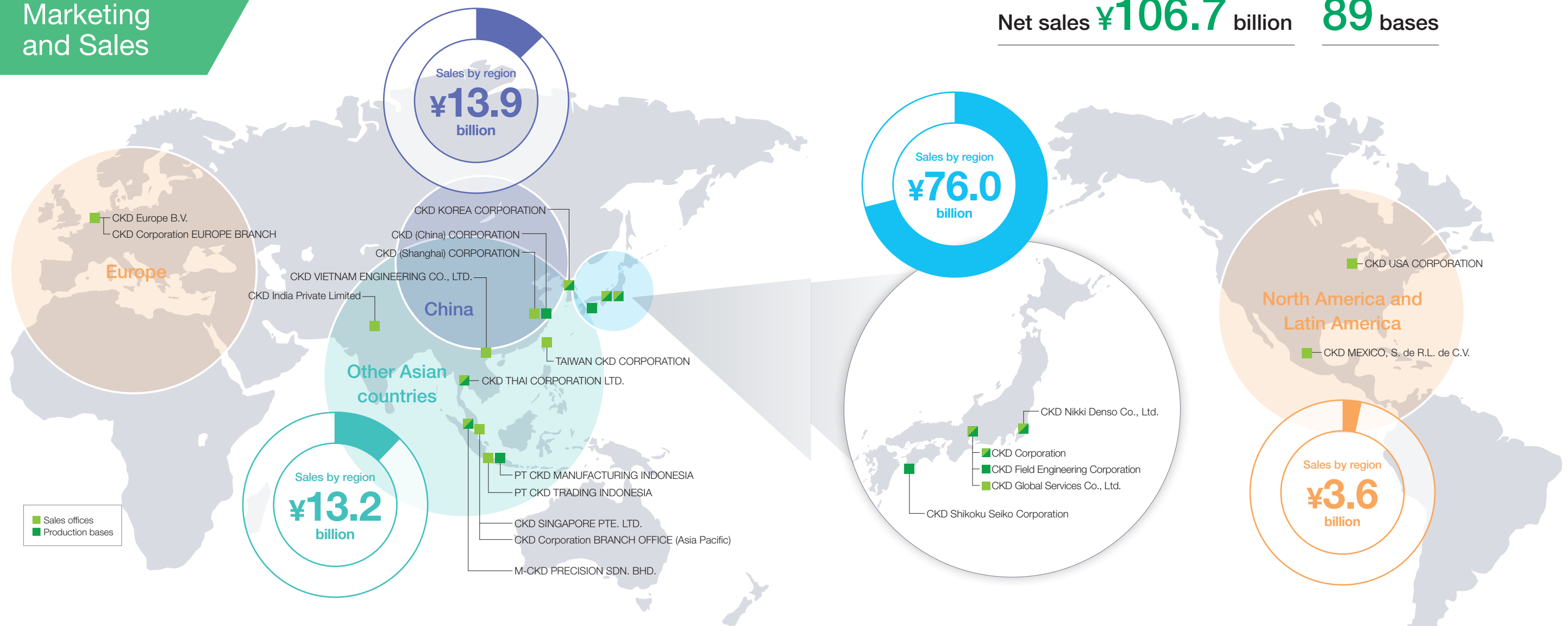
Grippers for collaborative robots [RLSH/RHLF/RCKL Series]

This is a component equipped with a pneumatic gripper and teaching software specifically designed for collaborative robots that can perform various tasks together with humans. It provides strong gripping force with a small amount of air and supports high-load manual labor. By offering it in a package that facilitates introduction to small-scale factories and manufacturing lines, we contribute to improving productivity at all sites.

The product received the Good Design Award 2020 (hosted by the Japan Institute of Design Promotion). Pursuing a focus on design and safety, we have incorporated features such as high human affinity with a 360-degree visible indicator and body cover that ensure the safety and security of workers and consistent ease of mounting, setting, and maintenance so that the components can be removed without tools.



Marketing and Sales



Automatic Machinery Business

We have reorganized the existing sales organization by region into a market-oriented organization that integrates sales and technology. As a result, we have established a sales system to respond quickly to the needs of each market for pharmaceutical packaging, food packaging, industrial machinery (3D solder paste inspection systems and lithium-ion battery manufacturing machines), inspection equipment, which is a new business, and the ICT segment.

In the pharmaceutical packaging segment, we will build a new business that not only provides machines and parts, but focuses on services mainly through our sales segment and CKD Field Engineering Corporation, to respond to significant changes in our customers' business environment.

In the food packaging segment, we strive to develop packaging forms and products that will lead to solutions to social issues, such as the elimination of plastics and food loss. We strengthen cooperation with customers, packaging material manufacturers, and peripheral equipment

manufacturers to materialize them for planning and offering ahead of competitors.

For 3D solder paste inspection systems, we will offer the most suitable products by formulating sales strategies by region and segment, both in Japan and overseas, and capture the booming demand in the semiconductor, mobility, and other markets. For lithium-ion battery manufacturing machines, we will not only respond to demand from CASE, but also market pre-doping equipment through self-initiated sales activities that will lead to increased added value for batteries.

In the field of inspection machines, which is a new endeavor for us, we will pursue market development and further technological development so that our products will be adopted in a wide range of fields.

Sales and technology divisions will work in unison to listen to the voices of our customers to respond to their expectations by giving shape to market needs as an early bird.

Component Products Business

Our component product sales activities are conducted globally to become a Total FA Consultant that can offer customers a combination of various products. As a pioneer in fluid control and automation, we apply the wisdom and technology we have cultivated to products and offer optimal combinations of a wide range of products to become a manufacturer that satisfies customers.

We focus on markets where sustainable growth is expected and carry out strategic sales activities. In recent years, there has been an increase in the number of cases in which we provide sales and support across several countries, including in the automobile industry, and cooperation between offices in Japan and overseas is becoming more important. Amid the growing impact of COVID-19, we are actively promoting DX through close coordination both domestically and internationally. Our unique initiatives, including product briefings, webinars, and virtual factory tours, using digital technology, have been well received.

We have been focusing on developing overseas markets for many years. We have 89 bases in three regions: Asia, Europe, and North America and Latin America. In China, which has grown to be the largest market, the lithium-ion battery market is rapidly increasing due to the spread of EVs worldwide, in addition to the electronics manufacturing services (EMS) market. Furthermore, with the acceleration of China's policy of producing semiconductors domestically in recent years, our products, which support cutting-edge processes, are increasingly being adopted in the semiconductor market, driving our overseas business. Our performance is also growing in other regions, particularly in the semiconductor, mobility, medical, and food markets.

To achieve the targets set out in our long-term management policy, 10-Year Vision, we will continue to work together as a company to become a Total FA Worldwide Supplier.

Corporate Governance

We strive to ensure and strengthen the feasibility of corporate governance from the perspectives of *ensuring transparent, healthy management* and *appropriate cooperation with stakeholders* to realize a greater level of sustainable corporate value.

Approach

Corporate governance in our company is based on our Corporate Commitment. To build good relations with stakeholders with whom we have various interests and become a company that continues to be trusted, we believe it is essential to build a system that functions to enhance management transparency and fairness to enable prompt decision making that leads to sustainable growth and increased corporate value.

Promotion structure

The Board of Directors is positioned as an entity that determines basic policy and important matters concerning management as well as those required by laws and regulations. Currently, the Board of Directors consists of seven Directors, including one female Director and one non-Japanese Director, and the proportion of independent External Directors is set to be one-third or more. In addition, we have established a Nomination, Remuneration Advisory Committee as an advisory body to the Board of Directors to strengthen the independence, objectivity and accountability of Board of Directors' functions associated with director nomination and remuneration. The Committee is comprised of a majority of independent External Directors, and is chaired by an independent External Director.

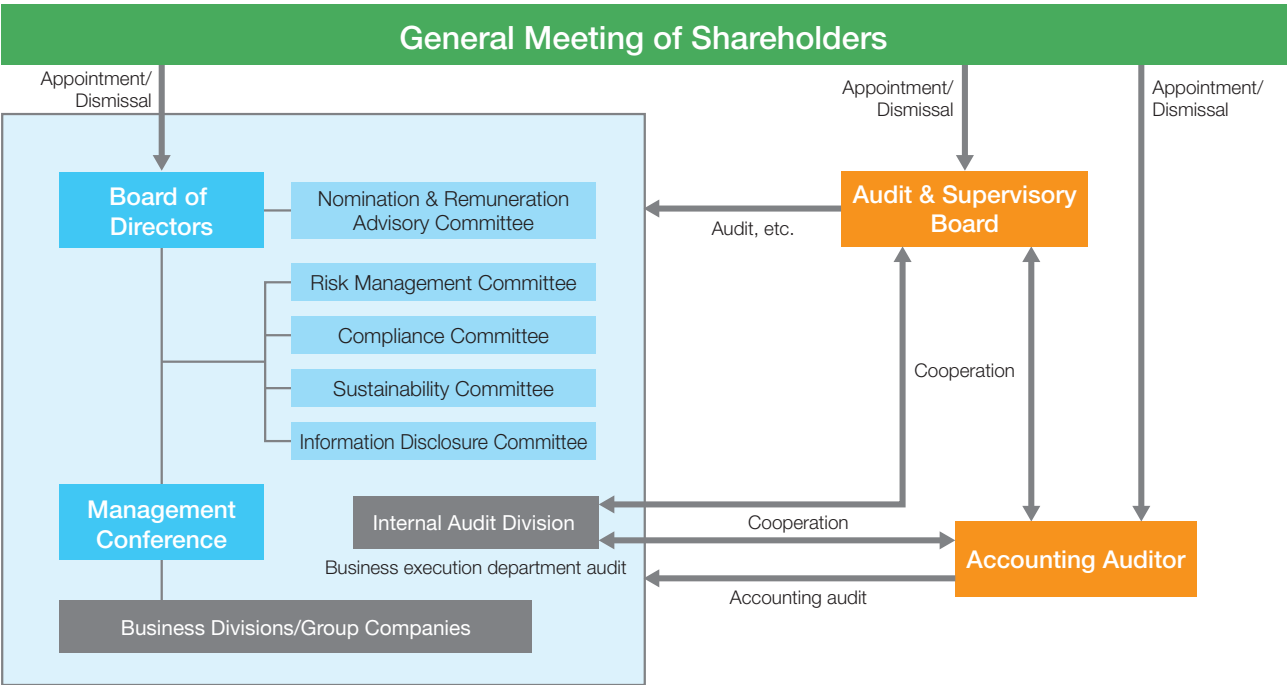
Oversight functions

The Company has adopted an Audit & Supervisory Board system and the Audit & Supervisory Board consists of four Audit & Supervisory Board Members, including three External Audit & Supervisory Board Members. Each Audit & Supervisory Board Member audits the execution of duties by Directors by attending meetings of the Board of Directors and other important meetings, and by examining the status of operations and assets, in accordance with the audit policy and audit plan formulated by the Audit & Supervisory Board. Audit & Supervisory Board Members cooperate with the Internal Control Audit Office and the Accounting Auditor by exchanging information regularly and as necessary.

The full-time Audit & Supervisory Board Member also attends important meetings such as Management Conferences to deliberate on the management matters of each business division, analyze the business climate, and work to understand the status of business planning progress so as to provide appropriate audits.

Accounting audits are conducted under an audit contract with Deloitte Touche Tohmatsu LLC for Companies Act audits and Financial Instruments and Exchange Act audits. We request accounting audits that are fair and unbiased.

Corporate governance structure



Officer remuneration

The Nomination, Remuneration Advisory Committee has been established to ensure objectivity and transparency in the decision-making process regarding the remuneration system for Directors and further strengthen the corporate governance system.

Determination process and details

Remuneration for Directors consists of basic remuneration, performance-linked remuneration, and stock remuneration, while External Directors who are responsible for the oversight function, are paid only basic remuneration, in light of their role.

The ratio of Directors' remuneration by type is designed so that the higher a person's position, the greater the proportion of performance-linked remuneration. To further increase transparency, the determination process and the determination of individual remuneration for Directors are decided based on recommendations of the Nomination, Remuneration Advisory Committee chaired by an

Policy on determining the remuneration for Directors

- Basic Policy**
- 1 Design the system to motivate officers to contribute to the enhancement of corporate value
 - 2 Ensure the appropriateness of the method for determining the remuneration and distribution
 - 3 Design the system to allow officers to share the interests with shareholders through stock ownership

independent External Director, within the range approved by the general meeting of shareholders.

In fiscal 2020, the achievement rate for each of the performance indicators for performance-linked remuneration ranged from 30% to 70% of the evaluation indicators, i.e. consolidated net sales, consolidated operating income, ROE, and development investment for the previous fiscal year, which are linked to the Medium-Term Management Plan.

Types of remuneration (composition ratio)	Remuneration details
Basic remuneration (about 30 to 70%)*	<ul style="list-style-type: none">The amount is fixed by position according to responsibilities determined upon comprehensive consideration while referring to the levels of employees' salaries and remuneration levels at other companies.
Performance-linked remuneration (about 20 to 40%)*	<ul style="list-style-type: none">To raise awareness on improving performance each year, performance-linked remuneration are paid in cash in an amount reflecting the results of the performance indicator in the previous fiscal year.The target performance indicator and its amount are consulted with the Nomination, Remuneration Advisory Committee as necessary in accordance with changes in the environment and are reviewed based on its recommendations.Officers other than those with titles are eligible for bonuses, to be paid at a certain time each year in an amount obtained reflecting the degree of targets achieved for each individual.
Restricted stock remuneration (about 5 to 20%)*	<ul style="list-style-type: none">Restricted stock remuneration consists of restricted stock intended to further raise motivation to contribute to sustainably improving corporate value and shareholder value over the medium to long term within the range approved at the general meeting of shareholders.The number of shares to be granted to Directors are resolved in advance at a Board of Directors meeting.The restrictions on shares are lifted when the Director retires.

* If there is a pronounced decline in performance, performance-linked remuneration and stock remuneration may fall below the stated range. Therefore, basic remuneration may surpass the stated range.

Remuneration for Audit & Supervisory Board Members

Remuneration for Audit & Supervisory Board Members is determined by the Audit & Supervisory Board within the range approved at the general meeting of shareholders, and only basic remuneration is provided to ensure independence from management.

Total remuneration, total of each type of remuneration, and number of recipients by type of officer in fiscal 2020 (¥ million)

Officer type	Total remuneration	Total remuneration by type			Number of officers
		Basic remuneration	Performance-linked remuneration	Restricted stock remuneration	
Directors	212	149	47	16	8
Audit & Supervisory Board Members	41	41	—	—	6
Total	253	190	47	16	14

*1 Of the amount paid above, the total remuneration for three External Directors and four External Audit & Supervisory Board Members is ¥40 million.
*2 As of March 31, 2021, there are seven Directors (including three External Directors) and four Audit & Supervisory Board Members (including three External Audit & Supervisory Board Members).

Criteria for Judging Independence

The Company deems an External Director or a candidate for External Director to be independent of the Company if the Director or the candidate are judged to have no risk of generating conflicts of interest with ordinary shareholders of the Company.

* For details of our Criteria for Judging Independence, see "Corporate Governance" in our website.

Evaluating the effectiveness of the Board of Directors

The Company regularly examines matters such as the composition of the Board of Directors and its operations as well as the support structure for Directors and Audit & Supervisory Board Members, so that the Board of Directors fulfills its roles and responsibilities effectively.

The results of the survey confirmed that the Board of Directors conducts free, open and constructive discussions and exchanges views not as mere formality, information necessary for Directors and Audit & Supervisory Board Members to execute their duties is being provided appropriately, and the Board's overall effectiveness is secured. On the other hand, the Company recognizes that there is room for improvement in training officers, timing to distribute Board of Directors' materials, for External Directors to mutually exchange information and opinions, as well as opportunities for deliberation and provision of information on management strategies and plans.

The Company aims to further increase the effectiveness of the Board of Directors referring to these evaluation results.

Main contents of the survey	
● Respondents	All members of the Board of Directors (Seven Directors and four Audit & Supervisory Board Members)
● Evaluation method	Anonymous questionnaire
● Summary of questions	Management of the Board of Directors meetings Discussion at the Board of Directors meetings Monitoring function of the Board of Directors Support system for Directors and Audit & Supervisory Board Members Training Self-improvement Summary
● Aggregation of results	Outsourced to ensure objectivity

Cross-shareholdings

In principle, the Company does not hold cross-shareholdings, except in cases where the Company judges that it will contribute to the enhancement of its corporate value from the perspective of business strategies, business alliances with business partners, and the maintenance and strengthening of business relationships.

If the significance of the shares held by the Company has diminished, the Company will sell them in a phased manner, taking into account the circumstances of the company concerned. If the Company determines that it is necessary to hold shares, the Board of Directors examines the objectives and rationale for holding the shares by examining the stock

every year to determine the need for business strategies, business alliances, and the maintenance and strengthening of business relationships. When exercising voting rights pertaining to these shares, the Company will consider whether or not the exercise of voting rights will lead to an increase in the corporate value of the issuing company and shareholder value, for example, by opposing any proposal in the event where the financial health of the issuing company is adversely affected or if an illegal act occurs.

In the event that a company holding shares of the Company indicates its intention to sell the shares, the Company will not prevent such sale.

Internal control

In order to ensure the appropriateness of business operations, the Board of Directors has established a basic policy on internal control systems and we are working on them.

- 1

We have established regulations to address conduct guidelines and related laws and regulations. In parallel with the internal reporting contact point, we have also established an external reporting contact point, staffed by an independent attorney-at-law as systems to prevent and correct violations of laws and regulations.
- 2

For the purpose of facilitating the execution of duties by Audit & Supervisory Board Members, whenever necessary, the Company appoints a dedicated employee to assist the Audit & Supervisory Board Members in their duties and authorize that employee to conduct investigations at the direction of the Audit & Supervisory Board Members. In such cases, Directors and Audit & Supervisory Board

Members discuss the personnel matters in advance. Directors and employees of the Company and its subsidiaries provide necessary reports and information upon request of Audit & Supervisory Board Members in accordance with laws and regulations and provisions as stipulated by the Audit & Supervisory Board.

3

In order to improve the effectiveness of the Group's auditing system, the Internal Control Audit Office has been established, and opportunities for Audit & Supervisory Board Members, the Accounting Auditor and the Internal Control Audit Office to exchange information are secured. In addition, Audit & Supervisory Board Members may consult with external experts in the fields of law, accounting, etc., as necessary, and the Company bears the cost of such consultations.

Messages from External Directors



Noriko Asai
Director

As we shift toward a CPS*/IoT society, where the real world and cyberspace are interconnected, society is becoming increasingly borderless, while the global agenda that humanity is tasked with, such as resolving conflicts over technological hegemony and tackling climate change, is becoming more deeply entrenched. Viewing DX and the transition to carbon neutral as growth opportunities, CKD is taking on the challenge of innovation based on automation and fluid control technologies, and is working to solve global issues with an eye on the SDGs.

I have visited more than 3,000 sites in Japan and overseas, examining and overseeing changes in the manufacturing industry from the two axes of technology and corporate management. Based on this expertise, I have been involved in technological innovation and work-style reform in the contexts of reviewing new technology and deliberating on policy. I want to leverage this experience to ensure objectivity and transparency from a viewpoint independent from the Company, and by raising issues and providing advice, I intend to do my best to contribute to enhancing CKD's corporate value.

* Cyber-Physical Systems: Systems that merge physical and digital aspects



Kazumasa Uemura
Director

The COVID-19 pandemic that began last year has destroyed various social systems around the world. Prior to my appointment as an External Director, I was an assistant to the hospital director at a national university hospital, so I have been working with the human resources division, including industrial physicians, to help combat infection within the Company. As I look around Japan, I am heartbroken to see that increasing rates of psychological disorders and suicide is becoming a major social problem, as human beings have become more isolated from one another.

The Company contributes to the creation of social value in the industrial world, especially by supplying component products and parts that form the foundation of the manufacturing industry. However, these social contributions are only possible if the mental and physical health of each employee is maintained. I will contribute to management from the perspective of industrial safety and health, including mental health and engagement among employees.



Stefan Sacré
Director

The global business environment is more dynamic than ever before: rapidly growing computing power and connected devices are the drivers behind the enormous amount of data which is created every second. This reality has a profound impact on the market: new products, services, and business models appear – and possibly replace existing solutions. New competitors from outside the industry may bring disruptions as well.

These radical changes are also reflected in new regulations and higher expectations from customers and society in general. Topics such as “sustainability” and “data privacy” need to be addressed to the satisfaction of all stakeholders.

As external director of CKD, I can provide an independent opinion and guidance to better navigate the complex business environment. More than 20 years in management positions of global high-tech companies have provided me with broad international experience. That includes the direct responsibility for international marketing & sales, engineering, quality management, and human resource management.

With this experience I will take part in the CKD board's decision process and contribute to CKD's value creation by expressing my external and independent view.

A Conversation with External Audit & Supervisory Board Members



Takeshi Sawaizumi
External Audit & Supervisory
Board Member



Koichi Hayashi
External Audit & Supervisory
Board Member



Shuzo Hashimoto
External Audit & Supervisory
Board Member

Becoming a company that listens to its stakeholders and is open to society—CKD has been pursuing management reform through active discussions with outside experts, drawing on their experience and knowledge. In this section, we share the frank opinions from the External Audit & Supervisory Board Members who participate in those discussions.

About CKD

— Have your impressions of CKD changed compared with prior to you taking up your posts?

Hayashi: This is my twelfth year in the position, but my knowledge of CKD was almost zero at first as I was in a different industry. In the beginning, I had the impression that CKD was a Japanese company from the so-called “good old days,” but later, the Company’s business started to expand overseas and diversity increased. Now, I think the Company still has a lot of room for growth.



Sawaizumi: I have known about CKD since the days when it was called Chukyo Electric. It’s been seven years since I took up this post, and I believe that CKD is a company that operates in a field with promising growth potential. As a B-to-B company, it

obviously has a lower public recognition than B-to-C companies, but it has the potential to become a giant in the B-to-B field.

Hashimoto: This is my second year in the post, and since I am from Nagoya, I was aware that the Company is a leading machinery manufacturer in the region.

Adequacy of information disclosure

— Receiving appropriate information disclosure is essential if you are to express opinions. What’s the current situation?

Hashimoto: We receive a lot of useful materials. With some of them, I would like to receive them a little sooner, but I guess that’s unavoidable as their content needs to be properly considered. Some of them feature explanations with

diagrams, and I feel that they are prepared with care and are easy to understand.

Sawaizumi: I believe that with information, the three key points are timing, quality, and quantity. In terms of timing, there is no real problem, but there are sometimes cases where information is provided just before a meeting of the Board of Directors.

Hayashi: Information disclosure is much better than it was ten years ago.

Measures to be taken before and after growth

— What do you think the Company should focus on to achieve sustainable growth?

Hayashi: The Company cannot be number one if we compete in terms of cost because rivals with larger scale have an advantage. That is why we are currently focusing on semiconductors. However, this is a field in which it is difficult to make investment decisions because of the volatility of the market. It is important to decide which markets to tackle next.

Sawaizumi: Amid the struggle for supremacy between the U.S. and China, companies in the high-tech field are being asked how they are countering the need for economic security. As the Company steers dramatically toward globalization, its sales are currently concentrated in Japan and East Asia, but its U.S. plant will start operations in the second half of fiscal 2021. I hope that the Company will be able to maintain the blue-ocean status of the businesses where it enjoys superiority, while at the same time accelerating its shift toward multi-polarization.

Hashimoto: Remote working has become more widespread with the COVID-19 pandemic. Initially, I found it all a bit confusing, but now I can exchange information in a timely manner with people overseas without feeling any distance or time difference. If the Company can turn this experience into a positive one, I think it will change the way it manages its business.

Human resources who can work autonomously

— Companies that keep on winning have great people.

What do you think about human resource development?

Sawaizumi: Engagement is key, where each and every employee feels an attachment toward CKD and grow together with the Company. But right now, I have the impression that there are still a lot of people who just work according to instructions from the top. To compete globally, I think it is essential to find out how to develop and increase the number of self-driven, autonomous people.

Hayashi: Waiting for instructions has long been the norm in Japanese companies. It takes a lot of time and energy to change that. The quickest way is to send people to overseas subsidiaries, where they are exposed to different cultures and learn to think and act on their own. If you work with people who have a completely different mindset from yours, you will have no alternative but to change.

Hashimoto: To secure high-caliber talent, I think it would be a good idea to have more active contact with universities and other institutions from the initial stage of recruitment.

Preparing for accelerated change

— Society and the ways people work are changing dramatically.

Hayashi: People in their 50s and those in their 20s have completely different values when it comes to work. Our generation, which grew up watching the behavior of our bosses, was the generation that would respond, “Let’s fight,” when asked if we would be willing to fight for 24 hours nonstop. But nowadays simply making such a request would get companies blacklisted. The work style of the future will be about having people from different backgrounds leverage their individuality while taking action together toward a common goal, and at the same time, generating profit.

Hashimoto: As it relates to diversity, I am concerned about the low percentage of women in management positions. It is vital to hire and nurture women, starting at the recruitment phase. It’s also important to create an atmosphere in which



women have no qualms about raising their hands for managerial positions. CKD has taken a pioneering approach in this regard, going the length of setting up a day care center in the Head Office. If women can become established not only in sales positions but

also in engineering positions, the range of technologies that the Company can offer will expand.

Hayashi: If remote working becomes even more widespread after COVID-19, it will be easier for women to work in the Company. I think this will be especially good for women who are raising children. As an organization, the Company needs to unify its values and firmly define the roles of departments and individuals. If proper communication is possible remotely, I think it’s okay for some operations to be allocated to so-

called *job-based* personnel (i.e. personnel who work under fixed conditions in terms of hours, pay, etc. and are not subject to transfers, promotions, etc.).

Sawaizumi: The question is how to balance the job-based and membership-based (i.e. conventional) approaches. As Japanese companies will inevitably maintain their culture to a certain extent, I think it is a possibility that future key personnel be developed in the membership-based approach, while specialists be nurtured through job-based, performance-oriented treatment.

Improving governance

— We frequently see scandals related to corporate governance in corporate settings. How is CKD’s governance?

Hayashi: At CKD, three of the four Audit & Supervisory Board Members, and three of the seven directors are externally appointed. It’s a structure that makes it easy for external voices to be heard inside the Company. There is no particular problem in communication between the management team and External Audit & Supervisory Board Members.

Hashimoto: I think governance is functioning well. I think it is a question of how to increase effectiveness while ensuring transparency.

Sawaizumi: CKD’s management and employees are all truthful in character, and I think the risk of a brazen violation of the rules is very low. However, in the future, various risks such as infectious diseases, cyber-terrorism, intellectual property issues and economic security are expected to emerge and intensify, so steps need to be taken quickly, including the establishment of necessary frameworks.

Becoming a Total FA Worldwide Supplier

— How would you sum up your expectations for CKD?

Sawaizumi: CKD has many excellent products with both social and economic value. The next step is to maximize the creation of added value to these products.

Hashimoto: For manufacturers, it is important to harmonize products, facilities, funds, and the human resources to support them. If the Company can manage these factors correctly, I expect that it can grow into a much larger enterprise.

Hayashi: From the perspective of an accountant, I would like to see it become a company that can aim for 20% or more in operating income. I have a feeling that the Company has due potential if it develops its human resources.

Sawaizumi: To get there, I think it will be crucial to further strengthen *non-price competitiveness*, which means the ability to develop products that can add new value (useful functions and attributes) for users in the process of converting raw materials into products. Now is the time to start creating the foundation for that cause.

Board of Directors and Audit & Supervisory Board Members

Kazunori Kajimoto

Chairperson & CEO



Apr. 1980 Joined the Company
Jun. 2004 Director & Executive Officer
General Manager, Sales and Marketing
Division
Jun. 2005 Director & Managing Executive Officer
Jun. 2008 President
Jun. 2021 Chairperson & CEO (to present)

Katsuhito Okuoka

President & COO



Apr. 1991 Joined the Company
Jun. 2015 Executive Officer
General Manager, Components
Business Division
Jun. 2016 Director & Executive Officer
Jun. 2018 Director & Managing Executive Officer
Jun. 2019 Representative Director and Senior
Managing Executive Officer
Jun. 2020 Representative Director and Senior
Managing Executive Officer,
General Manager, Corporate Planning
Department
Jun. 2021 Representative Director
President & COO (to present)

Masafumi Kokubo

Full-time Audit & Supervisory Board Member



Apr. 1983 Joined the Company
Oct. 2008 Chairman and President,
TAIWAN CKD CORPORATION
Jun. 2015 Executive Officer, General Manager,
Corporate Planning Department
Jun. 2018 Director & Executive Officer
Jun. 2019 Director & Managing Executive Officer
Jun. 2020 Full-time Audit & Supervisory Board
Member (to present)

Koichi Hayashi

External Audit & Supervisory Board Member



Oct. 1990 Joined KPMG LLP, New York Office
Apr. 1997 Registered as a certified public
accountant
Mar. 2008 Representative Director, Attax Co., Ltd.
(to present)
Jun. 2010 Audit & Supervisory Board Member,
the Company (to present)
Jun. 2013 External Audit & Supervisory Board
Member, Plaza Create Co. Ltd.
Jun. 2018 External Director, Plaza Create Co. Ltd.
(to present)

Katsunori Hayashida

Director & Managing Executive Officer,
General Manager, Components Business Division



Apr. 1984 Joined the Company
Jun. 2018 Executive Officer
General Manager, Automatic Machinery
Business Division
Jun. 2019 Director & Executive Officer
Jun. 2020 Director & Executive Officer
General Manager, Components
Business Division
Jun. 2021 Director & Managing Executive Officer,
General Manager, Components
Business Division (to present)

Shinji Yuhara

Director & Executive Officer,
Deputy General Manager, Components Business Division,
General Manager, Components Sales and Marketing Department



Apr. 1986 Joined the Company
Jun. 2013 Executive Officer
Apr. 2015 Executive Officer, General Manager,
Sales and Marketing Division
Jun. 2018 Director & Executive Officer
Feb. 2021 Director & Executive Officer,
Deputy General Manager,
Components Business Division,
General Manager, Components Sales
and Marketing Department (to present)

Takeshi Sawaizumi

External Audit & Supervisory Board Member



Apr. 1974 Joined The Sumitomo Bank, Limited
(currently Sumitomo Mitsui Banking
Corporation)
Jun. 2002 Executive Officer
Jun. 2003 Executive Director, Sumitomo Mitsui
Card Company, Limited
Oct. 2006 President, Alpha REIT Advisors Co., Ltd.
Jun. 2008 President, SMBC Consulting Co., Ltd.
Jun. 2014 Audit & Supervisory Board Member,
the Company (to present)
Oct. 2014 Advisor, Laox Co., Ltd.

Shuzo Hashimoto

External Audit & Supervisory Board Member



Apr. 1987 Registered as attorney-at-law,
Joined Oguri Law Office
Apr. 1992 Established Hashimoto Law Firm,
Director (to present)
Apr. 2004 Vice Chairman, Nagoya Bar Association
(currently Aichi Bar Association)
Jun. 2020 Audit & Supervisory Board Member,
the Company (to present)

Noriko Asai

External Director



Apr. 1997 Research Assistant, School of
Economics, Nagoya University
Mar. 1999 Received Ph. D. (Economics)
Apr. 2007 Professor, School of Management,
Chukyo University (to present)
Jun. 2015 Director, the Company (to present)
Jun. 2020 External Director of Ibiden Co., Ltd.
(to present)
Jun. 2021 External Senior Director of Okuma
Corporation (to present)
Oct. 2021 Guest Lecturer,
Production Management,
Graduate School of Economics,
Nagoya University (to present)

Kazumasa Uemura

External Director



Mar. 1990 Received Ph. D. (Medicine) from
Nagoya University
Aug. 2005 Professor, Medical Education Center,
School of Medicine, Nagoya University
Apr. 2009 Advisor to President, Nagoya University
Apr. 2017 Professor, Faculty of Health and
Medical Sciences, Aichi Shukutoku
University (to present)
May 2017 Professor Emeritus, Nagoya University
(to present)
Jun. 2017 Director, the Company (to present)

Stefan Sacré

External Director



May 1991 Received Ph. D (Engineering) from the
Technical University of Berlin
Aug. 1998 Representative Director, SICK Optic-
Electronic K.K. (Japan)
Jan. 2006 President, Bosch Rexroth Corporation
(Japan)
Jan. 2011 CEO, EagleBurgmann Germany GmbH
& Co. KG
Jan. 2017 President, Carl ZEISS Co., Ltd. (Japan)
(to present),
President, Carl Zeiss Meditec Co., Ltd.
(to present)
Jun. 2021 Director, the Company (to present)

Board of Directors meeting attendance and skill set matrix

	Name	Attendance at Board of Directors meetings	Independence (External)	Expertise and experience						
				Managerial experience	Manufacturing, technology, research and development	Quality and safety	Sales and marketing	Finance and accounting	Legal affairs	International experience
Directors	Kazunori Kajimoto	12/12		●		●	●	●		●
	Katsuhito Okuoka	12/12		●	●	●		●	●	
	Katsunori Hayashida	12/12			●	●	●			●
	Shinji Yuhara	12/12					●			
	Noriko Asai	12/12	○		●	●				
	Kazumasa Uemura	12/12	○	●		●				●
Audit & Supervisory Board Members	Stefan Sacré	—	○	●	●	●	●			●
	Masafumi Kokubo	12/12		●			●	●	●	●
	Koichi Hayashi	12/12	○	●				●		●
	Takeshi Sawaizumi	12/12	○	●			●	●		
	Shuzo Hashimoto	10/10	○						●	

* Stefan Sacré assumed the position of Director on June 25, 2021.

* The attendance result for Shuzo Hashimoto is for meetings after he assumed office as Audit & Supervisory Board Member on June 19, 2020.

Compliance

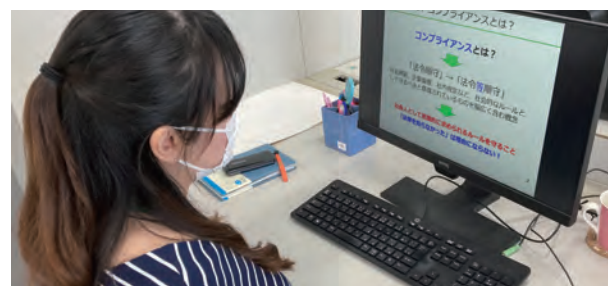
In our compliance regulations and Conduct Guidelines, we make our legal compliance approach clear. We are pursuing a variety of initiatives with the aim of raising awareness of compliance throughout the entire group, including overseas.

Approach

We will fulfill our social responsibilities by ensuring every employee adheres to laws, regulations, and business ethics.

Thoroughly enforcing Conduct Guidelines

Our Conduct Guidelines clearly outline our thorough policy regarding legal compliance, comprehensively covering topics including fair transactions, preventing harassment, bribery and illicit benefit sharing, and other dishonest and corrupt acts. Additionally, in order to communicate this policy widely throughout the Company, we provide all employees with a CKD Conduct Guidelines Manual, implement internal compliance training, and share legal compliance information with overseas bases.



Handling risk of compliance violations

The status of handling matters related to legal compliance as stipulated in the Conduct Guidelines is covered under risk assessments of business operations carried out by the Risk Management Committee under the supervision of the Board of Directors. Procedures for handling these matters are considered in accordance with the importance and priority of the risk involved. When dealing with customers and contractors who may become new business partners, we carry out due diligence as necessary, including screening before any transaction is carried out and confirming whether there have been any instances of inappropriate transactions, fraud or corruption.

Furthermore, our approach to compliance is clearly stated through means such as the Requests for Business Partners posted on our corporate website, and new business partners are informed of this approach.

In fiscal 2020, there were no cases of disciplinary action taken for reasons such as bribery or corruption, nor any instances of expenses occurred, such as fines or settlement payments, in relation to such acts.



Conduct Guidelines



Requests for Business Partners



Whistleblower system

We have established a whistleblower system as a mechanism through which employees and others who work in the CKD Group can make reports. In parallel with this internal reporting contact point, we have also established an external reporting contact point, staffed by an independent attorney-at-law, and in addition to taking care to protect those making reports, including assuring anonymity and confidentiality, we strive to quickly discover and correct compliance problems. Reports can be made regarding a wide range of compliance violations, including violations of the Antimonopoly Act, such as cartels, and violations of criminal laws, such as bribery, corruption,

and embezzlement.

We continuously work to make employees aware of this whistleblower system, and we are making progress on creating a structure which enables reports to be made by overseas-based employees by developing our ability to handle reports in English and multiple other languages. The details of reports are presented to representative directors without delay, and matters are investigated and deliberated on by the Compliance Committee. We take action to correct any problems and ensure that they do not reoccur.

Risk Management

CKD considers risk management as an important operational activity to be a company that continues to earn the trust of society, and develops a structure to that end. At the same time, the Company strives to mitigate material risks and minimize loss that results from risk.

Approach

CKD identifies various risks ancillary to business activities so as to ensure business continuity and to raise corporate value, and based upon the proper assessment of such risks, undertakes efficient and effective management activities.

Business continuity plans (BCP)

In preparation for serious damage caused by large-scale earthquakes and such or outbreaks of infectious diseases such as COVID-19, we have formulated BCP to ensure that we can continue our business by taking measures that place the highest priority on the safety of human life.



Online drills on the assumption of large-scale earthquakes

Information security

We are working on information security measures to maintain the confidentiality, integrity, and availability of information.

We clearly state the laws, regulations, and guidelines applicable to information security in relevant procedures, provide education and training to all employees, and conduct internal audits. In particular, we recognize that cyber-attacks are a material risk. We have implemented and updated the latest security equipment and software. In addition, the Information Security Promotion Committee, placed under the Risk Management Committee, monitors trends in external threats, the status of company-wide activities and issues to be addressed to continuously implement necessary measures.

Responses to COVID-19

In response to the spread of COVID-19, we are working to implement measures based on policies of the government and local authorities and to prevent the spread of infection, prioritizing the health and safety of our customers, business partners, and employees. We have established a COVID-19 control headquarters within the Company to promote the following prevention measures against infection.

- Encourage employees to work remotely (teleworking) or in staggered work hours, and to complete outside engagements without showing up at the office
- Control of the seat spacing and installation of partition boards for preventing infection from droplets and hand sanitizer
- Avoid the risk of infection for each employee by encouraging them to wear face masks, wash hands regularly, and check their body temperature every day
- Actively use Web conference systems
- Postpone or cancel training or events, or hold them online
- Restrict unnecessary and unexpected outings and business trips

Except for manufacturing and service divisions, we strive to reduce the number of employees coming to work by 70% by actively using teleworking for sales and staff divisions in areas subject to the emergency declaration. We also recommend employees in manufacturing and service divisions who need to come to work to use private cars instead of general public transportation. In addition to making physical visits, sales activities are conducted by telephone, e-mail, and web conference according to customer specifications and requests.

We also engaged in volunteering activities, donating face masks to local communities and hospitals and working with a local NPO to donate face masks to welfare facilities.



Face mask donations

Environment

CKD is engaged in corporate-wide efforts to improve the environment, including efforts in regard to pollution and in ensuring compliance with product-based environmental regulations, such as the European RoHS Directive. We recognize that the realization of carbon neutrality is indispensable to the needs of the international society, and believe that not only should business be conducted to enable harmonious co-existence with the beautiful environment, but that the environmental activities undertaken by each of our employees can produce significant positive results. CKD will continue to contribute to the preservation of the global environment by supplying to our customers environmentally friendly products that comply with relevant laws and regulations thanks to our years of experience in automation and fluid control technologies.

Policy

We have established our environmental policy as our commitment to ensure that CKD's business activities, products, and services have adequate consideration for environmental impact, and strive for ongoing improvement and the prevention of pollution.

Environmental Policy

1 Promote development and sales of low environmental load products.

2 Identify and comply with environmental regulations and their requirements, including the social life of persons working at CKD, suppressing CO₂ emissions and preventing environmental pollution.

- Promote energy saving, resource saving and building energy saving production lines
- Reduce environmental polluting materials
- Reduce waste.

We are developing and expanding sales of low environmental load products, focusing not only on the conservation of energy and resources, but also on the environmental impact of the product throughout its life cycle. While maintaining compliance with all environmental laws and regulations, we are also working to reduce our environmental load as much as possible by conducting our business with our social responsibilities in mind and continually striving to reduce CO₂ emissions and to prevent pollution.

Medium- to long-term targets (reducing CO₂ emissions)

To contribute to the realization of a decarbonized society, the CKD Group is working to reduce CO₂ emissions by setting medium- to long-term reduction targets for CO₂ emissions by backcasting based on the target of virtually zero CO₂ emissions in 2050.

Fiscal 2030 Reduce CO₂ emissions per unit of sales by 50%
(compared to fiscal 2013)

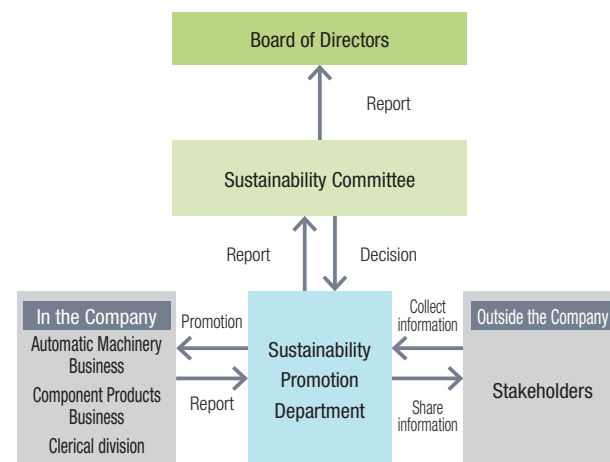
Fiscal 2050 Achieve virtually zero CO₂ emissions

We will promote the following initiatives as specific reduction measures:

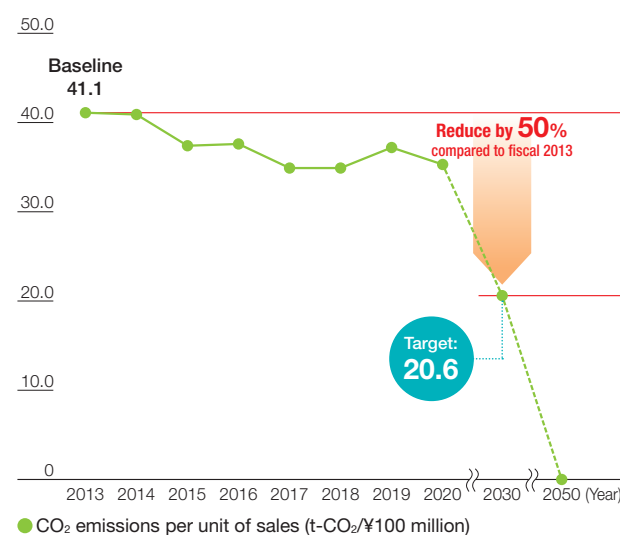
- Promote thorough improvements in energy conservation
- Expand renewable energy (introduce solar power generation equipment, etc.)
- Utilize CO₂-free energy (renewable energy-derived electricity, green electricity, etc.)

Sustainability promotion system

To contribute to the global environment and building a rich society through our business activities, we have established the Sustainability Committee and Sustainability Promotion Department. Establishing the system shown below, we are working on activities such as promoting SDGs and disseminating our ESG information outside the Company to improve corporate value.



CO₂ emission reduction results and medium- to long-term reduction targets



Renewable energy initiatives

As part of our initiatives to realize a sustainable society, we have introduced solar power generation systems.

The system has been in operation at the Thailand Plant since June 2019, the Head Office/Komaki Plant since July 2020, and the China Plant since November 2020, generating 1,750,000 kWh of electricity in fiscal 2020 and reducing CO₂ emissions by 800 tons per year^{*1}. The system has also been in operation at the Kasugai Plant since August 2021.

We will continue to promote the systematic introduction of this system in our domestic and overseas plants to proactively reduce CO₂ emissions and promote environmental conservation.

In addition, as a new initiative to reduce CO₂ emissions, we have started to offset greenhouse gases emitted by our four plants in the Tokai region by using the J-Credit Scheme^{*2}. The use of renewable energy heat-derived credits will offset



Thailand Plant



Head Office/Komaki Plant

approximately 3,400 tons of greenhouse gas emissions from gas at each plant involved by fiscal 2025.

^{*1} CO₂ conversion factor: 0.457 t-CO₂ /thousand kWh

^{*2} J-Credit Scheme: The government certifies the amount of greenhouse gas emissions (such as CO₂) reduced or removed by efforts to introduce energy-saving devices and use renewable energy, as well as sinks through managing forests, as credit.

Water reuse efforts at the China Plant

The China Plant complies with China's strict environmental regulations based on the concept of a *warm and environmentally and human-friendly plant*.

By recycling production effluents using our in-house environmental treatment equipment, we have achieved zero industrial wastewater. Approximately 100 tons of wastewater are treated every day and reused in production.



China Plant

Received the Golden Award of the AICHI Environmental Award

The HP Series of high-durability components and the NS Series of nitrogen gas extraction units, both developed as low environmental load products, received the Golden Award of the 2021 AICHI Environmental Award^{*3}, the highest of the awards. These products are highly evaluated as "supporting the world's *monozukuri* processes, greatly contributing to the reduction of environmental loads and the achievement of SDGs."

To reduce customers' production loss, we have developed the HP Series based on three concepts of 1) No breakdowns, 2) prior notification at end of service life, and 3) can be quickly replaced. In particular, we focused on "no breakdowns" and achieved high durability by revamping the design of the sliding

parts from scratch. Extending the service life of equipment improves productivity and reduces industrial waste. We will continue to develop products that consider reduced environmental load to contribute to the achievement of the SDGs.

The NS Series makes it easy to obtain nitrogen gas with an appropriate concentration without the need for a power source. It is used for anti-oxidation and explosion-proof applications due to its superiority in space-saving and lower running costs. Because it can easily replace oxygen with nitrogen, it has been adopted by many food manufacturers and contributes to food loss prevention.

^{*3} AICHI Environmental Award: Aichi Prefecture established the AICHI Environmental Award at the 2005 Aichi Expo. This award invites examples of pioneering and effective technologies, businesses, activities and education, such as resource recycling and reduction of environmental load, from companies and other organizations and commends them for their outstanding effort. The project is being widely introduced all over Japan and its purpose is to ensure that new production and lifestyles are rooted in society and to promote the creation of a resource-recycling society.



HP Series high durability components



NS Series nitrogen gas extraction units



Human Resources

We believe the realization of a “Corporate Culture with Faith in Human Resources” requires us to develop global-based human resources and create a working environment in which employees can challenge themselves and pursue self-fulfillment. We value the potential of each of our employees, regardless of gender, age, or nationality, and are focused on strengthening our human resource development efforts so that each worker with diverse strengths can make the most of his or her abilities.

Promoting health and productivity management

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.

CKD Health Management Declaration

CKD believes the health of employees is a key issue for management and we are working to improve health awareness among employees, building a working environment conducive to healthy minds and bodies in cooperation with health insurance societies and labor unions, and hereby declare that we will promote *health and productivity management*.

Key initiatives

1 Work-life balance

Workstyle reforms, management of time spent working

2 Prevention of lifestyle-related diseases

Promoting improvement of diet, sleep and exercise habits, and prevention of smoking and passive smoking

3 Creating a comfortable working environment

Promoting mental health, improving the working environment, and supporting the balance of medical treatment and work

Recognized as an Outstanding Organization for Health & Productivity Management in 2021

In 2019, we formulated the CKD Health Management Declaration and have been continuously implementing initiatives that enhance health and productivity. Our efforts were recognized as certified as an outstanding organization for health and productivity management under the large enterprise category of the Certified Health & Productivity Management Organization Recognition Program* in 2020 and 2021.



* Certified Health & Productivity Management Organization Recognition Program: A program operated jointly by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi that gives recognition to organizations carrying out excellent health and productivity management.

Human resource development

In order to better create a fulfilling workplace for employees, CKD supervisors and managers use a Career Planning Sheet as a means of communication in assisting subordinates in their career planning efforts. We are strengthening our efforts to allow our diverse employees to play an active role and make the most of their abilities in line with their career planning.

Level-specified education system

Using a level-specified system for all employees, we are providing educational programs according to each worker's role in the Company and educational support for optional self-development in line with that worker's particular business. Moreover, each department engages in programs and initiatives designed to improve the skills of their employees and the environment in which they work.



Level-specified education system

Skill training workshop

We launched a skill training *dojo* (workshop) in fiscal 2016 with the aim of teaching employees how to best use measuring equipment and machine tools for metals processing. In the parts processing division, we aim to further raise the overall level of processing skills by improving the skills of young employees and ensuring that the refined skills of senior employees are passed on to their younger colleagues.



Skill training workshop

Self-improvement support program

We have launched a program to support voluntary learning aimed at realizing career plans for individual employees. We support the costs of training courses, teaching materials, correspondence courses, e-learning, and self-improvement books suited to each employee.

Examples of use of the self-improvement support program

- Covering the cost of external learning classes, such as English conversation classes
- Covering the cost of correspondence courses and language learning apps
- Covering the cost of textbooks, exercise books, and other teaching materials for acquiring qualifications

Promoting diversity

CKD is promoting a workforce that makes the best use of its diversity and does not discriminate on the basis of gender, nationality, or age.

Promoting women's career advancement

We believe the creation of an environment in which women can play an active role and fully demonstrate their abilities will contribute to a workplace where every employee can provide their best contribution. We have formulated the following action plan and are promoting it to empower women in the workplace.

As part of our system to support women in the workplace and childcare, we opened an on-site day care center in 2018.



On-site day care center
'Ohana nursery school
(Komaki Plant)

Promoting the active participation of non-Japanese employees

In order to further promote diversity and globalization, the CKD Group is actively hiring non-Japanese employees, and 32 foreign nationals are working in Japan. (As of March 31, 2021)

Broadening the re-employment system

With the goal of increasing the number of options available for workers after they reached the mandatory retirement age of 60, we established a lifetime employment program allowing employees to continue working regardless of their age while simultaneously maintaining our existing re-employment system. Using this system, 42 employees aged 65 or older are working actively. (As of March 31, 2021)

Outline of the Action Plan for Promoting Women's Career Advancement

1 Period of the action plan

April 1, 2021 – March 31, 2023 (two years)

2 Our targets

Target 1

Increase the ratio of female workers in managerial positions to 3% by fiscal 2022.

Target 2

Achieve an average of at least 65% paid leave utilization rate for all employees.

Promoting work-life balance

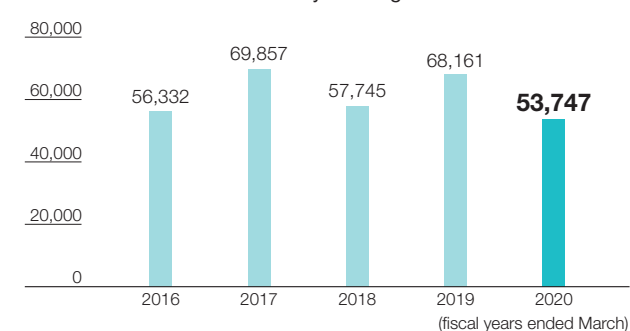
We are working to improve the lives of our workers both at home and in the workplace, as we believe spending an active life in both these locations contributes to creating an attractive working environment in which employees can achieve self-fulfillment.

Reducing working hours

We prevent overwork by implementing work improvement measures. We comply with the agreement based on Article 36 of the Labor Standards Act (700 hours per year, no more than 80 hours per month).

- Reduce overtime labor through the implementation of operational improvements
- Establishment of a set day once a week for workers to leave office after regular work hours
- Setting specified days when all employees use paid leave
- Operating an hourly paid leave system

Number of overtime and holiday working hours*



Number of overtime and holiday working hours (hours)

* Average number of overtime and holiday working hours per month for CKD employees on a non-consolidated basis

Childcare support system

CKD has created a system for childcare leave that is open to all our employees. We have also extended the use of the reduced working hour system and exemption system where workers can be exempted from overtime work until March 31 of the year their child has reached the sixth grade in elementary school. CKD is creating a working environment in which our female employees can give birth with peace of mind, and where male and female employees raising their children can balance their work and home responsibilities.

Nursing care support system

We have also created an environment in which employees who need to provide long-term care can self-manage this situation while continuing to work. In general, CKD employees may take leave for up to one year to care for their spouses, children, the parents of either the employee or their spouse, as well as grandchildren, siblings or grandparents with whom they are living with or are dependent on them.



ESG Data



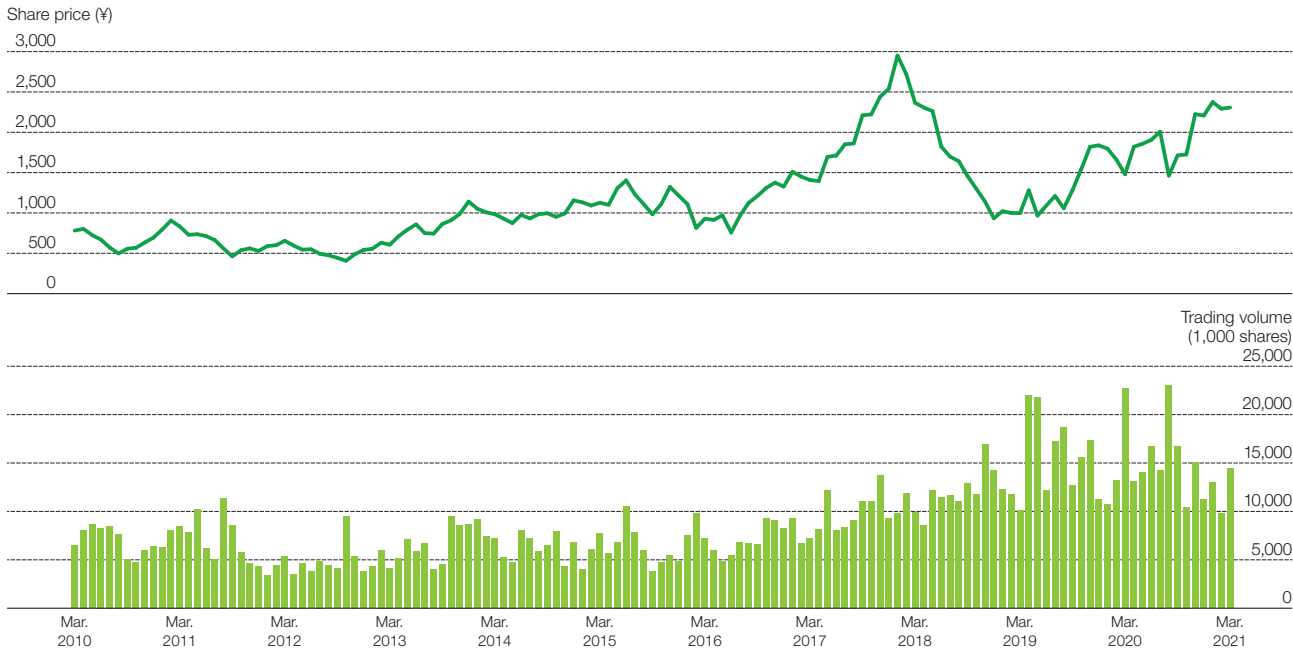
11-Year Summary

												(fiscal years ended March)
	(Unit)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Financial summary												
Business results												
Net sales	¥ million	72,020	72,804	65,031	75,491	83,379	88,117	94,012	115,700	115,665	100,717	106,723
Operating income	¥ million	7,502	6,067	3,244	7,883	8,363	8,107	9,580	12,472	5,429	5,230	7,698
Ordinary income	¥ million	7,528	6,213	3,517	8,136	8,735	8,094	9,771	12,469	5,425	5,374	7,823
Net income attributable to owners of parent	¥ million	4,577	3,741	2,452	5,456	6,010	5,459	6,958	9,142	4,793	3,689	5,273
Cash flow												
Cash flows from operating activities	¥ million	4,048	3,775	7,008	9,754	6,226	8,027	10,163	5,542	(2,254)	17,250	17,521
Cash flows from investing activities	¥ million	(1,048)	(3,020)	(5,017)	(6,224)	(4,755)	(6,183)	(4,081)	(7,273)	(14,867)	(4,555)	(2,786)
Cash flows from financing activities	¥ million	(766)	(2,450)	(57)	(2,330)	618	(3,329)	(2,505)	2,559	14,374	(6,022)	2,423
Free cash flows	¥ million	2,999	754	1,990	3,530	1,471	1,844	6,081	(1,730)	(17,121)	12,694	14,735
Financial position												
Total assets	¥ million	72,171	70,079	71,742	86,711	96,018	96,412	106,361	130,887	136,961	136,059	152,726
Net assets	¥ million	45,335	48,322	50,852	57,712	65,555	66,419	70,957	80,058	80,444	82,465	97,617
Cash and cash equivalents	¥ million	7,728	5,961	8,180	9,831	12,290	10,342	13,905	14,799	12,028	18,409	35,913
Interest-bearing debt	¥ million	5,851	4,040	5,070	3,446	5,411	4,391	3,602	11,684	28,627	23,068	19,939
Investment												
Depreciation	¥ million	2,639	2,769	2,619	2,485	3,188	4,060	3,964	4,230	5,173	5,822	5,507
Capital investment	¥ million	2,180	2,963	2,710	5,800	5,454	7,801	4,864	9,422	14,843	3,060	3,620
Research and development expenses	¥ million	2,245	2,151	2,336	2,709	2,927	2,857	3,348	4,330	3,637	3,383	3,578
Per share information												
Earnings per share (EPS)	¥	73.40	58.96	38.99	87.36	96.25	87.99	112.38	147.65	77.42	59.56	80.23
Dividends per share	¥	14	12	10	18	24	26	30	37	28	18	25
Book-value (net assets) per share (BPS)	¥	714.46	761.54	814.25	924.09	1,049.70	1,072.72	1,146.02	1,291.26	1,296.94	1,321.28	1,463.15
Key performance indicators												
ROE	%	10.5	8.0	4.9	10.1	9.8	8.3	10.1	12.1	6.0	4.5	5.9
ROA	%	6.3	5.3	3.4	6.3	6.3	5.7	6.5	7.0	3.5	2.7	3.5
Equity ratio	%	62.8	69.0	70.9	66.6	68.3	68.9	66.7	61.1	58.6	60.5	63.8
Non-financial summary												
Governance												
Number of directors	Persons	7	7	7	7	7	6	6	7	7	8	7
Number of external directors	Persons	2	2	2	2	2	2	2	3	3	3	3
Ratio of external directors	%	29	29	29	29	29	33	33	43	43	38	43
Society												
Number of employees	Persons	3,288	3,266	3,273	3,166	3,294	3,594	3,719	4,284	4,582	4,470	4,515
Number of female employees	Persons	—	—	778	773	821	897	939	1,090	1,197	1,183	1,232
Ratio of female employees	%	—	—	23.77	24.42	24.92	24.96	25.25	25.44	26.12	26.47	27.29
Number of overseas employees	Persons	—	—	1,261	1,109	1,188	1,460	1,526	1,768	1,839	1,701	1,750
Ratio of overseas employees	%	—	—	38.53	35.03	36.07	40.62	41.03	41.27	40.14	38.05	38.76
Environment												
CO ₂ emissions	tCO ₂	—	—	—	24,597	25,295	24,147	40,123	39,345	39,421	36,614	36,805
Water consumption	(1,000 m ³)	—	—	—	338	309	336	392	413	464	479	496
Industrial waste	t	—	—	—	951	1,077	1,015	1,243	1,341	1,455	1,453	1,353

*1 Figures have been revised for the fiscal year ended March 31, 2018 to reflect changes in accounting policies from April 1, 2018.
 *2 Figures for CO₂ emissions, water consumption, and industrial waste for the fiscal years ended March 31, 2014 through March 31, 2016 do not include the figures of the Tohoku Plant or overseas bases. CO₂ emissions and water consumption are the totals of domestic plants (excluding those of domestic Group companies) and overseas plants (using domestic emission factors). Industrial waste is the total industrial waste from domestic plants (excluding those of domestic Group companies) and overseas plants.

Share Information

Share price trend



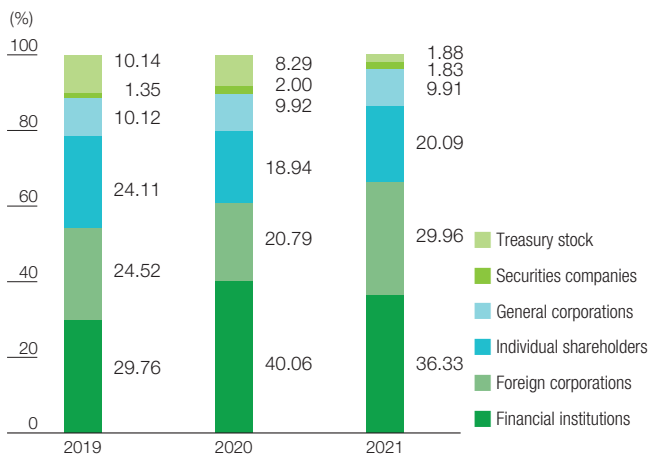
Stock status (As of March 31, 2021)

Total number of authorized shares	233,000,000 shares
Total number of shares outstanding	67,909,449 shares
Number of shareholders	11,696

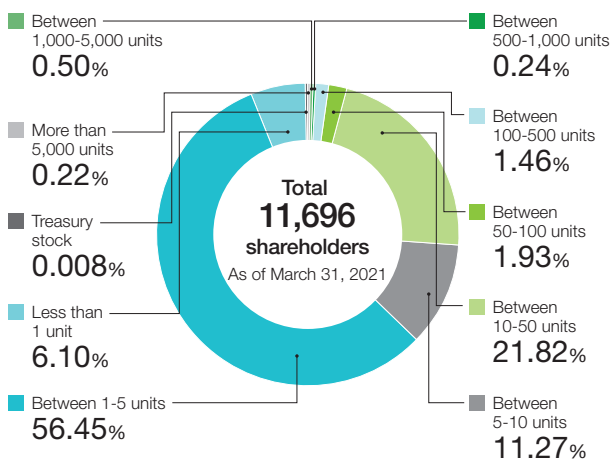
Dividends and dividend payout ratio (fiscal years ended March)

	Dividends (¥)	Dividend payout ratio (%)
2021	25	31.2
2020	18	30.2
2019	28	36.2
2018	37	25.1
2017	30	26.7
2016	26	29.5
2015	24	24.9
2014	18	20.6
2013	10	25.6
2012	12	20.4
2011	14	19.1

Shareholder status (As of March 31)



Shareholder ratio by number of shares held (Unit: 100 shares)



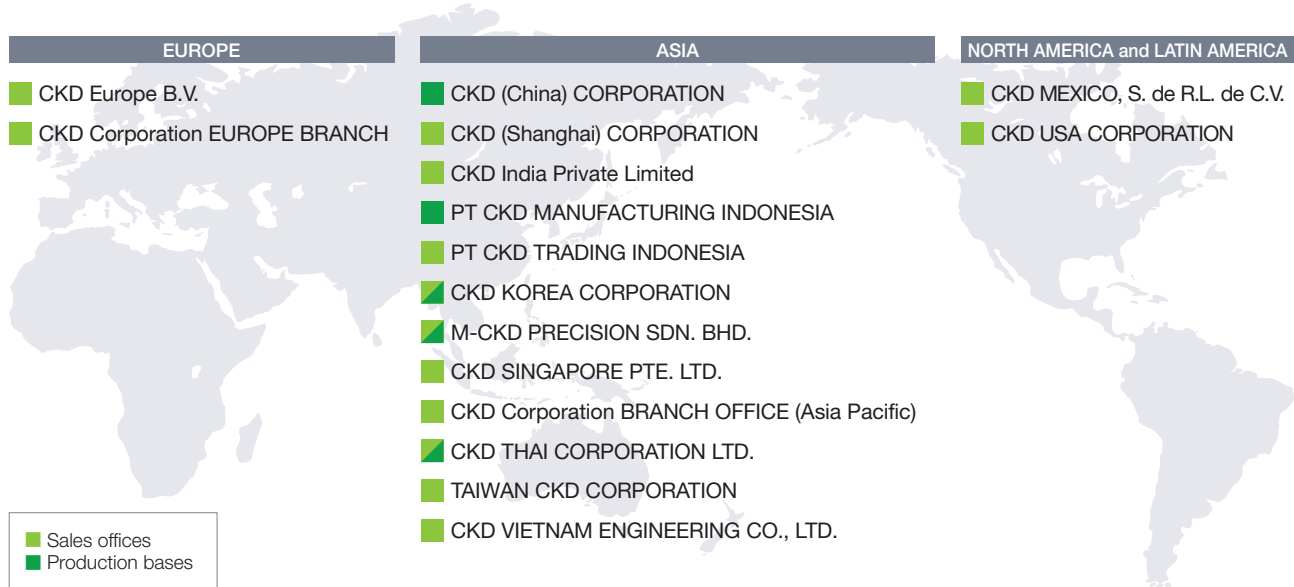
Corporate Data

Corporate profile

Company name	CKD Corporation
Establishment	April 2, 1943
Paid-in capital	¥11,016 million
Consolidated number of employees	4,515 (March 31, 2021)
Net sales	¥106.7 billion (Fiscal year ended March 31, 2021)
Listed on	First Section of the Tokyo Stock Exchange and the Nagoya Stock Exchange
Securities code	6407

Lines of business	Development, manufacturing, sales, and export of functional equipment such as automatic machinery, and components such as drive units, pneumatic control, pneumatic related and fluid control
Head office	250 Uji 2-chome, Komaki, Aichi 485-8551, Japan Telephone: +81-568-77-1111

Key overseas business facilities and overseas subsidiaries



Visit our website

This report contains selected information of high relevance that is conducive to the enhancement of our corporate value. For more information about our technology, products, and finances, please visit our website.



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

