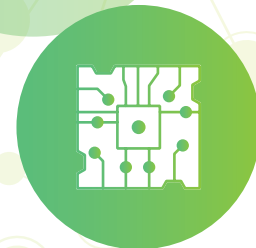
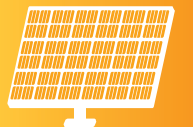


CKD Report 2022

Integrated report



CKD Corporation

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CKD

One Year Since the Launch of the *Double Engine* Structure



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



Katsuhito Okuoka
Representative Director, President
and Chief Operating Officer

Taken at the 'Ohana nursery school, an onsite day care center at the Head Office/Komaki Plant.

Firstly, we would like to sincerely thank our stakeholders for their continuous support.

Since its establishment in 1943, the Company has used its automation and fluid control technologies as a foundation for contributing to manufacturing (*monozukuri*) sites around the world through a diverse lineup of products that meet the needs of the times. Under our Corporate Philosophy of *Innovation of Fluid Control and Automation*, we are aiming to use technological innovation and value creation to resolve social issues through the development, production, and sale of automatic machinery and component products, alongside related services. We have also revised the 10-Year Vision: GO CKD!, our long-term management vision originally formulated in 2016, twice in accordance with changes in the business environment. In this way, we will continue to move forward while strengthening long-term initiatives focused on the 10-year period to fiscal 2025.

As part of this, we decided to lead the Company under *W Engine* (double engine), a new management structure that separates management and business execution functions, with the Chairperson (CEO) handling long-term management decision-making while the President (COO) works to achieve

short- to medium-term targets, starting from June 2021. One year has passed since the launch of this structure. In fiscal 2021, the business environment remained uncertain due to factors such as the impact of constraints on the supply of raw materials and components, particularly semiconductors, and the resurgence of the COVID-19 pandemic. Despite this, we realized considerable year-on-year improvements in both revenues and profits due to robust demand for semiconductors and continued capital investment in the manufacturing industry.

Fiscal 2022 will be the first year of Medium-Term Management Plan: Exciting CKD 2025, our fifth medium-term management plan covering the four years to fiscal 2025. We have positioned this plan as a period for achieving the 10-Year Vision: GO CKD! and building a foundation in preparation of our next long-term management vision. We have planned for an intriguing four years together with our stakeholders, during which we will contribute to the sustainability of society and create new value through our business, with an eye on the next 10 years. These are the intentions we aim to convey through the CKD Report 2022. We hope it will facilitate dynamic dialogue with all our stakeholders.

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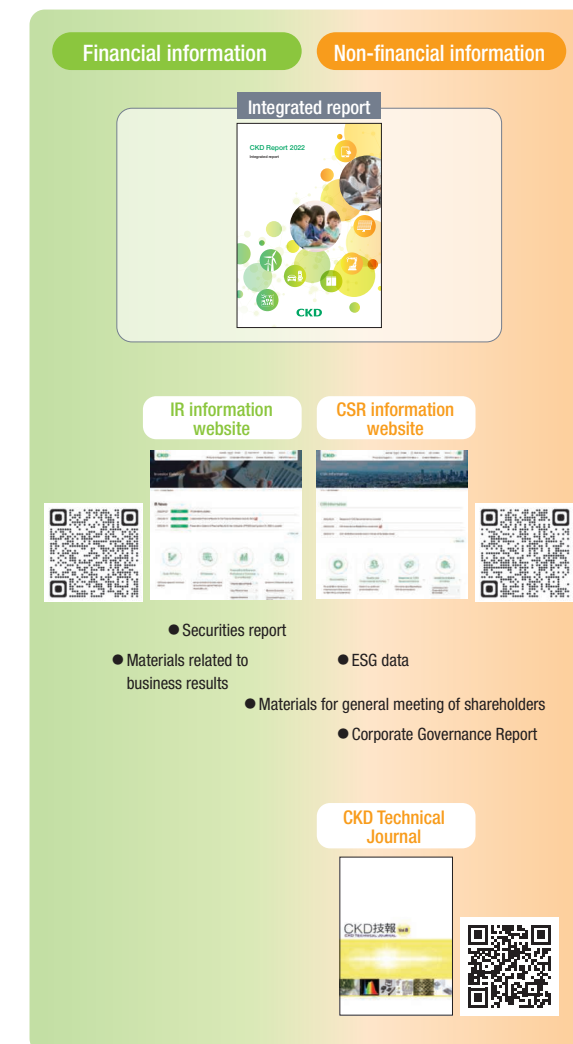
Disclaimer

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

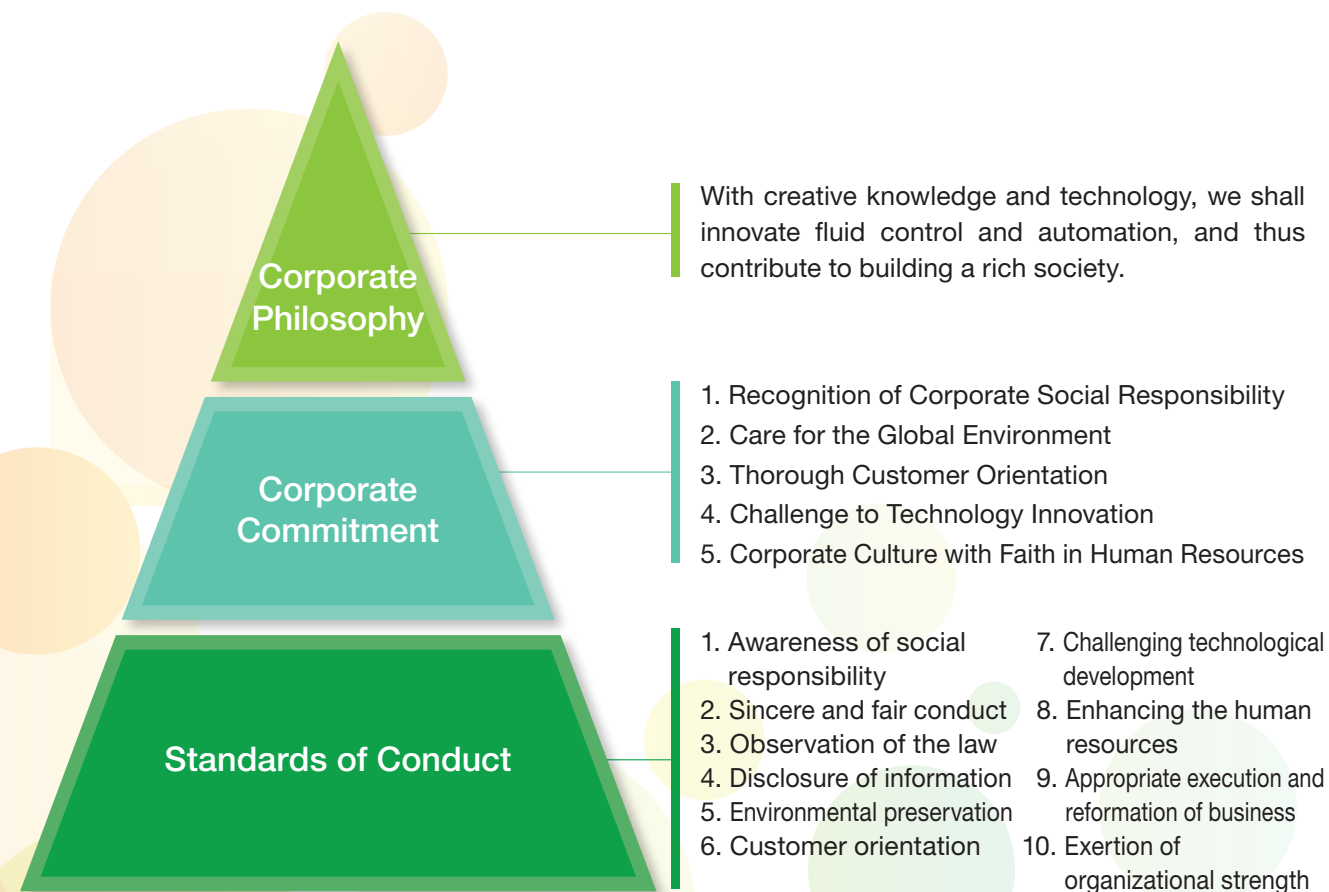


Automation Technology for the Future

Pioneering the Future with Automation

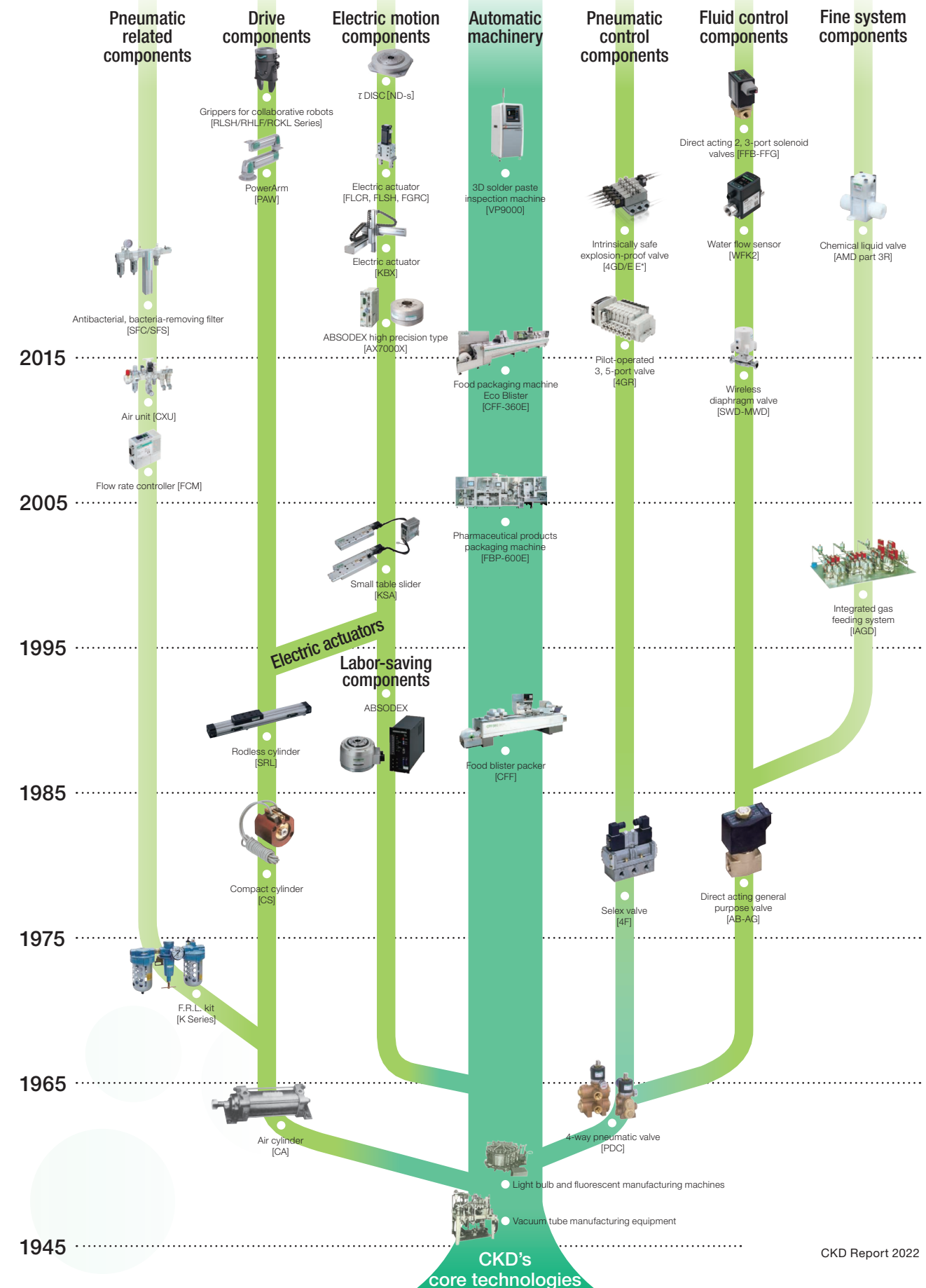
Today, we see a growing need for automation and labor-saving in manufacturing sites as many countries, including Japan, face a declining birth rate and aging population. While machines, robots, and AI can take over some jobs from human beings, we will engage in delicate tasks and creative jobs that only humans can do. This, we believe, will improve productivity, enabling us to build a rich society. Automatic Machinery, one of the linchpins of CKD, are machines that manufacture things instead of humans. Component Products, the other linchpin, are parts like our limbs necessary for the automatic machinery to function.

We support *monozukuri* (manufacturing) worldwide as a Total FA Supplier by integrating the technologies of automatic machinery and component products we have refined over many years.



Tree of Growth

Our pursuit of automatic machinery development and diversification sprung from the seeds of vacuum tube manufacturing equipment. 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 *monozukuri* (manufacturing) worldwide with our myriad of product lineups.



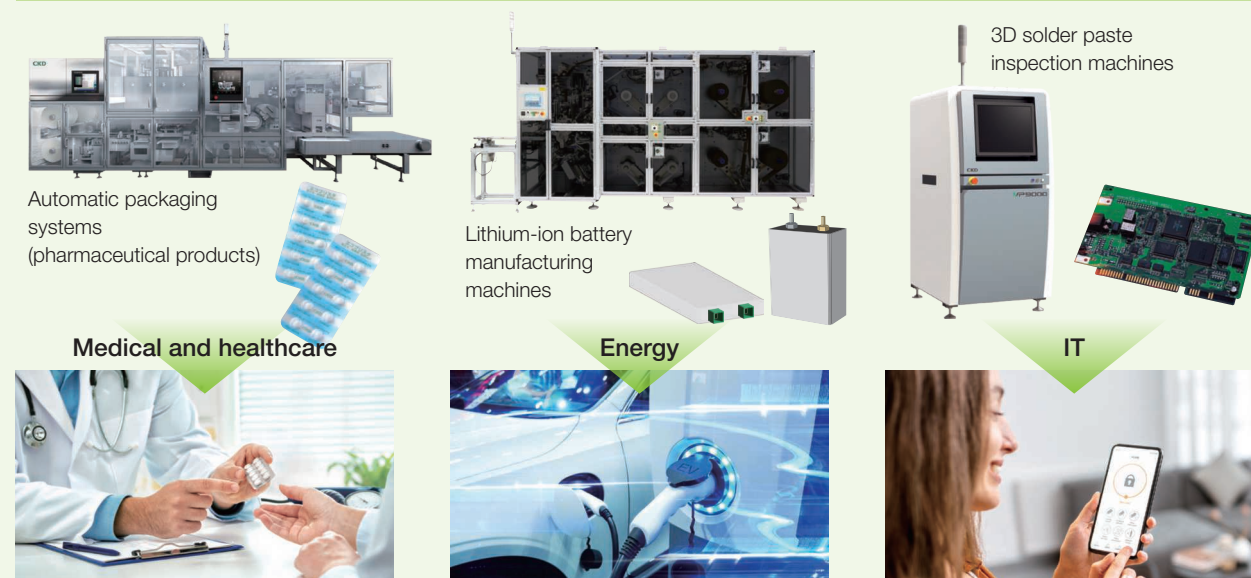


Two core businesses: Automatic Machinery and Component Products to contribute to solving social issues

Automatic Machinery Business

To meet the rising demand for automation and labor-saving due to the shrinking labor force, we work 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 advance product development with ICT to ensure production stability and productivity, thereby supporting our customers' manufacturing operations.

Automatic Machinery



Offering meticulous maintenance services for optimal operations of components

CKD Field Engineering Corporation, which specializes in the maintenance of automatic machinery, supports safe and secure operations. Our technical experts provide total solution services, ranging from periodic inspections to repair, and improvement solutions.



A long history that started with automatic machinery



Plant of Chukyo Electric Co., Ltd. (Nagoya, Aichi) in 1945



Current Head Office/
Komaki Plant
(Komaki, Aichi)

Established in 1943, CKD has been developing, designing, and manufacturing automatic machinery, including equipment for vacuum tube manufacturing and fluorescent lamps, since 1947. CKD has continued to innovate since its establishment based on automation and fluid control technologies and currently operates through two core businesses: Automatic Machinery and Component Products. CKD's strength lies in the fact that it is one of the few companies worldwide that handle both.

As a leading machinery manufacturer in Japan with a diverse product lineup, we will support manufacturing operations worldwide and grow into a real global company that offers totally new lifestyles and services.

Component Products Business

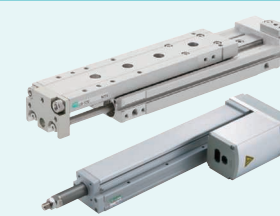
Multiple CKD products, such as fluid control components and drive components, work in tandem to contribute to *monozukuri* (manufacturing) worldwide. Recent years have seen factories make progress in incorporating IoT into their operations, and that has spurred demand for machinery capable of interacting within a variety of networks. In the Component Products, we are addressing 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.

Pneumatic related components



Linear slide hands

Drive components



Electric actuators

Fine system components



Chemical liquid valves

Monozukuri (manufacturing)



Electronics



Offering customized products in the form of system units

We promote integration and systemization to meet the needs for space-saving and high functionality.



Nitrogen gas extraction unit

Technologies used in various manufacturing processes

We fully provide products applicable to diversified usage environments, such as FP Series for food manufacturing, W Series for outdoor use, P4 Series for rechargeable battery manufacturing, and G Series for welding.

High-quality design



Pneumatic grippers [Grippers for collaborative robots: RLSH/RHLF/RCKL Series] received the Good Design Award 2020

In addition to its performance, product design is crucial to make our products the first choice for customers. CKD has a long history of design, having received more than 100 Good Design Awards since 1980. In overseas markets, we must align our product designs to global standards. We cannot survive as a manufacturer in the age of globalization without offering high-performance and well-designed products. CKD has enhanced its product designs and, thanks to such efforts, received the iF DESIGN AWARD, a prestigious international design award, and other accolades. We will further explore beauty in industrial products and continue to provide value-added solutions.



Research and development capabilities to realize value creation

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 and 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 and technology departments.

Intellectual Capital



Development process of our 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 categorized into the automatic machinery business, which includes pharmaceutical products packaging machines, and the component products business, which includes pneumatic and fluid control components used in equipment automation. We have customers from various industries, including semiconductors, healthcare, food products, and automobiles. We use these core technologies to fulfill various requirements from users, such as energy-conservation, eco-friendliness, downsizing, high-speed operations, high-frequency use, and longer service life. Going forward, we will engage in further R&D and business development based on our Corporate Philosophy.

	Core technologies	Semiconductors	Healthcare	Food products	Rechargeable batteries	Electronic components	Automobiles	Machine tools
Automatic Machinery Business	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			
Component Products Business	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 pads		Suction plates	Static pressure bearing suction plates			

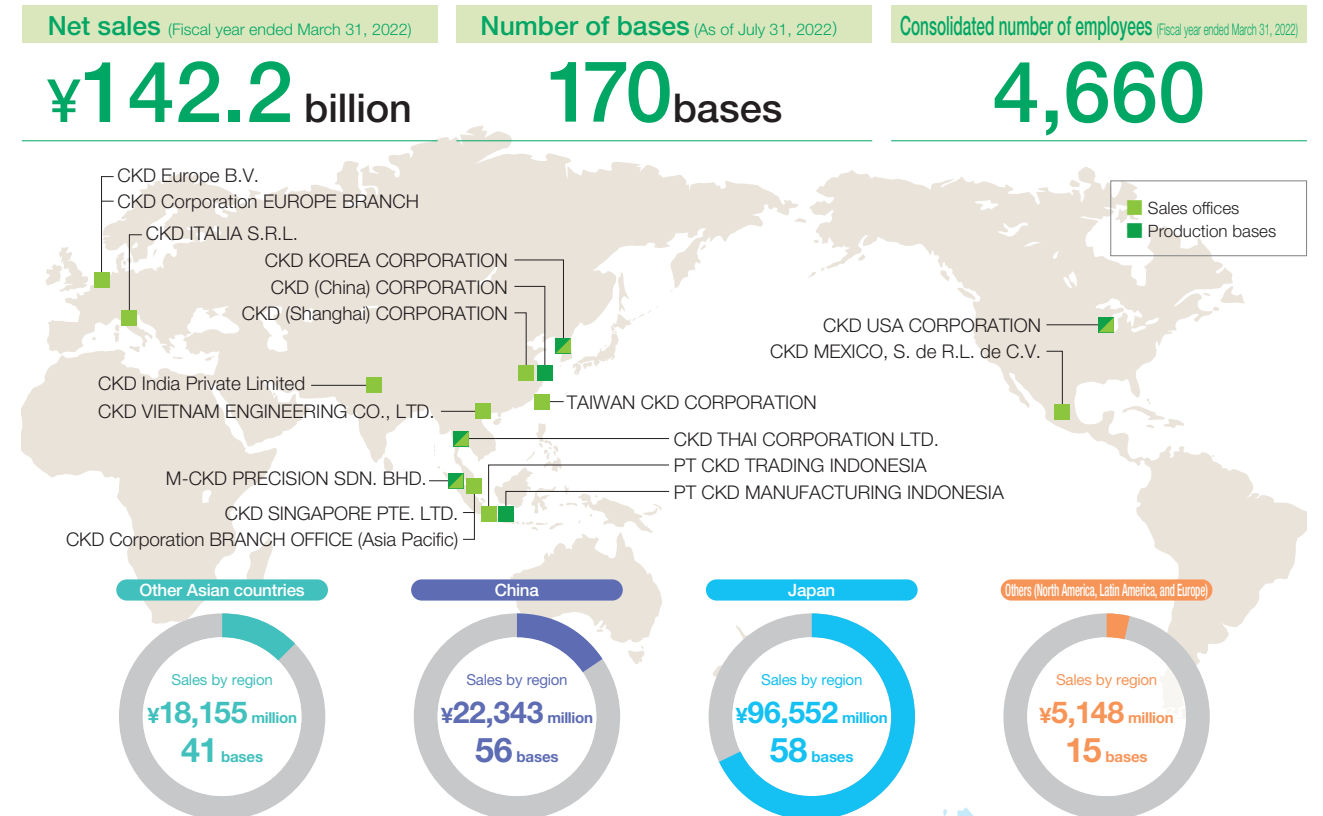


Global network

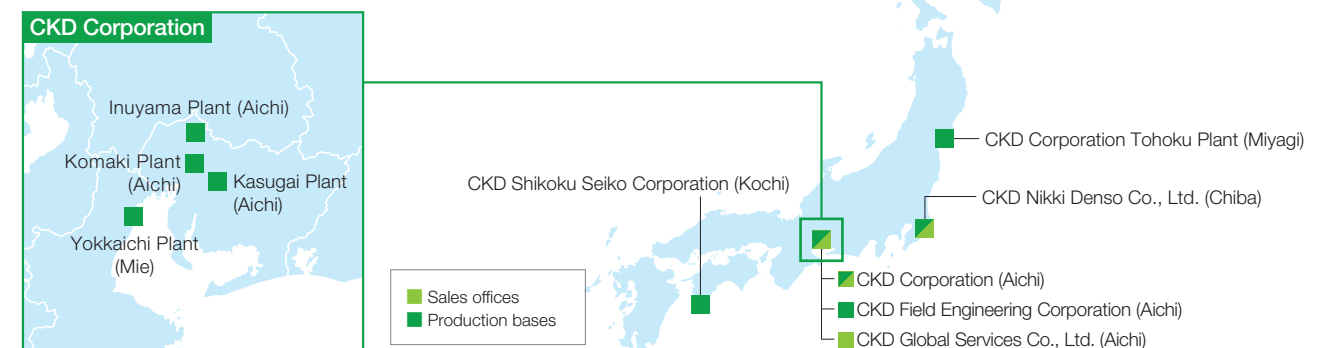
To deliver the best products, technologies, and services to our customers promptly and reliably, we have established a network covering Europe, North America and Latin America, and Asia .
We promote building close relationships worldwide, and fully support our customers.

Global Production Bases and Sales Offices

Note: Converted CKD ITALIA S.R.L. into a subsidiary in April 2022.



Domestic Production Bases and Sales Offices



Topics

Accelerating globalization!

In November 2021, we acquired the land and buildings, adjacent to the production plant of CKD THAI CORPORATION LTD., our Group Company in Thailand. This acquisition enabled us to secure a production space of around 2.8 times of the current plant, and the new plant started operation in early April 2022 as a mass-production plant for general-purpose fluid control components.



Message from the CEO

Aiming to realize sustainable growth for both CKD and society by pursuing a long-term vision of a company that can change flexibly with the times



Kazunori Kajimoto

Representative Director,
Chairperson of the Board of Directors
and Chief Executive Officer

Leveraging the strengths of the *W Engine* structure to navigate in a highly uncertain operating environment

CKD was established in 1943 as a developer and manufacturer of electrical components for aircrafts, and in 1945 it launched a business of developing, designing, and manufacturing automatic machinery such as production equipment for vacuum tubes and fluorescent lamps. Next year, in 2023, we will celebrate the 80th anniversary of the Company and throughout this long history, we have pursued technological innovation based on our automation and fluid control technologies to expand our business to cover a wide range of factory automation (FA) equipment, including pneumatic and fluid control components. We have been a close partner to customers in Japan and overseas, supporting their *monozukuri* (manufacturing) through our business while also advancing efforts to make social contributions and realize a sustainable society.

In recent years, there has been a significant change in awareness regarding social issues and the global environment. As a result, we are entering a transition period in which companies will not only need to adapt their businesses in line with changing times and needs in order to grow profits, but also to fundamentally rethink their roles in society and reason for existing.

Since 2019, we have been advancing company-wide efforts to achieve the Sustainable Development Goals (SDGs), led by the SDG Promotion Committee (now the Sustainability Committee).

Also, in our mainstay business, we have been working to realize technological innovation that can contribute in areas, such as environmental impact reduction, and automation and labor-saving at customers' businesses, by developing low environmental impact products that leverage our core automation and fluid control technologies.

Although the social outlook remains unclear, we will strive to accomplish both social contribution and sustainable growth as a company. To achieve this, we think it is essential to build a structure that allows us to view issues from both short- to medium-term and long-term perspectives, make decisions in a way that considers the entire Company, and steadily implement the policies we have set.

With this in mind, in June 2021 we launched a new management structure that separates management and business execution functions through the Chief Executive Officer (CEO) and Chief Operating Officer (COO). As CEO, it is my role to ascertain management direction from a long-term perspective while our COO, President Okuoka focuses on executions and achieving short- to medium-term targets. In other words, we both act as engines, driving the Company forward through a *W Engine* (double engine) structure.

While this first year has involved much of finding our direction with constant trial and error, we are now able to demonstrate the strengths that come from forming a tag-team of two different individuals. We consider how the Company should be from two distinct perspectives, long-term and short- to medium-term, and furthermore, President Okuoka and I have had very different careers - my background is in sales while his is in production. I provide advice from a sales viewpoint and guidance based on the Company's history, and during this first year in my appointment in particular, I have focused on providing President

Okuoka with support that allows him to concentrate on execution. On the other hand, President Okuoka's insight as someone who has worked in production means that he is often sharing issues and opinions regarding the production frontline that provide me with new realizations.

Going forward, we will continue to leverage the strengths of *W Engine* to strengthen the Company's management foundation.

Realizing a decarbonized society is a priority issue that the world will work together to achieve

Looking back at the business environment in fiscal 2021, alongside the prolonged impact of the COVID-19 pandemic that had continued since the previous year and the longstanding concerns of sharply rising materials prices and supply chain disruptions, both society and companies had to face a new challenge that threatens global stability and sustainability in the form of an energy crisis prompted by Russia's invasion of Ukraine.

The world shares the target of achieving a decarbonized (carbon neutral) society by 2050, but finding a way to balance decarbonization while tackling the energy crisis will be difficult. Movement is already underway to revise clean energy policy with the priority placed on avoiding immediate emergency situations in regard to energy, resources, and food supplies.

With geopolitical risks, such as friction between the U.S. and China, and also continuing unabated, the risk factors concerning our business that we need to monitor are the prolongation of high resource prices and supply chain disruptions. However, even taking these situations into consideration, the fact remains that realizing decarbonization is essential to the survival of humanity and the planet. Realizing a decarbonized society by 2050 is an objective that cannot be changed and the world must work together to achieve it.

Each country is already formulating specific policies as part of a transition period with the aim of avoiding economic turbulence while gradually realizing decarbonization. Even if decarbonization efforts are slowed in the short-term, there is a shared determination worldwide to keep the long-term goal in sight and to continue working to achieve it.

We can say the same about company management. As a company, even though we share the same long-term goal, the objectives we need to achieve in the short-term period of a single quarter to a year and the medium-term period of three to five years are different. Also, while we are heading in the same direction, sometimes we need to switch measures in accordance with changes in the times or when faced with the decision of whether to put certain plans on hold in anticipation of an emergency situation.

Under our long-term management vision, we regularly change basic policies to adapt to changes in the times. In this era of rapid change, it is important to take a flexible approach in order to pursue sustainable growth. However, our commitment to our Corporate Philosophy to "innovate fluid control and automation, and thus contribute to building a rich society" is unshakeable and it is the unifying idea behind all our initiatives. While it is currently difficult to anticipate what lies ahead, we have been reminded of the importance of sharing this unity throughout the Company.

Message from the CEO

A company-wide approach in which each employee works to achieve the SDGs through the development and delivery of low environmental impact products

What kind of society would we like to see in the future and how can we contribute to ensuring that it is prosperous? This is not just an empty sentiment. We feel that it is our mission to leave behind a sustainable planet that will support the lives of children in the future. Therefore, we must work to mitigate the risk of natural disasters caused by climate change and to prevent wars and crimes. We must build a society where all people are equal, enjoy their human rights, and can live in good health and with peace of mind. To do this, we need as many people as possible working ceaselessly toward realizing a better future.

In 2007, I came across *An Inconvenient Truth*, written by former U.S. Vice President Al Gore, which gave me a strong sense of emergency regarding the future of the planet and the environment. Since the time I was first appointed as President of the Company in 2008, I have worked to share my awareness of the issue with employees by asking questions such as, “How should we contribute to society?” and “What can we do as a company?”

In 2019, while the mindset that the climate change problem is a problem that belongs to each individual had not quite taken root, we launched the SDG Promotion Committee (now the Sustainability Committee). At first, there were many employees who felt uncertain, as the scope covered by the 17 SDGs is too broad.

So, the first thing we did was to list one by one what the CKD Group can do, with specific examples of what areas we were 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 initiatives, products, and technologies.

This revealed that for Goal 12, “Ensure sustainable consumption and production patterns,” we have already provided the world with a number of low environmental impact products and that for Goal 5, “Achieve gender equality” and empower all women and the elderly, we are working on assistive devices that contribute to creating a comfortable work environment for people of all ages and genders. This led to an increase in motivation and confidence that we had been on the right path and that we should further refine our technology to be of use to our customers, thereby accelerating activities.

The proof that the cumulative effect of these activities was gaining wider recognition came 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 Golden Award in the 2021 AICHI Environmental Awards. The products were highly evaluated for “supporting the world’s *monozukuri* processes, greatly contributing to the reduction of environmental impacts and the achievement of SDGs,” and the receipt of the award shows we have taken a big step forward.

The realization of a sustainable society starts with each individual becoming aware and making small changes in their behavior, but there is a limit to what just one person can do. Group action is essential to accelerating decarbonization initiatives that can make a big impact globally. I think that one way of doing this is for individual companies to pool their capabilities to strengthen initiatives.

Happily, we have been accumulating core technologies, such as automation and fluid control technologies, since our establishment and we started using these as a base for developing a large number of products that contribute to the environment and society at an early stage in our history. The accumulation of these technological capabilities has become one of our biggest strengths, even leading to the 2021 AICHI Environmental Award’s Golden Award mentioned previously, and we consider them to be an important asset for contributing to society and building the future we are aiming for.

Our customers are also using our low environmental impact products to create new products and services that contribute to society. We will use the funds received from these products to further pursue the development of low environmental impact products and solutions. This will create a chain of action that we hope will lead to an even more positive cycle.

Digitalization and growing businesses and markets that are essential for a sustainable management foundation

We revised the 10-Year Vision: GO CKD!, our Long-Term Management Vision originally formulated in 2016, in accordance with changes in the times and in fiscal 2021, we released Version 3, which had “sustainability” as its keyword.

To the existing basic policies of “Challenge new business activities and markets” and “Accelerate globalization and expand overseas markets,” we have added and modified “Establish a sustainable management foundation,” and “Build a corporate culture with faith in human resources,” in order to realize fulfilling work environments for employees and we are advancing initiatives under these policies.

Our fifth Medium-Term Management Plan, which starts from fiscal 2022, also has fiscal 2025 as its final year. However, the progress we have made means we expect to meet the fiscal 2025 sales target of ¥180.0 billion ahead of schedule, so we will now work to exceed this target.

Although we are making smooth progress, in order to aim even higher, we will concentrate on the following points over the next four years.

Regarding “Challenge new business activities and markets,” we are particularly focusing on the electric motion product business. We are working to meet the diversifying needs of customers by expanding our lineup of electric motion components that are capable of highly accurate position control, in addition to compact and powerful pneumatic components that make it easier to design equipment. We are also working to strengthen efforts from development through to service by raising the effects of synergies with CKD Nikki Denso Co., Ltd., a Group Company engaged in the development, designing, manufacturing, sales, and services of electric motion components.

Regarding “Accelerate globalization and expand overseas markets,” in order to enter the Chinese pharmaceutical manufacturing market, we will aim to enhance local support capabilities, including service, in line with efforts already underway to locally develop machinery exclusively for the Chinese market.

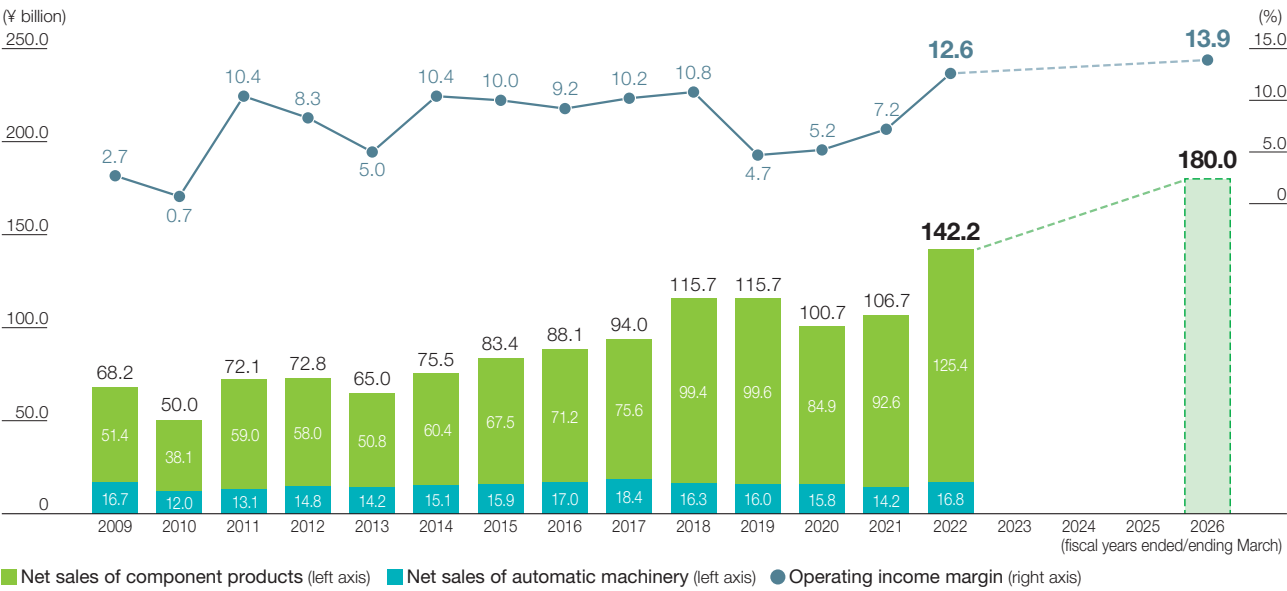
Long-Term Management Vision – 10-Year Vision: GO CKD!

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



Also, in the component products business, we will leverage the Tohoku Plant, established to support the recovery from the Great East Japan Earthquake, to further boost the global rollout of high-performance products. In April 2022, construction was completed on a plant in North America and we have plants scheduled to be completed in India in 2023 and Ishikawa Prefecture in 2024. At the North America Plant, we have strengthened technical center functions to realize product planning and development that is more closely aligned with our customers and as a new manufacturing base, it will be able to more fully meet local needs. In European markets, we are building alliances by growing the number of local distributors to further advance market reform.

To “Establish a sustainable management foundation,” the use of digital technology and our ERP software system will be essential. In 2017, we introduced an ERP system SAP and to date, we have been using this as a base for accelerating initiatives to enhance the operating efficiency and productivity of each individual employee. In addition to reducing the workloads of our valuable human resources and ensuring the sustainability of our business, we will also use digitalization and the ERP software system to further improve productivity with an optimized organization.



CKD USA Austin Manufacturing, a new manufacturing plant completed in Texas in April 2022

Message from the CEO



Hokuriku Plant, scheduled to be completed in Komatsu City, Ishikawa Prefecture in spring 2024

Establishing an onsite day care center beside the main gate to the Head Office as a symbol of the Company, where everyone can flourish

The point we should be focusing on more than any other is to "Build a corporate culture with faith in human resources," which is also our Corporate Commitment. Currently, President Okuoka is leading efforts to cultivate global human resources, digital human resources, and the next generation of leaders who we will need to shoulder the future of the Company and build pillars to support new businesses. Furthermore, to realize sustainable management, we must create comfortable work environments for all employees, regardless of age and gender, as advocated in the SDGs.

After I was appointed as President of the Company, I introduced a lifetime employment program as quickly as possible to provide a framework that allows motivated senior employees to continue working. Additionally, in April 2018, we opened an onsite day care center beside the main gate to the Head Office/Komaki Plant, which is at the forefront of the Company, where employees can leave their children and then work with peace of mind. It has become a symbol of our commitment to promoting women's career advancement and dramatically changed the makeup of the Company. We have also set the quantitative target of raising our ratio of female managers to at least 10% by fiscal 2030.

At the time I was appointed as President, there were no statements or concepts like the SDGs, so these initiatives were advanced based on my feeling that something was not right and had to change. When we decided to establish the Tohoku Plant mentioned earlier, some people had concerns about the risk of earthquakes, but we now have employees from the local area actively participating and the plant has grown to become a leading producer of component products for semiconductor manufacturing equipment.

Realizing once again that all our initiatives are connected to goals in the SDGs, I think, "It is not correct to base corporate management decision-making solely on rational thought. We must also take into account our feelings and sense of what should be done, regardless of the bottom line. I think the same also applies to developing products that contribute to society."

The consumption and work styles of Millennials, the generation born in the 1980s and early 1990s, and the even

younger Generation Z, who were born after the late 1990s, in particular put greater emphasis on benefit to society than monetary value. In regard to this point, I think it is vital to cultivate young talent, put our trust in them, and eventually entrust our business to them from a long-term perspective in working to raise the engagement of all employees so that they can work with pride, and adapting to the values of the younger generations.

Creating flexible frameworks for enabling participation by diverse human resources that are in line with the times

In the same way that the COVID-19 pandemic has changed the way we communicate with customers, from now on, we need to consider system designs and rules in a way that takes into account changes in mindsets regarding the way communication is carried out and work styles within the Company, and to make changes if necessary.

We established a Crisis Management Committee in April 2020 as the virus really began to spread, and we have continued to advance initiatives such as remote working and staggered work hours. We have now entered a phase of prolonged risk of infection and in which the situation in each region differs, so we are adopting work styles in accordance with the situation in each region and division.

Also, with a view to the post-pandemic period, rather than presenting a binary choice of all employees working at the office or at home, we will establish flexible work styles in which employees can choose whether to work at the office or from home in accordance with their individual circumstances and the actual situation at their workplaces. To realize business sustainability, it is crucial that we do not view going to the office as the only right way and that we are prepared to be able to work from home as well. Therefore, I think it is important that we utilize information technology and accelerate digital transformation (DX) initiatives.

We are also looking at changing our wage structure in line with changes in work styles. It is becoming increasingly competitive to secure digital human resources, so we will eventually need to consider adopting a new job-based wage structure in which wages are decided in increments based on work content and the skills and abilities required.

We are blessed with the many employees who work earnestly in accordance with the Company's policies and the cumulation of their efforts is the growth we are experiencing now. Going forward, as we move to a higher stage by growing in terms of sales volumes and employee numbers and advancing globalization, we think one of the most important issues for the continuity of the Company will be to foster a corporate culture in which new ideas are generated and new businesses are created through persistent trial and error. In fiscal 2021, we launched an internal job posting system which enables employees to request a transfer into a position that they are interested in. We will continue to explore ways to provide diverse human resources with opportunities to participate in, spaces in which they can flourish, and to design systems that are appropriate for their needs.



What can CKD leave for future generations?

Since taking the role of Chairperson, which involves consideration of 10 years into the future and beyond, I have started thinking about the Company and the world from a more long-term perspective. Currently, I am trying to envisage how society will change 30 years from now in around 2050, and what CKD will have left for future generations.

Looking at the world as it is now, there are too many risk factors to count. However, I personally believe that our future relies on whether countries, companies, societies, and individuals truly desire to make a change. If we pool our collected knowledge and work to realize a better society, then in 30 years' time we will surely see some kind of results from these accumulated efforts. I am convinced that this will be the case.

The Company is also working to realize a sustainable society by focusing on business related to rechargeable batteries. As the world moves toward EVs, I believe automated driving will also become a reality, even if only in a limited form. We are also developing the pharmaceutical products packaging machinery business in China in a similar effort to solve social issues, and our technologies in this area might contribute to advancing innovative medical research and changes in the way pharmaceutical products are provided.

I think the manufacturing industry, which is closely linked to our business, is evolving toward smart manufacturing in which generic tasks are entrusted to robots so that employees can focus on adding value in a way which is unique to humans. Semiconductors, a crucial component of manufacturing, are becoming smaller, more layered, and sophisticated, a process that we are already working to adapt to. In the same way that smartphones have inspired big changes in the way we communicate and consume, these sophisticated semiconductors will evolve the way we live and work. That is the kind of future that I envisage.

So, how can CKD contribute to realizing this ideal vision and what can we do with the technologies and knowledge we have accumulated?

In October 2021, we launched the Branding Project, led by a team comprised of young employees. Its mission is to think about CKD's branding by envisioning the future situation in 2035, 2050, and 2100, analyzing the business environment, considering what role CKD should play, and then molding this into specific actions. It is currently carrying out analysis and consideration based on this mission.

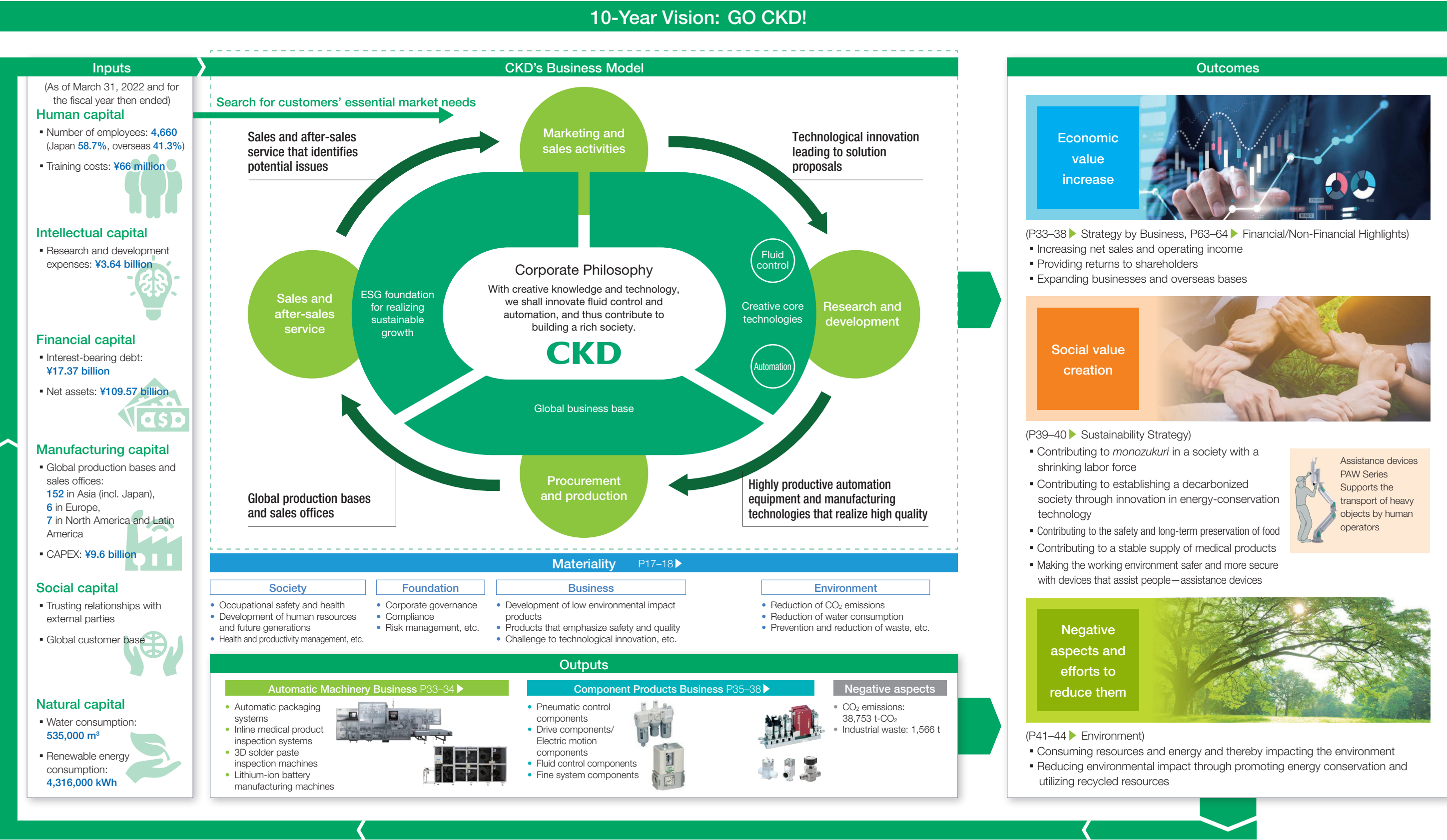
By then, I think the members will have become leaders who can guide both the Company and society. For the future, I am always telling young employees that I want them in particular to break away from their previous approach of being a behind-the-scenes supporter, who is satisfied with merely making good products for use by people who need them, but instead, aim to grow the Company into a leader in social contribution that gains recognition from a wider society by anticipating social change and providing new solutions and services.

Next year, 2023 will be the 80th anniversary of our establishment. I want to say to all stakeholders that even in our 80th year, CKD is still developing as a company. This does not mean that we are underdeveloped, just that we still have plenty of room for growth. That is what I truly believe.

We will accelerate the businesses and activities that we have cultivated which contribute to realizing a sustainable society, proactively disclose information, and take onboard the opinions of stakeholders as we work to enhance corporate value. You can count on CKD's great willingness to take on challenges.

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.



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.

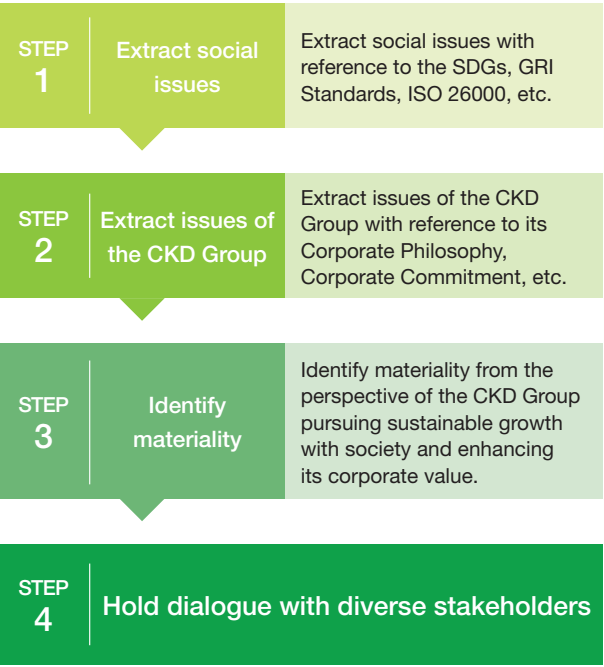
Materiality identification process

In October 2019, we established the SDG Promotion Committee to promote our SDGs initiatives. We also set up and operated working groups focused on products, sales, and CSR as subordinate organizations of the Promotion Committee to identify key issues to be addressed by the Company.

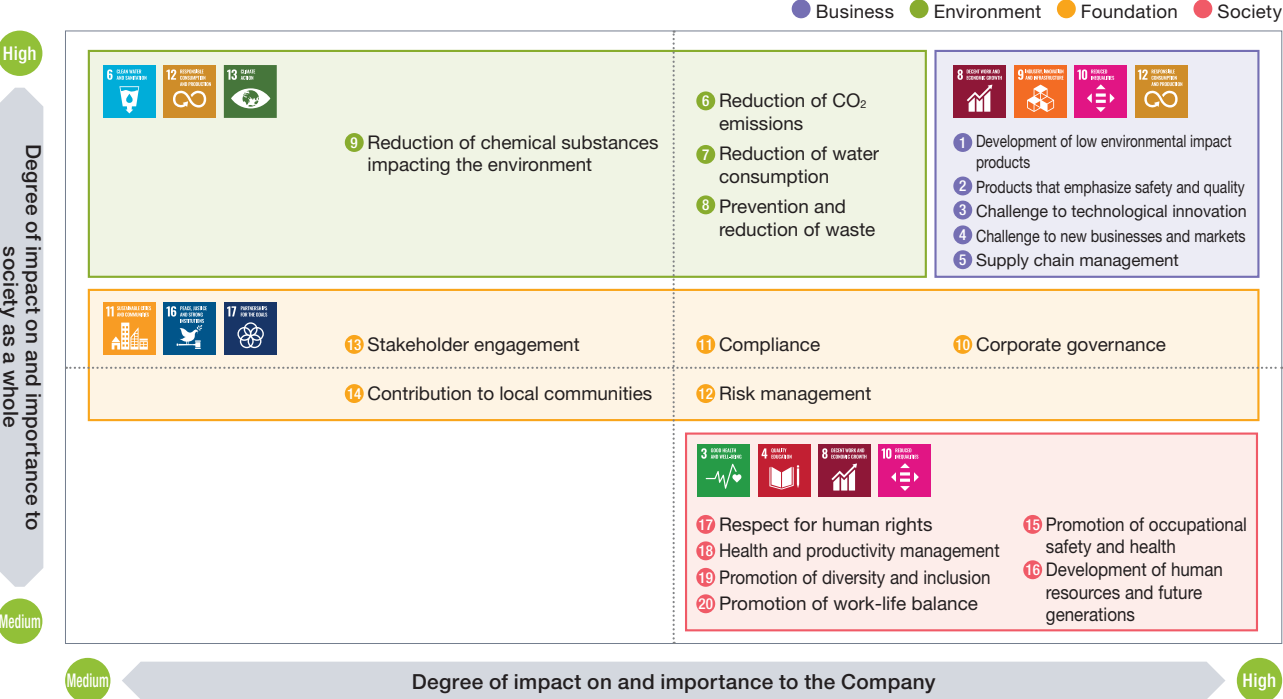
First, we identified the social issues and the challenges facing the CKD Group. We then identified materiality from the perspective of the CKD Group pursuing continuous growth with society and enhancing its corporate value. In light of the materiality thus identified, we hold dialogues with our diverse stakeholders.

In April 2021, the SDG Promotion Committee was succeeded by the Sustainability Committee, chaired by the Representative Director and composed mainly of Directors. Materiality is identified by initial reviews by the relevant divisions, after which the Sustainability Committee 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.

(P39 ▶ Sustainability promotion structure)



Materiality matrix



11

Sustainable cities and communities

16

Peace, justice and strong institutions

17

Partnerships for the goal

13

Stakeholder engagement

15

Contribution to local communities

11

Compliance

10

Corporate governance

12

Risk management

3

Good health and well-being

4

Quality education

8

Decent work and economic growth

10

Reduced inequalities

17

Respect for human rights

18

Health and productivity management

19

Promotion of diversity and inclusion

20

Promotion of work-life balance

15

Promotion of occupational safety and health

16

Development of human resources and future generations

Medium

Degree of impact on and importance to the Company

High

Issues of particular importance and directions for action

Materiality	Relevant SDGs	Direction, indicators, and targets of initiatives	Relevant page
6 Reduction of CO ₂ emissions	13 Climate Action	<ul style="list-style-type: none">Promote thorough improvements in energy conservationExpand renewable energy use <div>Indicators and targets<ul style="list-style-type: none">Reduce CO₂ emissions per unit of sales by 50% from 2013 levels by fiscal 2030Achieve virtually zero CO₂ emissions by fiscal 2050</div>	P41 ▶
19 Promotion of diversity and inclusion	10 Reduced Inequalities	<div>Indicator and target<ul style="list-style-type: none">Increase the ratio of female managers to 10% or higher by fiscal 2030</div>	P46 ▶
18 Health and productivity management 20 Promotion of work-life balance	3 Good Health and Well-being 8 Decent Work and Economic Growth	<div>Indicator and target<ul style="list-style-type: none">Achieve an average of at least 65% paid leave utilization rate for all employees by fiscal 2022</div>	P46 ▶

Examples of initiatives

Reduction of CO₂ emissions

Green energy introduction

In fiscal 2021, we introduced green energy derived from natural energy resources for 5 million kWh (equivalent to approximately 2,200 tons of CO₂), equivalent to the amount of electricity used annually at the Inuyama Plant. Green energy is clean electricity that uses methane gas, ethanol, and other bio-fuels produced by directly combusting or fermenting biomass such as thinned wood, sewage sludge, livestock manure. High durability component HP series and other components produced at Inuyama Plant are labeled with a Green Power symbol in our catalog to enhance their brand power as products with reduced environmental impact.



Use of the J-Credit Scheme

Since fiscal 2021, we have started offsetting greenhouse gases emitted from our four plants of Komaki, Kasugai, Inuyama, and Yokkaichi by using the J-Credit Scheme. J-Credit Scheme is a scheme in which the government certifies the amount of greenhouse gas emissions, such as CO₂, reduced or removed by efforts to introduce energy-conservation devices and use renewable energy, as well as sinks through managing forests, as credit. This scheme will offset greenhouse gas emissions from gas use at each plant by approximately 3,400 tons in total by fiscal 2025.

Supply chain management

Revision of Purchasing Principles and Fundamental Policy

We revised our Purchasing Principles and Fundamental Policy in April 2022. We will advance our efforts on initiatives such as building relationships of trust, complying with laws and regulations, protecting the environment, and respecting human rights throughout the supply chain.

Purchasing Principles

We contribute to realizing a sustainable society through our global supply chain by mutually developing with our suppliers.

Fundamental Policy

- We value the trust and mutual development with our partners.
- We conduct fair and just transactions by complying with related laws, regulations, and social norms and thoroughly protecting confidential information.
- We contribute to the conservation of the global environment and the reduction of environmental loads.
- We respect human rights, aim to eliminate discrimination and unfair labor practices, and improve the working environment.
- We contribute to the resolution of social issues with our suppliers who have high technological capabilities on a global scale.

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.

(P62 ▶ Risk Management)

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	Corresponding materiality
Business	Changes in the market environment due to political factors	<div>Impact on the Company's business through semiconductor-related customers in the component products business in the event of restrictions on semiconductor-related transactions due to political factors, such as trade frictions between the U.S. and China or problems between Japan and South Korea</div> <div>Impact on production activities due to government regulations and import/export restrictions resulting from heightened geopolitical risks</div>	<div><div>Responses</div><div>Prompt action to address changes in the market environment</div><div>Promotion of local procurement of products manufactured overseas, production at multiple bases, and placement of inventory centers in various locations</div></div> <div><div>Opportunities</div><div>Increased demand for new capital investment due to the decentralized siting of customers' semiconductor production bases</div></div>	12 Risk management
	Product and service quality and liability	<div>Burden of compensation for damages and loss of customer trust in the event that a product causes personal injury or property damage</div>	<div><div>Responses</div><div>Reinforcement of the quality assurance structure at all stages, from substances contained in raw materials to shipping inspections</div><div>Development of IoT-compatible components, preventive maintenance, and long service life products</div></div> <div><div>Opportunities</div><div>Increased demand for high value-added products due to an increase in customers who place importance on quality</div></div>	2 Products that emphasize safety and quality
	Supply chain	<div>Impact on production activities due to shortages in the supply of parts procured from suppliers as a result of natural disasters, fires, or political conflicts</div> <div>Impact on material procurement due to business succession issues affecting suppliers</div>	<div><div>Responses</div><div>Securing multiple component suppliers and conducting evaluation tests of alternative materials</div><div>Conducting surveys of suppliers on the impact of changes in social conditions on domestic and overseas deliveries, and carrying out information dissemination and questionnaires on information security and environmental measures, as part of our business continuity plans (BCP)</div><div>Identifying high-risk business partners through supplier evaluations and monitoring their business conditions to improve transactions</div></div>	5 Supply chain management
	Decrease in market prices	<div>Decreased profits due to the commodification of some products and intensified competition with players in emerging economies</div>	<div><div>Responses</div><div>Development of high-value-added products that stay ahead of competitors in emerging economies</div><div>Development of competitively priced products</div></div>	1 Development of low environmental impact products 2 Products that emphasize safety and quality 3 Challenge to technological innovation
Environment	Climate change	<div>Impact on business activities from tighter regulations on the use and emission of greenhouse gases and under the energy-conservation laws due to worsening global environmental issues</div> <div>Impact on business performance due to delays in the development of businesses and products that contribute to the realization of a decarbonized society by the Group</div> <div>Plant shutdowns and supply chain disruptions due to severe natural disasters</div> <div>(P43-44 ▶ Addressing Climate Change Risks and the TCFD)</div>	<div><div>Responses</div><div>Prompt response to new regulations and to the demands placed on companies</div><div>Development of low environmental impact products</div></div> <div><div>Opportunities</div><div>Sales expansion of low environmental impact products</div></div>	1 Development of low environmental impact products 6 Reduction of CO ₂ emissions

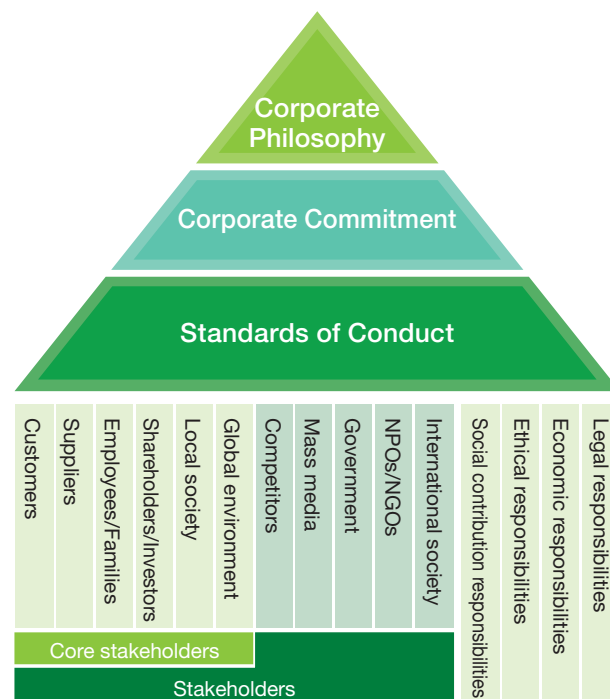
	Risk factors	Risks	Responses and opportunities	Corresponding materiality
Environment	Regulations on chemical substances in use	<div>Impact on business activities of stricter regulations on chemical substances in use</div>	<div><div>Response</div><div>Prompt switch away from materials containing regulated substances</div></div>	9 Reduction of chemical substances impacting the environment
	Plastics	<div>Impact on the continuity of the Company's packaging machinery business in the event of delayed response in the packaging business to adapt to tighter regulations and market changes toward de-plasticization</div>	<div><div>Response</div><div>Development of packaging machinery adapted to plastic-free packaging materials</div></div> <div><div>Opportunities</div><div>Expansion of business in packaging machinery adapted to plastic-free packaging materials</div></div>	1 Development of low environmental impact products 8 Prevention and reduction of waste
Foundation	Compliance	<div>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</div> <div>Loss of social credibility due to negligence stemming from insufficient knowledge of overseas laws and regulations at overseas bases with a lack of legal specialists</div>	<div><div>Responses</div><div>Enforcement of the Standards of Conduct, and education on compliance for employees</div><div>Confirmation of information on countries' laws and regulations, and provision of such legal information to Group companies</div></div> <div><div>Opportunities</div><div>Improvement of the corporate image through reform of mindset and corporate culture to enact improvements without overlooking misconduct</div></div>	10 Corporate governance 11 Compliance
	Information security	<div>Dysfunction in internal systems or information leaks due to computer viruses or cyberattacks and associated loss of social credibility</div> <div>Impact on deliveries to business partners caused by a suspension of production lines and distribution systems</div> <div>Stagnation in procurement, production, and distribution due to the shutdown of the ERP software system, and the resulting negative impact on business activities</div> <div>Impact of a virus infection on the computers of our significant business partners</div>	<div><div>Responses</div><div>Development of information security management policies and other regulations and implementation of employee training and internal audits</div><div>Installment and updating of the latest information security equipment and software</div><div>Investigation and remediation of information security management at our significant business partners</div></div> <div><div>Opportunities</div><div>Increased opportunities for dealings with customers by improving social credibility through strengthening information security systems</div></div>	5 Supply chain management 12 Risk management
	Risks related to overseas bases	<div>Impact on financial capital such as impairment when the performance of overseas bases deteriorates due to an unexpected change in the business environment</div> <div>Unexpected losses that can arise from inadequacy of management at bases with short history or small-scale locations</div>	<div><div>Responses</div><div>Support for overseas Group companies to strengthen governance</div><div>Human resource strategy incorporating strengthened in-house education, including implementation of a global-based human resource development plan</div></div>	10 Corporate governance 16 Development of human resources and future generations
	Pandemic	<div>Impact on deliveries to business partners caused by a suspension of operations at domestic and overseas plants or at key supplier plants due to lockdowns, etc.</div> <div>Stagnation of business conditions in key customers' industries due to the prolonged economic downturn, affecting business performance</div> <div>Impact on business performance due to a decrease in conventional face-to-face sales activities</div>	<div><div>Responses</div><div>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</div><div>Strengthening of non-contact support including enhancement of remote sales and services and digital contents</div><div>Strengthening of development of sensors and image processing technology for remote control and labor-saving</div></div> <div><div>Opportunities</div><div>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</div></div>	12 Risk management
Society	Natural disasters	<div>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)</div> <div>Impact on production activities due to the suspension of operations at production plants caused by natural disasters such as heavy rain and flooding</div>	<div><div>Responses</div><div>Establishment of a system enabling local procurement at each production base, and decentralization of production bases including expansion of production at the Tohoku Plant</div><div>Strengthening of response capabilities through BCP</div><div>Installment of a prevention wall to protect equipment and components that could disrupt production in the event of a flood</div></div>	12 Risk management
	Securing and training human resources	<div>Impact on production activities due to the difficulty of securing labor in Japan under a declining birthrate</div> <div>Impact on new businesses and global activities due to shortages of global-based human resources and human resources capable of project planning</div>	<div><div>Responses</div><div>Advanced automation in domestic plants and establishment of production systems that do not rely on human labor</div><div>Human resource strategy incorporating strengthened in-house education, including implementation of a global-based human resource development plan</div></div> <div><div>Opportunities</div><div>Increased demand for automation and labor-saving on production lines due to the difficulty of securing labor in Japan</div></div>	16 Development of human resources and future generations

Stakeholder Engagement

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

Policies and initiatives

We appropriately execute the social contribution responsibilities, ethical responsibilities, economic responsibilities, and legal responsibilities that we, as a company, must fulfill for our stakeholders, based on our Corporate Philosophy, Corporate Commitment, and Standards of Conduct. 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, strong supply system, technological innovation, etc.	<ul style="list-style-type: none"> Inquiry forms and other inquiry contact points Product information provided through websites and social media Plant tours, showrooms, 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.	Contact
Suppliers	Fair trade, green procurement, etc.	<ul style="list-style-type: none"> Shared procurement policies Production trend briefings Shared quality assurance policies CKD Green Procurement Guide 	We promote procurement activities to realize a sustainable society in partnership with our suppliers based on our established Purchasing Principles and Fundamental Policy.	Materials Procurement
Employees/Families	Health and productivity management, diversity, etc.	<ul style="list-style-type: none"> In-house publications and intranet Career planning consultations Opportunities of dialogue with top management Whistleblower/harassment consultation contact points Worksite council Safety and Health Committee Various training programs 	We promote a workforce that makes the best use of its diversity and does 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.	P45-48 ▶
Shareholders/Investors	Corporate value improvement, provision of information, appropriate share price, shareholder return, etc.	<ul style="list-style-type: none"> General meeting of shareholders Financial results briefings IR events and individual meetings IR information website Integrated reports and shareholder newsletters Briefing session for individual investors Distribution of IR information to individual investors via e-mail 	<p>We strive to actively disclose information and carry out dialogue in order to ensure transparency.</p> <p>We aim to form an appropriate share price and provide returns that meet the expectations of our shareholders.</p>	Investor Relations
Local society	Job creation, reduction of environmental burden, etc.	<ul style="list-style-type: none"> Social contribution activities (science classes, forestation activities, etc.) Dispatch of lecturers to seminars and educational sites Sharing information through websites and social media 	We aim to be an open company that can contribute to society and local communities.	Social Contribution Activities
Global environment	Conservation of the global environment, etc.	<ul style="list-style-type: none"> Environmental management framework Environmental education Compliance with environmental regulations Development of low environmental impact products 	We comply with environmental laws and regulations, work to prevent environmental pollution and reduce CO ₂ emissions, and undertake environmental management activities.	P41-44 ▶

TOPICS

Evaluation and Awards

Evaluation and awards for our technology

Selected as a Company Taking on the Zero-Emission Challenge

In October 2021, CKD was selected as a Company Taking on the Zero-Emission Challenge—a company that is striving toward innovation to achieve carbon neutrality—by the Ministry of Economy, Trade and Industry (METI). Our project of Technology Development of Cylindrical Solar Cell Systems for Agrivoltaics was highly evaluated and adopted as a project for the Research and Development on New Energy Technology for Discovering Technology Seeds and Commercializing Developed Technologies, which is

conducted by New Energy and Industrial Technology Development Organization (NEDO).

By participating in this project, we will contribute to the development of renewable energy for the realization of a decarbonized society.



Received the 2021 *Cho-Monozukuri* (super manufacturing) Innovative Parts and Components Award for Health and Welfare, Biotechnology, Medical Device Parts

Our Transparent Object Inspection System IS-UVCL01 won the 2021 *Cho-Monozukuri* Innovative Parts and Components Award for Health and Welfare, Biotechnology, Medical Device Parts. The Award was co-sponsored by an economic and industrial organization, Monodzukuri Nippon Conference, and the Nikkan Kogyo Shimbun, Ltd. This year marks the 18th year of the event, and we have received this award for four consecutive years.

The IS-UVCL01, a transparent object inspection system that “never misses what you cannot see,” contributes to automation and labor-saving in inspection processes that were previously performed visually by utilizing the

characteristics of ultraviolet light. The system has a variety of applications for processes, such as the detection of holes in transparent films and containers, leakage of transparent liquids, and visualization of material thickness fluctuations. The minimum configuration of camera, lighting, and processing equipment is provided for easy customization to suit the customer's manufacturing processes.



Received the Technology Award at the 38th Annual Technical Meeting on Air Cleaning and Contamination Control

Our presentation on the research of particle measurement in compressed air won the Technology Award at the 38th Annual Technical Meeting on Air Cleaning and Contamination Control sponsored by Japan Air Cleaning Association.

While typical particle counters draw air under atmospheric pressure with a vacuum pump for measurement, the technology of this study allows measuring in compressed air without using a vacuum pump. We have developed this measurement technology in cooperation with a sensor manufacturer and a university professor. We are expanding

on this research to develop an in-line particle counter that can constantly monitor particles in compressed air.

This measuring instrument can reduce food loss through early detection of abnormalities, thus contributing to the SDGs.



Evaluation for our ESG initiatives



In June 2022, CKD was selected as a constituent of the FTSE Blossom Japan Sector Relative Index.



Recognized as one of the 2022 Certified Health & Productivity Management Outstanding Organizations (the large enterprise category) P47 ▶



Certified as an Aichi Josei Kagayaki Company P46 ▶



Awarded a Kurumin certification P46 ▶



Registered as an Aichi Prefecture Family Friendly Company P46 ▶

Message from the COO



While getting back to the basics as a manufacturer that stays close to customers, and shares excitement with all our stakeholders, we aim to create new value

Katsuhito Okuoka
Representative Director, President
and Chief Operating Officer

Threats to the sustainability of society have brought changes to the nature of and approaches to corporate management

I have completed the first year in my appointment as President in June 2021. Mr. Kajimoto, the previous President, is serving as Chief Executive Officer (CEO), and is responsible for making decisions from a long-term perspective, while I am doing my best to fulfill my remit to execute business from a short- to medium-term standpoint as Chief Operating Officer (COO). So you could say that we are a company with two engines now, and I have been moving forward with business execution to drive the Company forward under this new *W Engine* management structure.

Our business environment is filled with uncertainty, with the COVID-19 continuing to spread relentlessly and geopolitical risks such as the protracted face-off between the U.S. and China mounting. That being said, the COVID-19 pandemic at least has delivered changes that ought to be viewed in a positive light. These include the advance of cutting-edge technologies like IoT and AI and the transformation of both lifestyles and workstyles. One example is the proliferation of remote working since 2020. Diversification of work styles, which had long been called for but had shown no signs of progress, has also made progress.

And recently, with awareness of the threats to the sustainability of society rising sharply, I am acutely conscious of our transition into an era in which companies are being demanded not only to pursue profits but also to adopt a much stronger ESG focus by paying attention to the global environment and social issues.

Making new discoveries as the two of us from production and sales backgrounds work under the *W Engine* structure to propel the company forward

As a pioneer in the field of fluid control and automation, the Company has embraced the challenge of technological innovation since its inception, and over many years have supported its customers' *monozukuri* (manufacturing) operations and forged relationships of trust with them. Regarding the nature of manufacturing, more effort is being made to protect the environment, and there is growing demand for enhanced product functionality and automated, labor-saving manufacturing processes that make workplaces safer and more secure. As such, it is now vital to create service businesses that bring us closer to customer needs. Simply manufacturing products is no longer enough.

We currently have two business pillars, Automatic Machinery and Component Products, and even looking around the world, there are few companies engaging in both these businesses. With our automation and fluid control technologies as the bedrock, we continuously develop products that meet the needs of our customers, and this is the source of our strength, as we offer numerous products covering various fields, such as pneumatic related, electric motion, and fluid control components.

With the technological innovation we have pursued since our foundation and the fruits of our proactive approach to business

expansion as a base, the *W Engine* structure put in place in fiscal 2021 has enabled us to support one another and overcome this incredibly opaque business environment. Fiscal 2021 was my first year as President, and being able to receive periodic advice from Chairman Kajimoto, especially in the area of sales, was hugely beneficial. It was also the year in which I was grateful for the hard work of our employees and all the support I received from suppliers and stakeholders, including with respect to constantly emerging business risks such as disruptions to raw materials procurement and supply chains.

Ever since I joined the Company, I have focused on performing and managing operations on the frontlines of production, but by viewing production from the vantage point of senior management, I have made fresh discoveries and identified new issues to tackle. Looking ahead, I am committed to continuing to leverage the strengths of the *W Engine* approach to optimize our management from both long-term and short- to medium-term perspectives, and to taking on challenges that I can accomplish as a senior manager whose roots are in production.

Achieved record performance in fiscal 2021 thanks to boosted production capacity

Looking at our consolidated financial results for fiscal 2021, we recorded net sales of ¥142.2 billion (up 33% year on year) and operating income of ¥17.9 billion (up 132% year on year), so we were able to finish with our highest revenues and profits on record.

In the background to this were a number of factors: First, despite the impact of supply constraints for semiconductors and other components and raw materials, the manufacturing industry continued to return to normal in the wake of the COVID-19 pandemic. Second, while there was variation from sector to sector in terms of capital investment, a recovery in corporate earnings and our efforts in growth fields such as the environment helped us regain ground. Third, the electronics industry saw strong levels of investment as uses of ICT expanded to encompass 5G and IoT.

With these economic trends forming the backdrop, the performance of each of our businesses was as follows: Regarding the automatic machinery business, in the industrial machinery category, net sales of lithium-ion battery manufacturing machines declined, but net sales of 3D solder paste inspection machines climbed. Moreover, net sales of packaging machines for pharmaceutical products also increased. [P33-34 ▶ Automatic Machinery Business](#)

In the Component Products business, net sales of products for use in semiconductor manufacturing equipment rose on the back of strong domestic semiconductor demand in connection with the ongoing move to 5G. In the automobile market, products for eco-car-related manufacturing equipment and products for in-demand machine tools performed briskly. As for overseas markets, net sales rose in China, where capital investment across the entire manufacturing sector held up, and also in South Korea and Taiwan, where semiconductor-related capital investment was robust. Net sales also kept rising in the West, where economic activity was rebounding, and in Southeast Asia, where activity restrictions were eased. [P35-38 ▶ Component Products Business](#)

Message from the COO

In this way, I believe that we have been able to respond to the capital investment moves of our customers by acting in line with the basic policies set out in our Long-Term Management Vision “10-Year Vision: GO CKD!” In other words, we have been proactive in taking measures to expand our product line-up and boost our production capacity, and this has been the cornerstone for achieving such fantastic operating results.

In light of the previous fiscal year’s operating results, we expect to continue performing well through fiscal 2022. Specifically, our earnings forecasts for the year ending March 31, 2023 are net sales of ¥146.0 billion (up 3% year on year) and operating income of ¥18.5 billion (up 4% year on year). Some point out that these figures are somewhat too cautious, but wary of the potential impact of various causes for concern on production activities, we settled on these forecasts. Regarding causes for concern, the last embers of the COVID-19 pandemic are still smoldering, and China’s zero-COVID policy could impact us. Other potential stumbling blocks include the short supply of components, runaway raw materials prices, and geopolitical risks.

However, the demand environment surrounding us remains favorable. Digitalization is being promoted, demand for automation and labor saving in the manufacturing sector is growing, investment in the electronics industry is expanding, and automobiles are going electric. We therefore expect needs in these areas to remain at high levels both domestically and internationally. If we get more clarity on the risk factors and uncertainties mentioned above, we may revise the forecasts upward.

Outcomes of basic policies under the fourth Medium-Term Management Plan: Build-up CKD 2021

Implementation of our fourth Medium-Term Management Plan: Build-up CKD 2021 came to a close in fiscal 2021. It pushed us forward with structural reform, and a central theme in our Long-Term Management Vision “10-Year Vision: GO CKD!”

To summarize the outcomes, net sales narrowly missed the initial target for the final fiscal year of the plan, but operating

income exceeded the target of ¥14.3 billion to finish at ¥17.9 billion. Also hitting the mark were operating income margin, which was 12.6% (compared to a target of 10.0%), and ROE, which was 12.1% (compared to a target of at least 9.0%). The dividend payout ratio, meanwhile, was 33.7% over the three-year period, against a guidance ratio of 30%.

Looking at the outcomes from the four basic policies contained in the plan, regarding “Challenge new business activities and markets,” we launched a pharmaceutical products packaging machine (FBP-300W) for the Chinese market. We made this move to overcome sluggish market environments, which is marked by a shrinking Japanese domestic drug market as a result of the impact of changes in NHI prices. We are also proceeding with the development of a 6,000-pill, high-performance model in the same series, putting together a structure for taking on the Chinese market, and strengthening our sales capabilities there.

In the area of 3D solder paste inspection systems, we brought a new model (VP9000) to market, while in new fields, we launched the IS-UVCL01, the Transparent Object Inspection System. In addition to the establishment of new businesses, I also view the recent growth of CKD Field Engineering, a Group Company that offers services such as maintenance that the Group will be focusing on going forward, as an important step toward the future.

In the Component Products segment, we developed commercially-viable products that contribute to society, such as the environmentally-friendly and highly durable HP Series, which prevent lost production due to repairs and maintenance, and the PowerArm PAW Series of assistance devices for human assistance products.

And in response to the growing demand for communications equipment as a result of increased efforts to bring about digitalization and DX (digital transformation), sales of fluid control components for semiconductor manufacturing equipment rose substantially. The expansion in production capacity at the Tohoku Plant that took place four years ago was also a big contributor to our performance in fiscal 2021. In the electric

motion components business, which we have positioned as a business to focus on in the future, we have been responding to rising demand for electric motion components by adapting to diversifying needs on two fronts: conventional pneumatic components and electric motion components.

Regarding “Accelerate globalization and expand overseas markets,” we have expanded production capacity at the China Plant in tandem with the growth of the Chinese market, while in North America we have built a new plant to meet the brisk demand for semiconductors in the region. At the Thailand Plant, we have increased the space available for production and boosted output of fluid control components. We also plan to complete the construction of a plant in India in fiscal 2023, a project having been paused amid the COVID-19 pandemic. And in North America, Mexico, and Vietnam, we expanded our network of local distributors and have made steady progress in strengthening alliances.

As for “Establish a sustainable management foundation,” we have set clear numerical targets for cutting CO₂ emissions. Specifically, we are aiming for a 50% reduction (from fiscal 2013 levels) in CO₂ emissions per unit of sales by fiscal 2030 and virtually zero CO₂ emissions by fiscal 2050. To meet these targets, we are making every effort to reduce our energy consumption. P41–42 ▶ Environment

We have also established the Sustainability Committee, the members of which are senior executives, and are forging ahead with initiatives that will benefit the environment, such as introducing solar power generation systems and co-generation equipment as part of our corporate activities. Furthermore, we have promoted the development of low environmental impact products through our business activities, and the HP Series of high-durability components and the NS Series of nitrogen gas extraction units received the Golden Award of the 2021 AIChI Environmental Award. We have also produced and distributed the “Global Contribution Products Guide” as a tool for supporting customers in their efforts to achieve the SDGs. I feel that consideration for the environment is something that has become central to our business activities.

With respect to “Build a corporate culture with faith in human resources,” which is one of the key initiatives that we are concentrating on, we have been promoting DX and digitalization as essential for workstyle reform since I took up the post of President. We have deployed an AI-driven translation system, as well as sales tools like SFA (sales force automation) and MA (marketing automation), and have been endeavoring to improve operational efficiency and productivity so as to make working conditions more pleasant by introducing technologies such as a web system that can be used on a daily basis. And to make the workplace safe and secure, we have held workplace consultation meetings and established an occupational health and safety center. In this way, we have been putting robust system structures in place to protect employees.

As a measure for promoting diverse ways of working that reflect the career plans of individuals, we launched an internal job posting system in December 2021. This enables employees to raise their hands and get transferred to jobs they wish to partake in. P45–46 ▶ Human Resources

With the new Medium-Term Management Plan: Exciting CKD 2025, we are focusing on growth fields and aiming for an exciting four years

I feel that fiscal 2021 was a year in which we aimed at our next phase of growth and made substantial progress to that end. Nonetheless, there are still numerous tasks ahead of us. To achieve our Long-Term Management Vision “10-Year Vision: GO CKD!” and lay a foundation for the next decade, we have newly drawn up our fifth Medium-Term Management Plan: Exciting CKD 2025. This is a medium-term roadmap for four years from fiscal 2022 to fiscal 2025, and based on it, we will be contributing to society and creating new value through our business operations. We used the word “exciting” because we want this to be “four years” in which excitement is felt by both our customers and our employees.

Reflecting on the fourth Medium-Term Management Plan: Build-up CKD 2021

Achieved profit targets in the final year of the plan by flexibly adapting to changes in our business environment and society

Targets and results in the final year of the plan

	Initial targets	Results	Three-year targets	Results
Consolidated net sales	¥143.0 billion	¥142.2 billion	¥377.0 billion	¥349.6 billion
Operating income	¥14.3 billion	¥17.9 billion	¥31.6 billion	¥30.8 billion
Operating income margin	10.0%	12.6%	8.4%	8.8%
ROE	9.0% or more	12.1%	–	–

Returns to shareholders


Dividend payout ratio

33.7% (30.2%, 31.2%, 35.5%) during the period of the previous medium-term management plan

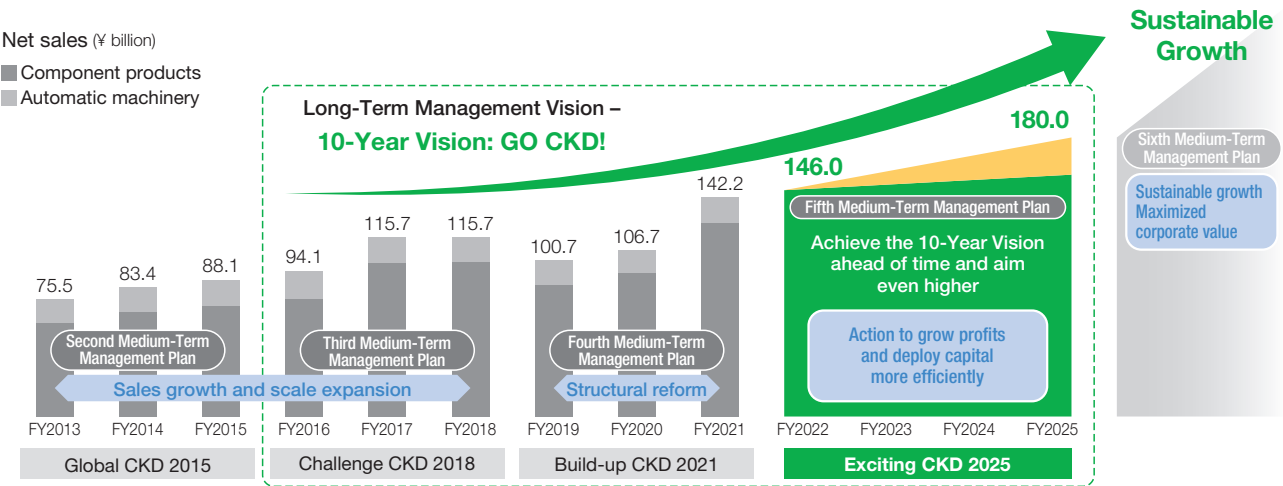
Compared to a guidance ratio of 30%

Positioning of Exciting CKD 2025

For details of our new Medium-Term Management Plan: Exciting CKD 2025, please refer to our corporate website.



Building a foundation for achieving “10-Year Vision: GO CKD!” and linking that to our next long-term vision



Message from the COO

New Medium-Term Management Plan
(FY2022–FY2025, four-year plan)

Exciting CKD 2025

By contributing to society through our business and creating new value,
we will get customers excited, further, we will accomplish our 10-Year Vision and
inspire the next 10 years with excitement

1

Challenge new business activities and markets

2

Accelerate globalization and expand overseas markets


3

Establish a sustainable management foundation


4

Build a corporate culture with faith in human resources


Management policies and key initiatives



1. Evolution of profit and business strategy model
(1) Industries of focus
Semiconductors/
batteries
(2) Businesses of focus
(3) Regions of focus
(4) DX-based service business



2. Improvement of management efficiency
(1) Capital policy approach
- Cash allocation overview
- Investing for growth
(2) Capital investment plans and R&D investment plans



3. Enhancement of management foundation
(1) ESG for sustainable growth
(2) Environment
(3) Society
(4) Governance

Management goals

Net sales
¥180.0 billion

ROE
10-13%

Dividend payout ratio
around 40%

KPI	FY2021 results	FY2022 goals	FY2025 goals
Net sales	¥142.2 billion	¥146.0 billion	¥180.0 billion
Operating income	¥17.9 billion	¥18.5 billion	¥25.0 billion
ROE	12.10%	10.0-13.0%	
Dividend policy	Dividend payout ratio of around 30%	Dividend payout ratio of around 40%	
Share buyback	—	Flexible share buyback considered	

Exciting CKD 2025 inherits the four basic policies set out in the 10-Year Vision, and defines a concrete course of action that focuses on three themes: “Evolution of profit and business strategy model,” “Improvement of management efficiency,” and “Enhancement of management foundation.”

With “Evolution of profit and business strategy model,” we have declared our industries of focus to be semiconductors and rechargeable batteries. Regarding semiconductors, with chips becoming more intricate and multi-layered, in recent years we have seen chip fabrication processes becoming more sophisticated, and markets becoming increasingly multipolar. We will be aiming to leverage our technological capabilities, which can handle the most advanced processes, and expand our market share by offering follow-up support worldwide.

In the field of rechargeable batteries, the market for EV batteries is expected to grow from around ¥3 trillion in 2020 to around ¥26 trillion in 2035. As EVs replace gasoline vehicles, we will strengthen sales of pneumatic components for rechargeable battery manufacturing processes, and develop pre-doping technology for lithium-ion battery manufacturing machines. We will also move forward with commercializing, mass-producing, and distributing lithium pre-doping equipment.

In terms of business operations, we will be strengthening the electric motion products business, which offers high levels of environmental performance. With regard to boosting the product appeal of ABSODEX and τ DISC direct drive motors, and ROBODEX electric actuators, we plan to leverage our long-held superiority by simultaneously offering a line-up of pneumatic

components and two product ranges to ultimately propose optimization solutions to customers and expand our market share.

We also envision a shift from the two-pronged “sell and move on” business model based on the Automatic Machinery and Component Products businesses to a recurring business model. This will be accomplished by offering system units that combine and integrate a broad array of technologies and products, and utilizing DX to enter the service business.

The aim is to add digital tech to the fluid control and automation technologies that constitute our strength, and create new value through innovation. We are considering such services as assisting with maintenance, offering solutions, and carrying out maintenance to solve problems. This is built on a scenario where we combine hardware (fluid control/automation), software (digital technology) and people (creative wisdom) to come up with new services. [P49–50 ▶ DX Strategy](#)

Service businesses and software products that we have already brought to market include Facilea, a visual programming tool that employs our proprietary image processing technology and allows users to drag & drop to enter settings easily; Rinops, a production support system that allows data to be utilized with wearable devices; and LTE-compatible remote controllers for primary industries which were developed in response to increasing attention given to agricultural IoT.

Furthermore, while there are a myriad of specialist manufacturers targeting each business, we boast a huge range of product lines and a wide variety of different technologies. This

is our strength and what sets us apart from the pack. Our technological capabilities allow us to offer precision control and clean environments required especially in drive components and fluid control components, which are essential to automation, and in the increasingly intricate semiconductor field. In fact, utilizing this technical clout, we have been developing various products at a level unrivaled by any specialized manufacturer. Going forward, we will be widely combining and integrating these technology assets to evolve our business model.

Our capital policy is to secure investments necessary for sustainable growth, while endeavoring to improve managerial efficiency, and to make investments in plant and machinery and in R&D, including M&A. We will also pursue both stability and flexibility in shareholder returns.

P29–32 ▶ Financial and Capital Strategies

To enhance our management foundation, we have positioned the consideration for ESG as a key component of our management strategy, and will be striving not only to contribute to the realization of a sustainable society but also to increasing our corporate value. Besides our efforts to reduce CO₂ emissions and achieve carbon neutrality, for which we have set clear numerical targets mentioned earlier, in June 2022 we announced our support for the Task Force on Climate-related Financial Disclosures (TCFD), and as an initiative for ensuring respect for human rights, in April 2022 we established the CKD Group Human Rights Policy. We will also be reinforcing our governance, for example, by optimizing the composition of the Board of Directors and introducing an officers' compensation system focused on corporate value enhancement over the medium to long term.

Our targets for fiscal 2025 are consolidated net sales of ¥180.0 billion and an ROE of 10–13%. We have also hiked our guidance dividend payout ratio to 40%. To meet these targets, we are standing ready to deliver results that outstrip even the goals declared in our 10-Year Vision.

The thinking behind the fiscal 2022 President's policy: Close to Customers.

Based on the slogan “Close to Customers,” I have defined my policy as President for fiscal 2022 as becoming close to customers and sharing excitement by offering value through technology and services.

Regarding the outcomes achieved in fiscal 2021, what delighted me more than anything was being praised as a “superior partner” by multiple customers. All our employees involved in sales, development, and production stuck close to customers and took action to put customers first, and this seems to have been well received. The year provided a fresh opportunity to remind ourselves of the caring stance and values we must maintain as a company.

As a result, I concluded that we should make sure to stay close to customers and get back to the basics as a manufacturer, which is to solve problems through technology. With a goal of freeing ourselves of the attitude that just making great products is enough, and instead getting customers to realize the value of our products and to use them so that they ultimately prove their worth, I would also like to value and deepen my relationship with customers. I hope that this can be

the starting point for everyone to grow when they set about performing the work in front of them.

To cultivate this kind of attitude, what is most essential is the action to raise the level of employee engagement. But how can we create an environment in which employees feel pride working at CKD and desire to stay with us for a long time? What should we be giving back? With that in mind, we have launched a number of challenging new measures.

I have already mentioned the development of next-generation leaders, global talent, and digital talent, and with the help of outside experts, we have put together an array of programs and initiatives such as MOT and MBA courses, training programs for leader candidates and data scientists.

Furthermore, in June 2022 we introduced an “innovator challenge system” for gathering ideas that can be turned into new businesses. With this program, cash prizes are awarded to outstanding ideas, and the Company also helps get the businesses off the ground.

We have a lot of hard-working employees, and while they work hard to tackle the tasks in front of them, and possess the abilities to turn their efforts into results, they tend to be cautious when it comes to taking on new challenges. To make further leaps forward, I want our employees to create new value by rejecting fear of failure, coming up with mold-breaking ideas, setting lofty goals that appear almost unattainable, putting in place systems and mechanisms that enable these goals to be achieved, and sharing excitement with our customers.

Our business environment is going to remain opaque, and I believe the keys to achieving sustainable growth in this era will be to maintain good relationships and dialogue with all our stakeholders, enhance the transparency of our management, clearly articulate what we want to become, and take action to earn recognition from all corners of society.

As we aim to become a company that contributes to and is trusted by society, I believe it is my responsibility to properly execute our new medium-term management plan to produce tangible results, and I intend to do everything I can to that end. I would like to ask all of our stakeholders for their continued support.



Financial and Capital Strategies –Message from the CFO

Creating a virtuous cycle through sound financial and cash management that contributes to improving corporate value, and putting in place a flexible yet robust financial foundation

Yusuke Hirako

Director, Managing Executive Officer

Chief Financial Officer (CFO), In charge of Administration

Serving in this post since June 24, 2022

Reflecting on changes in operating environment and the previous medium-term management plan

Changes in the global environment surrounding our corporate operations are quickening, and economic and industrial trends are intensifying. As for the current situation, shortages of semiconductors and other components have become protracted and the price hike of raw materials is creating issues for supply chains. In addition, geopolitical risks such as economic security, international conflicts, and currency gyrations are impacting us. We also need to remain vigilant regarding the possibility of earthquakes and natural disasters. As such, the risks we face are wide-ranging, making corporate management an increasingly tricky task.

Against this backdrop, in fiscal 2021, the final year of our fourth Medium-Term Management Plan: Build-up CKD 2021 (fiscal 2019 – fiscal 2021), we answered the booming demand related to semiconductors, batteries, and the shift to automation, and also endeavored to improve our components procurement. The performance of our businesses produced positive outcomes, and we attained our profit targets.

And looking back on the period of the plan, the spread of the COVID-19 brought changes to our business environment, and social values and markets themselves were transformed. With digitalization being promoted, I view it as a three-year period in which we were able to flexibly respond to changes in the circumstances of society.

Fifth Medium-Term Management Plan: Exciting CKD 2025

Three key points considered when formulating the plan

As CFO, I was conscious of three things. **The first was that an intrinsic and significantly higher level of managerial discernment was now required.** As a company listed on the Tokyo Stock Exchange's Prime Market, a market newly opened in April 2022, we need to reinforce our business foundation, and put in place a more robust governance structure built on a dialogue with our stakeholders. And it goes without saying that we need to run the Company with a sustainable focus on ESG.

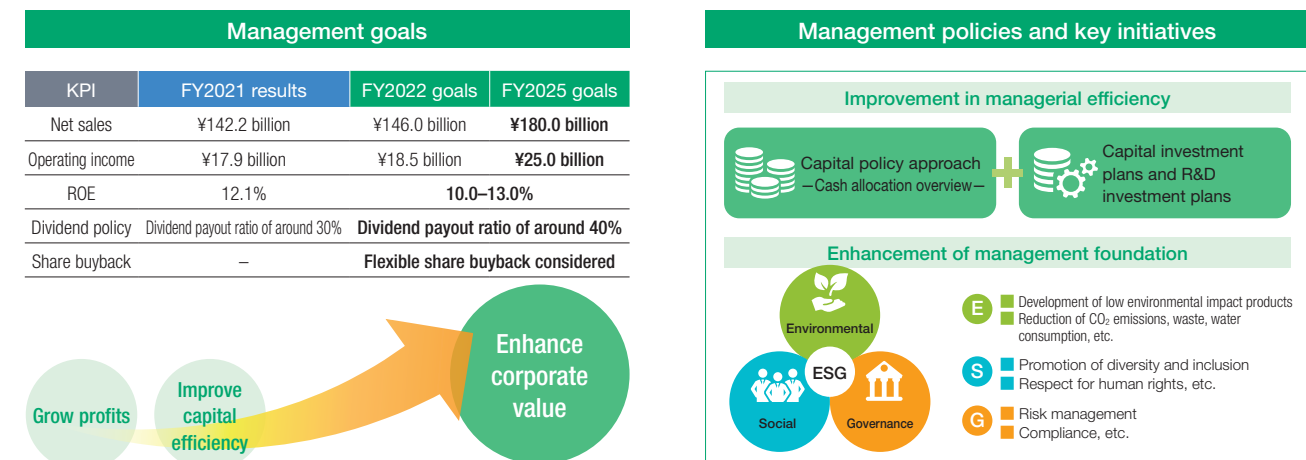
The second was that we must create a virtuous cycle through sound financial and cash management that

contributes to enhancing our corporate value. So we are going to switch up gears to maximize future cash flow on a sustained basis, and create a virtuous cycle for cash allocation that is focused on investing and returning value to shareholders so as to help raise our corporate value.

The third was that we need to prepare a robust financial base that still offers flexibility. We will endeavor to build a flexible yet robust financial base that enables us to ensure stable and diversified fund procurement so that we can carry out business and flexibly make essential investments.

Fifth Medium-Term Management Plan: Exciting CKD 2025 (Fiscal 2022–Fiscal 2025)

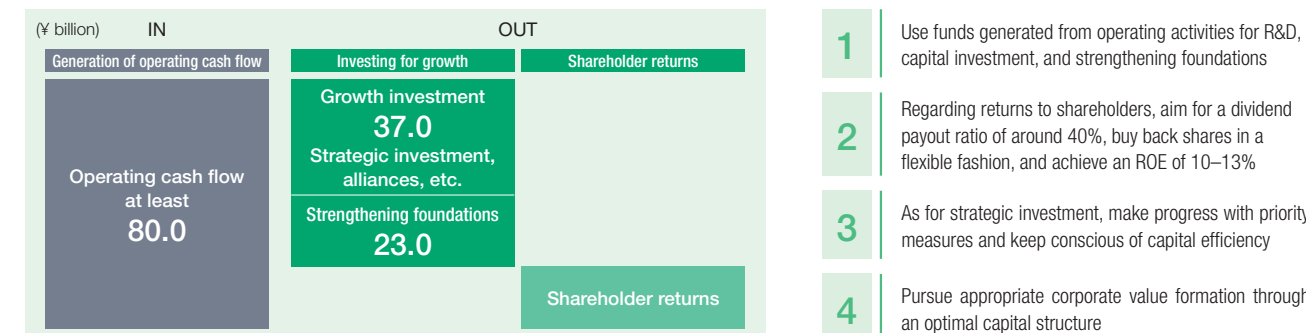
As discussed in the Message from the COO (P23▶), we have formulated and published a new medium-term management plan. Below is an outline of the plan.



Financial and capital strategies—Capital policy approach

Cash allocation overview

We will secure the investment we need in a sustained fashion, and provide stable and flexible shareholder returns.



Investing for growth

We will utilize cash generated, and deploy ¥60.0 billion for investing in growth and strengthening foundations, including through M&A.

Key areas		Monetary amounts
Growth investment/strategic investment	Domestic investment: Invest in semiconductor and rechargeable battery sectors, and in increasing production capacity for electric motion components	¥37.0 billion
	Overseas investment: Commence production and expand capacity in the West and India	
	Alliances, M&A, launch of new businesses, and business restructurings for business expansion	
Strengthening foundations	Human investment	¥4.0 billion
	DX investment	¥2.0 billion
	Environmental investment	¥7.0 billion
	Investment in productivity improvement	¥10.0 billion

Period of the Medium-Term Management Plan

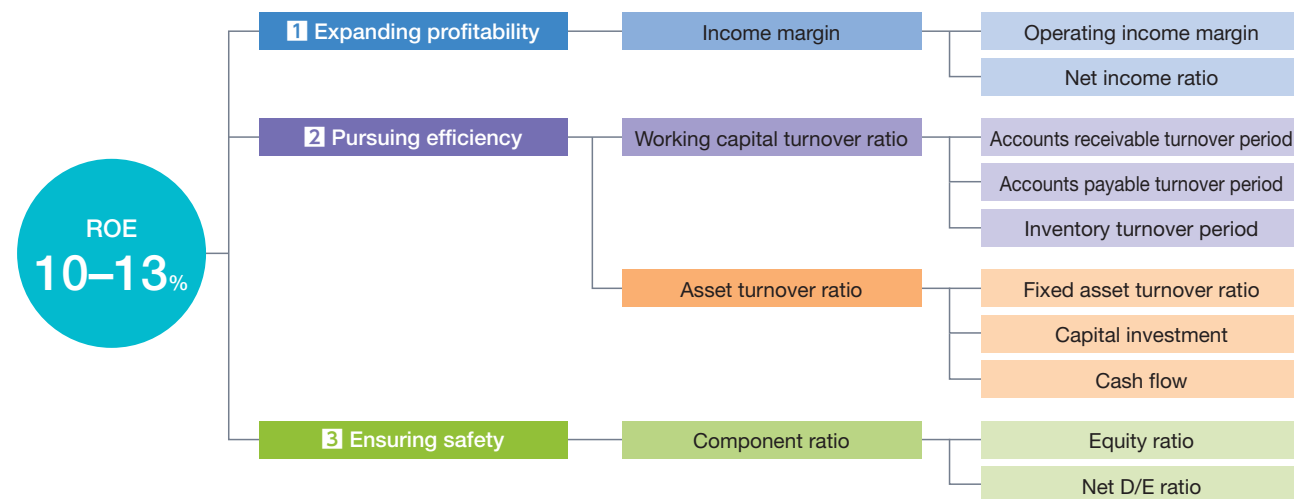
With the fifth Medium-Term Management Plan, we will be endeavoring to evolve our earnings and business strategy model and integrate it into our business model. We will also be focusing on swiftly strengthening organizations and structures in terms of risk management and governance. As someone who came from

a financial institution, I am conscious of how we are perceived by outsiders, and I am determined to reach our goals for the four years from fiscal 2022 to fiscal 2025, and will also be concentrating on the task of drawing up our next 10-year vision.

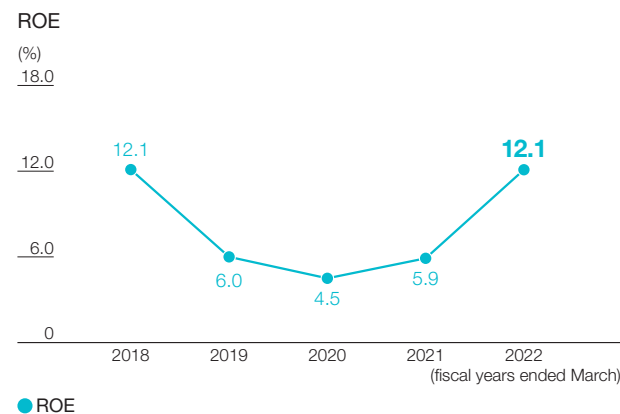
Financial and Capital Strategies —Message from the CFO

Maximizing our Corporate Value

We will monitor and improve our efforts to expand profitability, pursue efficiency, and ensure safety, with a target ROE of 10% to 13%.



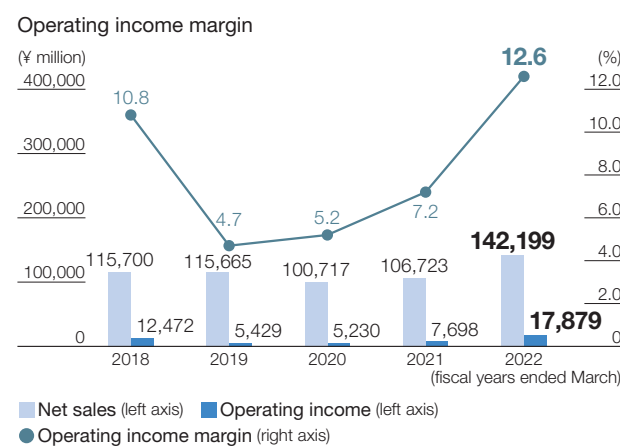
To that end, we will pursue balance, paying adequate attention to safety, continuously reducing wasteful costs, executing strategic investments to expand our business, investing aggressively for growth, and exploring possibilities for shareholder returns and flexible share buybacks.



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.

We will also focus on managing net income, which forms the basis for dividends returned to shareholders.



Pursuing Efficiency

Inventory turnover period

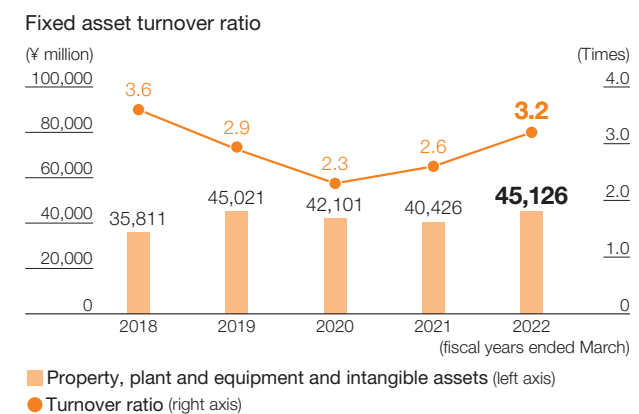
To respond quickly to customer needs, we systematically manage necessary inventories using our ERP software system. At the same time, we respond flexibly according to the volume of orders.

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



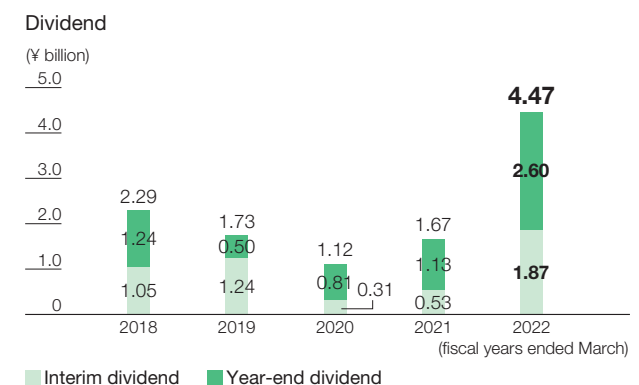
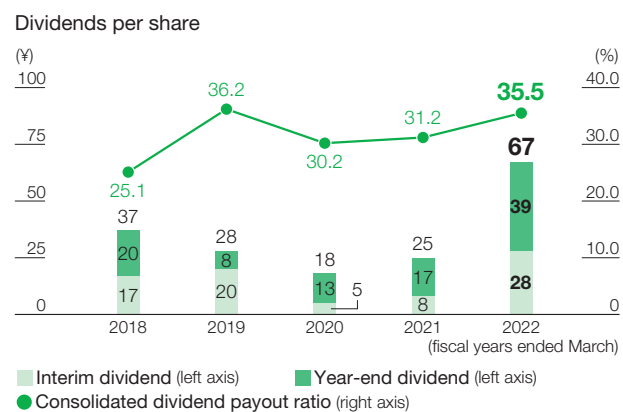
Fixed asset turnover ratio

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.



Shareholder Returns

The dividend payout ratio is set at around 40% to allow returns to shareholders after securing sufficient capital for growth investment.



Treasury Stock

If sufficient retained earnings are secured, we will flexibly implement share buybacks to return profits to shareholders, while giving due consideration to stability. As a general rule, we will retire repurchased treasury stock, but we may also use them for share exchanges in the event of M&A deals that will enhance shareholder value.

Ensuring Safety



Establish a flexible and solid financial foundation

We will establish a flexible and solid financial foundation by diversifying funding sources, borrowing at fixed interest rates, staggering repayment periods, securing committed lines of credit, and managing our net D/E ratio.

Strategy by Business



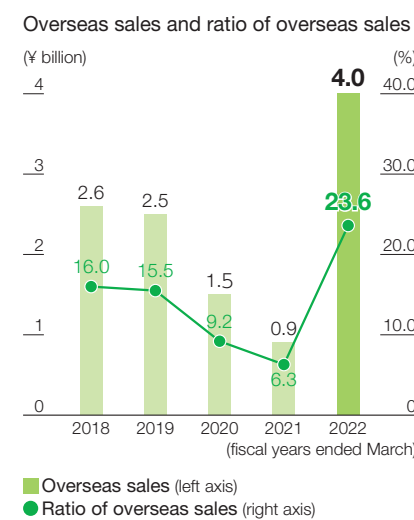
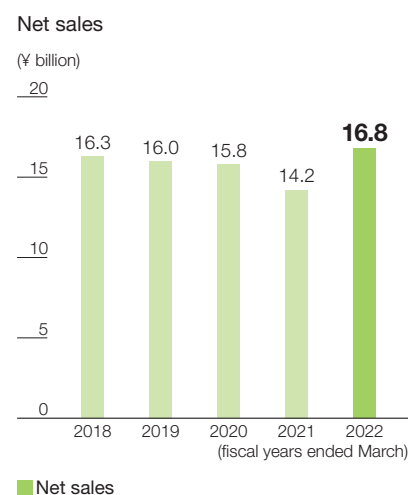
Katsunori Hayashida
Managing Executive Officer, Corporate Officer
General Manager, Automatic Machinery Business Division

Business Vision

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.

Value provided through business

Automatic packaging systems	Packaging equipment for pharmaceutical products (tablets, capsules), medical apparatus, and food items, which facilitates safe and secure provision of goods.
Inline medical product inspection systems	An inspection device that detects chipped tablets, foreign particle contamination, torn sheets, etc., at high speeds and with high accuracy, contributing to the safe and secure supply of medicines.
3D solder paste inspection machines	A machine that inspects solder paste printing on printed circuit boards (PCBs) by using image processing, which contributes to ensuring quality and improved productivity in PCB mounting process.
Lithium-ion battery manufacturing machines	A machine for manufacturing lithium-ion batteries used in EVs and other vehicles as well as lifeline infrastructure, which contributes to the spread of eco-cars and environmental measures.



Reflecting on Fiscal 2021

In fiscal 2021, the industrial machinery field saw higher sales of 3D solder paste inspection systems for both the domestic and overseas markets, but sales of lithium-ion battery manufacturing machines declined. In the packaging machines field, sales of pharmaceutical products packaging machines increased thanks to a recovery of capital investment in the Japanese market and a minimized impact of the COVID-19 pandemic-induced overseas travel restrictions. However, sales of food packaging machines fell. The business division overall recorded net sales and segment income that were both above those of the previous fiscal year.

Packaging machines field

In the pharmaceutical packaging field, we pressed ahead by offering services in the Japanese market to support the installation of equipment aimed at stabilizing the supply of pharmaceuticals and to increase productivity. In China, amid lockdowns and travel curbs, we moved forward with sales activities to expand sales of exclusive models for the Chinese market.

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 pressing ahead with the development and offering of new products and forms of packaging that contribute to solving social issues such as eliminating plastics and food loss.

Industrial machinery field

In the industrial machinery field, the semiconductor and mobility markets recovered rapidly from a slowdown caused by 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. In China, the largest market for automotive batteries, we are strengthening cooperation with local companies.

Future Growth Strategy

Besides providing customers with equipment and maintenance, we intend to create new value and expand the service business of the CKD Group as a whole by offering DX-based services.



Packaging machines field

In the mainstay pharmaceutical packaging field, in the domestic market, we will expand products and systems that help customers improve their productivity and contribute to them with service support centered on CKD Field Engineering. We will also endeavor to tackle societal issues by responding to the growing trend of choosing plastic-free and eco-friendly packaging materials. And in China, where we have launched new models, we will be striving to further strengthen our service structures and expand sales.

Industrial machinery field

In the field of industrial machinery, the demand for automotive lithium-ion batteries is growing vigorously due to the rapid acceleration of the electrification of automobiles. Not only will we respond to this market trend and capitalize on growing demand, but we will also contribute to reducing CO₂ emissions. We will also be further strengthening procurement and production of 3D solder paste inspection systems to capture demand in the booming semiconductor and mobility markets.

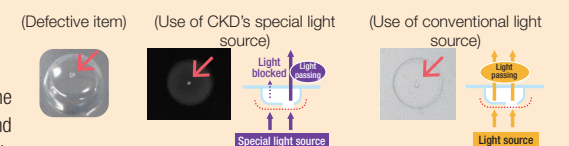
In the inspection machine field, we will step up sales activities so that our Transparent Object Inspection System, launched in fiscal 2020, will be adopted in inspection processes in a wide range of fields.

We will continue to promote business expansion by integrating sales and technology and making a series of proposals to solve customers' issues.



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 for more consistent quality and improved productivity. To respond to these needs, we launched the IS-UVCL01, the industry's first automated inspection system for transparent object defects, which is used for in-line inspection applications where the inspection process is incorporated into manufacturing equipment. This has made it possible to automate inspection processes, something that was previously only possible with the naked eye.

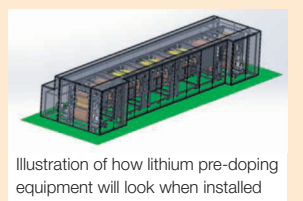


Joint development of lithium-ion pre-doping equipment

We are now jointly developing a roll-to-roll lithium pre-doping equipment, which will increase the capacity, longevity, and safety of lithium-ion batteries (LIBs), with the goal of commercializing the manufacturing and sales process.

This lithium pre-doping equipment constitutes a revolutionary solution for the liquid LIBs, often referred to as advanced LIBs, of today, and massively improves the performance of LIBs, which will be key devices in the carbon-neutral era. By adopting this pre-doping technology, customers can reduce their use of the rare metals used as LIB cathode material, and extend the LIB cycle life by curbing degradation on the negative side.

Going forward, we will continue to contribute to the realization of a sustainable society through technological innovation.



Strategy by Business



Component Products Business

Katsuhiro Niidera

Executive Officer, Corporate Officer

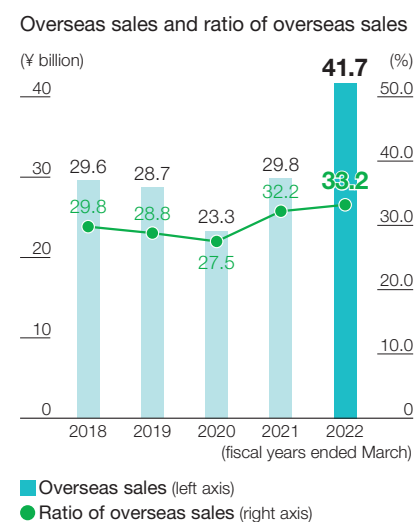
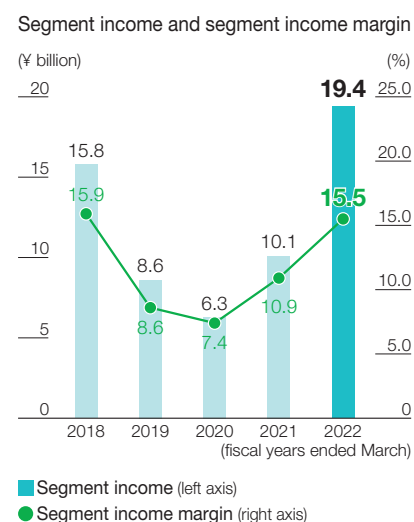
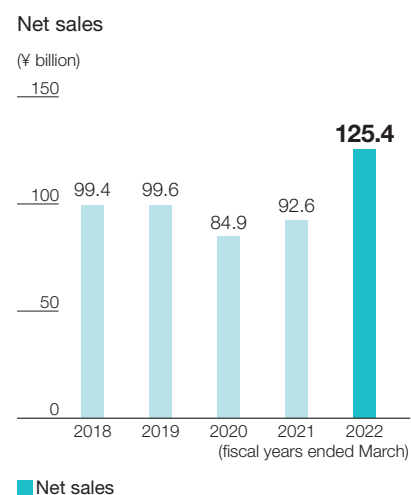
General Manager, Components Business Division

Business Vision

In the Component Products Business segment, our target in the 10-Year Vision is to become what we call a Total FA Worldwide Supplier. We are working to put together a broad lineup of FA (factory automation) systems to meet diversifying customer demands that include high speed/high precision, small size/high definition, safety/high quality, and digitalization, and to 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.

Value provided through business

Pneumatic control components	These devices control airflow by adjusting air quality and pressure, driving cylinders, and so on. We develop communication-capable automation systems for a broad range of industrial needs as well as long-life components that contribute to reducing CO ₂ emissions. We also offer eco-friendly, energy-saving pneumatic technologies.
Drive components	We supply pneumatic cylinders, which are used in a wide range of industrial fields as they can be easily automated, and high-precision and user-friendly electric actuators. Our air and electric control technology enables automation tailored to customer needs.
Electric motion components	
Fluid control components	Based on the concepts of high quality and wide variation, we offer a broad range of products employing fluid control technology. They include valves of various types, product series that meet medical, pharmaceutical, and food processing needs, and general industrial and environmental equipment such as water treatment systems and hydrogen gas combustion equipment.
Fine system components	We provide state-of-the-art process control with a variety of products ranging from supply systems to exhaust systems for semiconductor fabrication. We support the electronic device industry with our fine system components that can be used in clean environments.



Reflecting on Fiscal 2021

In fiscal 2021, the COVID-19 pandemic-induced restrictions on economic activity continued, but it was a year in which we were able to keep up with a sharp rise in demand from customers, especially in the semiconductor fabrication and rechargeable battery manufacturing sectors.

Our domestic plants managed to maintain stable production by boosting their capacity through various forms of automation, and working closely with partner companies to alleviate concerns about parts and materials procurement.

Overseas, the CKD USA Austin Manufacturing, a new plant in the U.S., was completed in April 2022 and the production line was set up in the same spring. At the China Plant, we expanded the clean room area, while at the Thailand Plant, we acquired the neighboring real estate to increase capacity, thereby fortifying our global production structure to meet customer needs.

As for sales, we adopted a hybrid approach to cater to customer needs, by combining remote sales, which reduces infection risk, with in-person sales visits. We also pursued DX (digital transformation) by introducing digital tools, and maintaining and strengthening customer touchpoints by running seminars, factory tours, and exhibitions offline and online simultaneously. Furthermore, we pushed ahead with workstyle reform, for example, by introducing smart offices. As for overseas sales, we hired more local staff, increased our sales offices in India, and stepped up cooperation with third-party distributors in Europe, to further accelerate the globalization of our business.

Regarding product development, we have expanded the HP Series of high-durability components, which help reduce CO₂ emissions, and launched the ROBODEX brand of electric motion components. With both pneumatic components and electric motion components, we will continue striving to develop products that constitute green technology, i.e., are kind to both human beings and the environment.

Pneumatic control components

Fiscal 2021 saw an increase in automation and labor-saving needs, and earned higher revenues and profits from pneumatic control components and drive components on the back of rising semiconductor demand.

In the area of production, we pressed ahead with building a structure capable of satisfying strong demand in growth markets. Specifically, we overhauled our production structure, including in overseas plants, by installing pneumatic valve automation equipment to raise productivity and save energy.

As for product development, we added a new air booster, the ABP2-HP, to the HP Series, to help customers achieve carbon neutrality. We also forged ahead with developing low environmental impact products such as a new long-life cylinder model. And to make working environments safer and more comfortable to work in, we added a mechanical lock mechanism to our Power-Arm assistance devices (PAW Series), thereby making them even safer to use. Going forward, we will help enrich society by continuing to develop products that contribute to achieving the SDGs.

Drive components and Electric motion components

In fiscal 2021, production of certain components was disrupted due to prolonged supply shortages of parts for products such as semiconductors. However, we made sure to tap growing demand in the semiconductor market and EMS-related demand in China, and managed to earn far higher revenues than in the previous fiscal year. Furthermore, annual sales revenue from the electric motion products business was its highest on record. In the area of profits, despite being impacted by soaring raw materials prices and logistics costs, we made improvements and tightened cost control as our sales climbed. As a result, operating income, particularly from CKD Nikki Denso and CKD (China) CORPORATION, beat the previous year's figure by a wide margin.

As business confidence in the factory automation industry grows, the need for automation of equipment is increasing due to a shortage of human resources, and there is the need for equipment that do not stop and that is easy to handle. To respond to these needs in our product development, we brought a new electric actuator to market. The controller is compact and multi-axis compatible and its basic performance, e.g., transportable mass and maximum speed, is substantially improved. Moreover with ABSODEX, a series of direct drive motors that has earned high marks in a wide range of fields, we have made the driver smaller and enhanced ease of use through the adoption of visual programming, while retaining the simple feel of the previous models.

With moves aimed at tackling decarbonization and other social challenges picking up pace worldwide, we are developing electric motion products for the carbon-neutral age and by offering such products, we are contributing to the realization of a sustainable society.

P37 ▶ Reflecting on Fiscal 2021 continues into: ■ Fluid control components ■ Fine system components



Strategy by Business

Fluid control components

In fiscal 2021, Japan saw brisk demand from the semiconductor manufacturing equipment, medical device, and general industrial machinery sectors. Although we had a hard time procuring parts and materials, we increased domestic production capacity and earned higher revenues and profits than the previous fiscal year.

Overseas, meanwhile, we received numerous inquiries from East Asia, and to meet the demand, we acquired real estate adjacent to the Thailand Plant in November 2021. We will use it to boost production, mainly of fluid control valves.

Regarding our own production equipment, we moved forward with the control of multiple processing machines using AGV robots and automated assembly lines, and with the construction of digital-driven production lines. With products, too, we pressed ahead with the development of IoT-related components, and will continue making progress so that we can offer solutions for issues faced by society.

And to contribute to society in the effort to achieve carbon neutrality, we launched a line-up of solenoid valves for hydrogen. We will continue to bring innovation to fluid control and automation, and thus contribute to *building a rich society*.

Fine system components

Chipmakers carried out active capital investment to support the spread of EVs and environmental technology, contributing to a huge year-on-year rise in sales both in Japan and abroad. Demand grew substantially not only for our mainstay semiconductor manufacturing equipment, but also for equipment for plant facilities amidst a rush to construct semiconductor plants.

In response to rising global demand for semiconductors and accompanying capital investment, we are increasing our output capacity not only at our domestic factories, but also at our overseas plants in South Korea, China, and the U.S. as we put together a production structure that can meet the quality and lead-time needs of our customers. Furthermore, we will be keeping in step with progress in the area of advanced semiconductor process technology, which is becoming more challenging year by year, and aiming to speed up product development to meet customer needs. To that end, we will be reinforcing our development structures in Japan and overseas.



Future Growth Strategy

The COVID-19 pandemic and the international situation have caused significant changes in social values, markets, and workstyles. In addition, corporate social responsibility is becoming even more important for the realization of a decarbonized society. On the other hand, with the spread of IoT and AI, efforts to increase product functionality and to automate and reduce labor in manufacturing are further accelerating.

We will continue to be attentive to changing needs stemming from the external environment, offer products and services that delight customers, and develop attractive products. We will also contribute to environmental and social sustainability by supplying products that can help bring about carbon neutrality. Under the slogan of *becoming the company of choice by meeting customer needs*, we will unite sales and production departments and domestic and overseas departments to achieve our 10-Year Vision.

Pneumatic control components

Looking to the future, automation and labor-saving will gather pace as firms adapt to shortage of human resources and the post-COVID-19 new normal, and demand for pneumatic control components and pneumatic drive components is expected to increase. In addition, it will become even more important to benefit the environment and society in the pursuit of the SDGs. To this end, in production, we will further accelerate the establishment of a global production system that takes country risk into consideration, and at the same time, we will promote automation in consideration of the global environment to improve productivity.

As for product development, we are going to make further progress with the development of low environmental impact products to help achieve carbon neutrality. We will also be pursuing the development of "maintenance-free" products and responding to various automation and labor-saving needs.

And in addition to developing products that contribute to the safety of food and working environments, we will be working to expand our service business, including maintenance and contributing to the resolution of problems facing society.

As we strive to accomplish the goals of the fifth Medium-Term Management Plan: Exciting CKD 2025, we will be embracing the challenge of creating new value to bring excitement to customers, while ramping up the pace of our globalization and staying close to our customers.

Drive components and Electric motion components

In the field of production equipment for *monozukuri* (manufacturing), expectations for carbon neutrality are building with each year that passes. We view the development of products that contribute to CO₂ emissions reduction as a vital task and will offer an ideal product mix that combines conventional compressed-air-based/fluid-powered drive systems with electric motion components.

We will develop pneumatic components that have longer service life, leading to stable operation of facilities and reduction of waste. We will also expand our line-up of electric motion components and leverage our accumulated know-how to develop original new actuators, offering new proposals that utilize both pneumatic and electric properties.

In addition, we are focusing on applying technology from our Automatic Machinery business to the development of image processing tools and device control software, and will respond to customer needs by offering not only standalone components but also solutions that encompass the control field. Automation needs are growing worldwide, as automation provides a means of establishing a sustainable industrial structure. While there are numerous issues involved, we believe that CKD's mission is to become close to customers and to resolve these issues with them. So please look forward to seeing what CKD Motion System has in store going forward.

Fluid control components

In overseas markets, despite the temporary impact of the spread of the COVID-19, economic development is expected to continue, especially in ASEAN, and investment in infrastructure is expected to remain strong. We intend to expand sales in the growing Asian market by boosting output of general-purpose control valves at the Thailand Plant and the China Plant in Wuxi.

Meanwhile in Japan, we will be focusing on providing customers with higher added value products that are customized to meet their respective needs. By pressing forward with the development of products that will excite customers, we will enhance our cost competitiveness and strengthen our earning power.

We are also going to develop products to meet the needs of customers in the semiconductor market, where demand will keep growing in connection with IoT proliferation, and invest in production equipment as the need to do so arises. We will endeavor to automate even production lines used for small-lot production of various models, and aim to improve production efficiency and stabilize quality.

Furthermore, we will contribute to the realization of a hydrogen society by proactively coming out with products in the environmental field. As an example of this, we have already launched a line-up of hydrogen-compatible solenoid valves. And we will continue to advance the new ways of working that became widespread during the COVID-19 pandemic, enhance engagement within the Company, and continue striving to make our business sustainable.

Fine system components

In tandem with the COVID-19-induced rise in online communication, demand for PCs and communication devices is increasing. And in the automotive field, e.g., EVs and autonomous driving, technical innovation is expected to drive demand for semiconductors.

In the Fine System Equipment Business, we have positioned the semiconductor manufacturing equipment-related business as a growth and focus area and have set two growth strategies.

The first is to *leverage CKD's strengths to develop products for cutting-edge semiconductor processes*. Cutting-edge semiconductor processes are rapidly evolving, and the issues involved present difficult challenges, but overcoming them can be expected to add more value to products and deliver high earnings. We will develop products that fuse fine system clean technology with CKD's core fluid control, pneumatic, and electric motion technologies, and by solving customers' issues with these products, we will aim to bolster profitability.

The second is to *expand sales and production capacity targeting North America and East Asia*. The semiconductor shortage has triggered a foundry construction boom in many countries of the world. Investments are especially brisk in North America and East Asia, so we will strengthen our distribution structures in these regions. We are also going to expand the capacity of our North America and China plants so that we can respond swiftly to customer needs. In Japan, we will also be expanding capacity through the new construction of the Hokuriku Plant.

By supporting semiconductor fabrication, we will help make people's lives more comfortable.



Hydrogen gas compatible: Gas combustion system components

As the gas sector moves to contribute to the realization of a decarbonized society through the achievement of carbon neutrality, industries that supply next-generation heat energy, such as through methanation or the direct burning of hydrogen, are growing at an accelerating pace. Because hydrogen gas molecules are smaller than those of natural gas or LP gas, the hydrogen is easily dispersed, which increases the risk of leaks.

This product is a sealing valve compatible with hydrogen gas. Quality has been strictly maintained, and the product was subject to monitoring and testing.

Going forward it will contribute to growing environmental efforts to achieve carbon neutrality.



Sustainability Strategy

Basic Policy

For CKD to grow sustainably into the future, we have established the Basic Policy on Sustainability based on our Corporate Philosophy to *contribute to building a rich society*. CKD, as a sustainability-oriented company, is committed to ensuring highly transparent business management, emphasizing environmental preservation, social contribution, and dialogues with its stakeholders.

Basic Policy on Sustainability

CKD Corporation (the “Company”), in keeping with its corporate philosophy, aims to contribute to the creation of a sustainable society and thereby enhance corporate value.

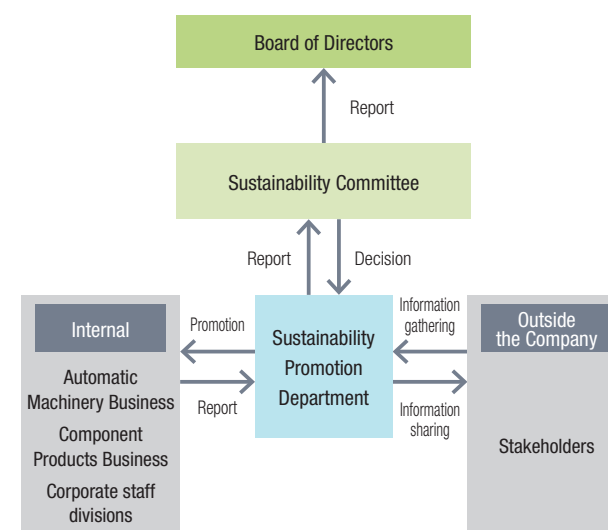
- 1 The Company helps protect the global environment and solve social issues through business activities, pursuing the quality of products and services and focusing on technological innovation.
- 2 The Company achieves fair and highly transparent management, emphasizing dialogue and partnership with stakeholders.

Sustainability promotion structure

To promote our ESG and SDGs initiatives, and to contribute to the global environment and help enrich society through business activities, we have established the Sustainability Committee and the Sustainability Promotion Department.


















The Sustainability Committee, chaired by the President, takes stock of and discusses management issues relating to sustainability. The issues discussed at the Committee are reported to the Board of Directors periodically (i.e. once a year) and as needed.

We will continue efforts to enhance our corporate value, such as the promotion of SDGs initiatives and the dissemination of ESG information to outside the Company.



SDGs initiatives

Through its automation and fluid control business domains, CKD has worked on technological innovation and value creation to help resolve various social issues. Going forward, we will remain committed to achieving SDGs and *building a rich society*, as outlined in our Corporate Philosophy.

	Social issues	Focus domains	Core technologies	Business segments	SDGs initiatives
Business areas	<ul style="list-style-type: none">■ Rapid changes in business environment■ Advancement/diversification of manufacturing backed by the growing momentum of IoT■ Rising need for automation■ Expanded demand for unit systems on the back of equipment standardization/labor shortages■ Human and robot cooperation, shift to unmanned factories, and full utilization of AI■ Accelerated electrification■ Increasing demand for semiconductors	Food products 	Automation technology	<div>Automatic Machinery Business</div> 	<div>2</div> 
	Medical and pharmaceuticals 	Fluid control technology		<div>Component Products Business</div> 	<div>3</div> 
	Rechargeable batteries 				<div>5</div> 
	Electronic components 		<div>7</div> 		
	Automobiles 		<div>8</div> 		
	Machine tools 		<div>9</div> 		
	Semiconductors 	<div>12</div> 			
				<div>17</div> 	

	Social issues	Direction of progress	Materiality	SDGs initiatives
ESG areas	<ul style="list-style-type: none"> Climate change Environmental pollution Energy problems Scarcity of water resources Waste disposal management Labor force shortages Diversity promotion Human rights infringement 	<ul style="list-style-type: none"> Corporate Philosophy Corporate Commitment Standards of Conduct Basic Policy on Sustainability Human Rights Policy 	<ul style="list-style-type: none"> Development of low environmental impact products Products that emphasize safety and quality Challenging technological innovation Challenging new businesses and markets Supply chain management Reduction of CO₂ emissions Reduction of water consumption Prevention and reduction of waste Reduction of chemical substances impacting the environment Corporate governance Compliance Risk management Stakeholder engagement Contribution to local communities Occupational safety and health Development of human resources and future generations Respect for human rights Health and productivity management Promotion of diversity and inclusion Promotion of work-life balance 	

For more details, please refer to *CKD Environmental/Social Contribution Products Spreading throughout Society—Contributing to SDGs through business activities*, showcasing how we have worked on SDGs initiatives through business activities, published in November 2021.



Environment

CKD is engaged in corporate-wide activities to improve the environment, including antipollution measures and compliance with product-based environmental regulations, such as the European RoHS Directive. We recognize that the realization of carbon neutrality is indispensable to meeting the needs of the international society, and believe that not only the business activities that enable harmonious co-existence with the beautiful environment, but also 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, drawing on our years of experience in automation and fluid control technologies.

Policy

We have established our environmental policy to demonstrate our commitment to ensuring that CKD's business activities, products, and services have adequate consideration for environmental impact, and to striving for ongoing improvement and the prevention of pollution. We revised the Policy in April 2022, adding a new commitment to achieving carbon neutrality.

Environmental Policy

1 Promote development and sales of low environmental impact products.

2 Identify and comply with environmental regulations and their requirements, and promote the realization of carbon neutrality and the prevention of environmental pollution.

a) Reduce CO₂ emissions

b) Promote resource conservation

c) Reduce waste

d) Reduce environmental polluting materials

We are developing and expanding sales of low environmental impact products, focusing not only on the conservation of energy and resources, but also on the environmental impact of products throughout their life cycles. While maintaining compliance with all environmental laws and regulations, we have been also working to reduce our environmental burdens 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 has been working to reduce CO₂ emissions by setting the renewed medium- to long-term reduction targets by backcasting based on the target of achieving virtually zero CO₂ emissions in fiscal 2050.

Fiscal 2030

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

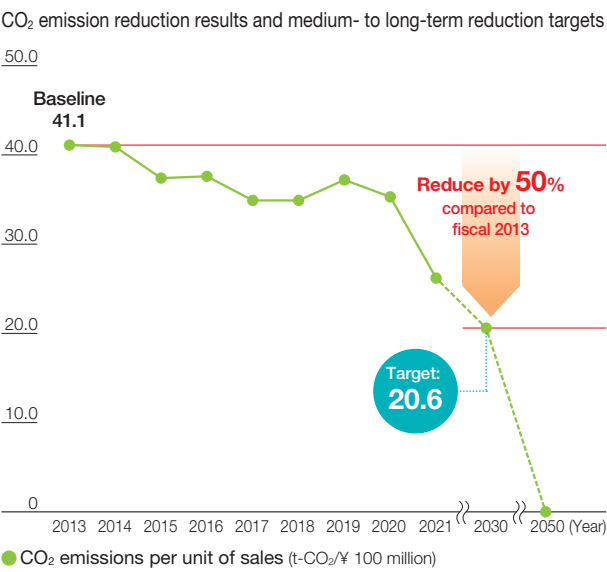
Fiscal 2050

CO₂ emissions Achieve virtually zero

We will promote the following initiatives as specific reduction measures:

Promote thorough improvements in energy conservation

Expand renewable energy (including upgrading solar power generation equipment and introducing green electricity)



Development of low environmental impact products

Number of low environmental impact products developed (fiscal 2021)

11

CKD believes that developing more eco-friendly products requires us to consciously incorporate targets for environmental burden levels from the planning and development stages. With this in mind, we have been developing products that reduce environmental burdens by 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 extends 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, and environmental pollution both in terms of customer and internal environments.

Automatic Machinery

Pharmaceutical products packaging machine Eco Blister FBP Series

3D solder paste inspection machine VP9000

Food packaging machine Eco Blister CFF-360E

Component Products

High durability component HP Series

Nitrogen gas extraction unit NS Series

AICHI Environmental Award

Topics

Environmentally friendly new smart office

In January 2022, we relocated the Osaka Sales Office to the vicinity of Shin-Osaka Station and integrated Osakahigashi Sales Office into the Osaka Sales Office. The new office embodies the concept of an eco-friendly smart office and has implemented an operating structure adapted to changes in the formats of business operations in the wake of the COVID-19 crisis. For the new office, we have also worked to:

- 1 Reduce office space by introducing a shared-desk system in view of the rising trends of work-from-home and digital transformation (DX) based operations

2 Promote paperless operations in line with increases in teleworkers

3 Improve operational efficiency and promote car-sharing to reduce the number of company vehicles as a result of relocating the office to a more convenient location.

Through these efforts, we have succeeded in significantly cutting down on our infrastructure and realizing an environmentally friendly new smart office.

Improvements	Reduction ratio
Sales office space	58%
Electricity consumption	58%
Company vehicles	65%
Paper consumption	39%
Reduction in expenses	¥2.0 million/month



Addressing Climate Change Risks and the TCFD

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 the course of the transition to a decarbonized society in the future. Recognizing that the social and economic impacts of climate change are an important management issue that must be addressed in the context of sustainability, we announced our support for the Task Force on Climate-related Financial Disclosures (TCFD) in June 2022. In accordance with the TCFD recommendations, we will strive to proactively disclose information.

Governance structure – sustainability promotion structure

We have established the Sustainability Committee as an advisory body to the Board of Directors in order to address environmental issues, including climate change, as one of the most important management issues, and to promote our response to these issues in an integrated manner with our management strategy. (P39 ▶ Sustainability Strategy)

Strategy

We have identified potential risks and opportunities associated with climate change throughout our supply chain and analyzed and assessed their impact on our businesses. The analysis is based on the 4°C and below 1.5°C scenarios published by the International Energy Agency (IEA). We have looked into the impact of climate change on the Company as of 2030 in each of these world views.

4°C scenario

The scenario assumes a world in which the global average temperature rises an average of 4°C by 2100 compared to the global average temperature around the time of the Industrial Revolution, and the severity of extreme weather events such as typhoons and heavy rainfall increases.

Below 1.5°C scenario

The scenario assumes a world in which the global temperature rise is controlled to 1.5°C through carbon neutrality measures such as the introduction of a carbon tax and renewable energy policies.

Analysis results

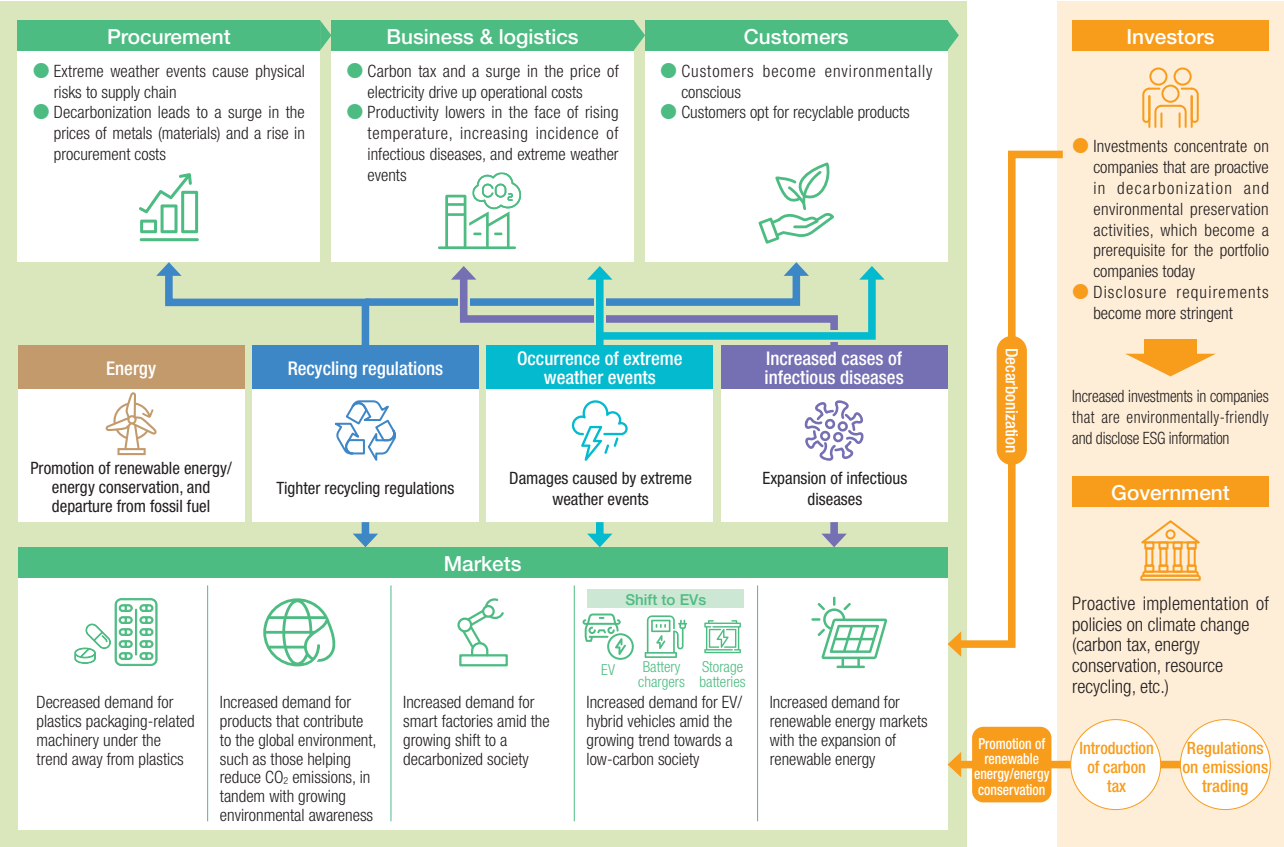
We have identified potential risks and opportunities for each scenario. In the 4°C scenario, the major risk is predicted to be an increase in response costs due to the shutdown of operations and logistics functions as a consequence of more extreme weather events, such as an increase in typhoons and storm surges. On the other hand, under the below 1.5°C scenario, the introduction of a carbon tax and emissions trading, and a sharp rise in the price of fossil fuel-derived electricity due to global decarbonization efforts are expected to pose a major risk of increased operating costs. The Company has measured the impact on our business of the introduction of a carbon tax, a sharp rise in the price of electricity, and changes in metal prices, using the Net Zero Emissions by 2050 (NZE), Sustainable Development (SDS), and Stated Policies (STEPS) scenarios of IEA. We have also measured the impact on our business of physical risks arising in the event of floods and storm surges, based on the RCP8.5 and RCP2.6 scenarios and the Manual for Economic Evaluation of Flood Control Investment.

We have also identified many opportunities as well as risks. Increased demand for EV-related products in line with the development of a decarbonized society and the expansion of hydrogen-related business due to the spread of hydrogen technology are expected to be major opportunities.

Risks and opportunities related to climate change and our responses (especially those having significant impacts)

Impacts of climate related issues	Risks and opportunities (possible events)		Our responses
Impacts of the transition to a decarbonized society	Introduction of carbon tax and emissions trading	Risks	• Increase in business costs
		Opportunities	• Increase in sales of products that contribute to the environment, such as CO ₂ reduction
	Compliance with GHG emissions regulations	Risks	• Increased costs for the replacement of equipment and fixtures with high-efficiency machines
		Opportunities	• Increase in sales of products that emit limited CO ₂ during their manufacturing process
	Renewable Energy Policy/Energy Saving Policy	Risks	• Increase in business costs due to higher renewable energy prices, and increased costs for upgrading company equipment to more energy-efficient models
		Opportunities	• Increase in demand for services that lead to energy savings for customers, and increased new business opportunities in solar, hydro, and biomass power generation
Physical impacts of climate change	Advancement of low-carbon technologies	Risks	• Decrease in sales when the Company is unable to respond to customers' rapid shift to motion components
		Opportunities	• Increase in R&D costs for developing decarbonization technologies
	Intensification of extreme weather events	Risks	• Increase in sales of products for rechargeable battery manufacturing processes, products for hydrogen-related businesses, IoT-related components for production facilities, semiconductor-related components, etc., and increasing business opportunities that help expand sales of motion components
		Opportunities	• Production stoppages and impact on business continuity due to damages to production sites and the disruption of supply chains in the wake of disasters
			• Increased BCP costs
			• Increased demand for factory automation equipment backed by capital investments in the relocation and reorganization of production sites and the promotion of manufacturing that does not depend on human resources
			• Expansion of maintenance business related to reconstruction from disasters

Future vision of the social environment surrounding CKD under below 1.5°C scenario



Risk management

With regard to various important issues for the Group, including CO₂ emission reductions, the Headquarters administration divisions, each business division, and Group companies identify risks and opportunities that may hinder the improvement of corporate value and the achievement of management targets. Based on the findings, the Risk Management Committee evaluates and identifies risks and opportunities according to the level of their importance assessed based on the frequency of

occurrence and the magnitude of impact when they occur. Countermeasures are discussed for the risks and opportunities identified, and then reported to and shared with the Board of Directors. This way, we comprehensively manage and evaluate risks, including climate change related risks. (P62 ▶ Risk Management)

Indicators and targets

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. Although we use CO₂ emissions calculated under Scope 1 and 2 as indicators, but we are considering calculating them under Scope 3 in the future.

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

Fiscal 2030	Reduce CO ₂ emissions per unit of sales by	50% (compared to fiscal 2013)
Fiscal 2050	CO ₂ emissions	Achieve virtually zero

For details of our Response to TCFD Recommendations, please refer to our corporate website.



Human Resources

We believe the realization of a “Corporate Culture with Faith in Human Resources” requires us to develop 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, nationality, or age, and have focused on strengthening our human resource development efforts so that each worker with diverse strengths can make the most of his or her abilities.

Human resource development

To better create a fulfilling workplace for employees, the supervisors and managers use a Career Planning Sheet as a means of communication in assisting subordinates in their career planning efforts. We have strengthened our efforts to enable our diverse employees to play active roles and make the most of their abilities in accordance with their career planning.

Level-specific education system

Using a level-specific education system for all employees, we provide 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 work assignment.



Level-specific education system

Self-improvement support program

We have launched a program to support our employees in their voluntary learning aimed at realizing their career plans. We subsidize training courses, learning materials, correspondence courses, e-learning, and self-improvement books.

Examples of application of the self-improvement support program

- Costs of external learning classes
- Costs of correspondence courses and learning apps
- Costs of textbooks, exercise books, and other learning materials for acquiring qualifications

Skill training workshop

We launched a skill training *dojo* (workshop) in fiscal 2016 with the aim of teaching employees how to use machine tools and measuring equipment. We have thus worked to improve the skills of young employees and ensure that the skills of senior employees are passed onto their younger colleagues.



Skill training workshop

Introduction of the internal job posting system

Since fiscal 2021, we have introduced an internal job posting system as a means to support our employees with their career planning. The system is designed to encourage employees to take on a new challenge in the position they pursued on their own. By working in the position that helps unlock their growth potential, we expect that they will become more motivated, make the most of their abilities, and achieve greater results.

Introduction of the innovator challenge system

Since fiscal 2022, we have introduced an innovator challenge system which provides employees who are willing to take on a challenge with an opportunity and a place to play an active role. Specifically, the system is designed to publicly solicit employees to present compelling proposals with a view to launching a new business in the next decade.

Fostering the next generation of potential leaders

The Company has also worked proactively to foster the next-generation leader candidates by:

- dispatching employees to the Department of Management of Technology (MOT), Graduate School of Management, Tokyo University of Science,
- dispatching employees to the Advanced MOT Program, Nagoya Business Academy (hosted by Toray Corporate Business Research, Inc.), and
- dispatching employees to GLOBIS Management School

Programs for developing global human resources and local staff

To promote the development of global human resources who will play an active role on the world stage, we have established two types of trainee programs. One is the overseas trainee system, a program where Japanese employees go to overseas bases to gain work experience in overseas businesses. Another is the overseas subsidiary trainee system which allows the employees of overseas subsidiaries to visit Japan and deepen their understanding of Japan and the Company.

Human Capital Developing global human resources

Dispatch of trainees from Japan to overseas bases (As of March 31, 2022)

Cumulative total: **50**

Dispatch of trainees from overseas bases to Japan (As of March 31, 2022)

Cumulative total: **19**

Promoting diversity

CKD is promoting a workforce that embraces diversity regardless of gender, nationality, or age.

Establishment of Diversity Promotion Office

In December 2021, we established the Diversity Promotion Office, aiming for a company that continues to create added values. To this aim, the Office has endeavored to make use of the differences in the attributes of employees and draw out the full potential from each of them. We will push forward with efforts to promote diversity, such as the promotion of career advancement of female and senior employees, the employment of people with various types of disabilities, and the recruitment of highly skilled foreign workers.

Evaluation by outside organizations

Awarded a Kurumin certification

In 2022, we obtained “Kurumin” certification from the Ministry of Health, Labour and Welfare as a company that is committed to a high level of childcare support to its employees.



Certified as an Aichi Josei Kagayaki Company (supporting women's career success)

In 2016, the Company was given a certification as a company making efforts such as promoting work-life balance and building a working environment that facilitates its employees to balance work and childcare/nursing care.



Registered as an Aichi Prefecture Family Friendly Company

In 2011, the Company registered and obtained certification as an “Aichi Prefecture Family Friendly Company” as a company that is actively working to help employees achieve a good work-life balance.



Promoting work-life balance

We have worked on a range of measures to improve the lives of our employees both at home and work, as we believe that an optimum balance between work and life helps create an attractive working environment in which employees have a greater chance to achieve self-fulfillment.

Reducing total working hours

We prevent overwork by implementing business improvement measures. The Company has complied with a labor-management agreement on overtime work based on Article 36 of the Labor Standards Act signed with its labor union.

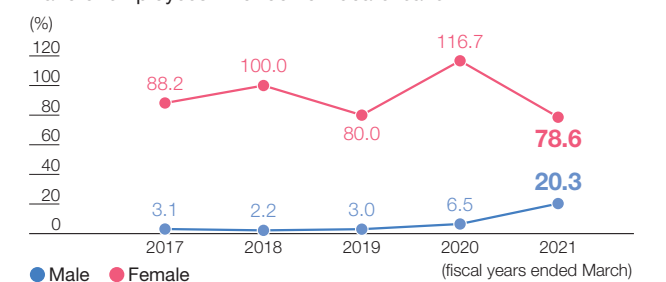
- Reduce overtime work through business improvements
- Set a day once a week for workers to leave office on time
- Set specified days when all employees use paid leave
- Operate an hourly paid leave system
- Increase the number of annual holidays by one (from 120 days to 121 days)

Response to law revisions

Following the revision of the Act on Childcare Leave/Caregiver Leave in June 2021, the Company has encouraged its employees to take childcare leave so that both its male and female employees can balance work and private life including childcare.

- Establishing a working environment in which employees feel free to take childcare leave**
 - Set up a consultation desk on childcare leave
 - Hold education and training sessions on childcare leave
- Provide necessary information to each of the employees who reported the Company on their pregnancy/childbirth, and asking about their plan**
 - Distribute a manual on the Company's childcare related system
- Ratio of employees who took childcare leave (the ratio and the average period of childcare leave taken)**
 - Male: 20.3% (2.0 months); Female: 78.6% (9.9 months)

Ratio of employees who took childcare leave*



*Calculated based on the fiscal year in which each childcare leave commenced

Childcare support system

CKD has put a system for childcare leave in place, which is open to all its employees. We have also extended the period in which our employees can use the reduced working hour system and the exemption system where workers can be exempted from overtime work. Specifically, we have extended the period up to March 31 of the year when their children reach the sixth grade in elementary school (i.e.12 years old). CKD is creating a working environment in which our female employees can give birth with peace of mind, and where 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 nursing care can self-manage the situation while continuing to work. CKD employees are allowed to take a leave for up to one year to care for their spouses, children, their or their spouse's parents, as well as grandchildren, siblings or grandparents with whom they are living with and are dependent on them.



Health and Productivity Management

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 and Productivity Management Declaration

We regard employee health as one of the most important management issues and hereby declare that we will promote “Health and Productivity Management” by raising employee health awareness in cooperation with health insurance unions and labor unions, and by working to create a workplace where employees can work vigorously and in good health, both mentally and physically.

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, prevention of passive smoking, and smoking cessation

3 Creating a comfortable working environment

Promoting mental health, improving the working environment, and supporting employees with balancing medical treatment and work

Recognized as an Outstanding Organization for Health & Productivity Management in 2022

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



*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.

Occupational Safety and Health

In July 2021, we opened Occupational Safety and Health Center with the aim of promoting safety and health across the Company.

We are determined to nurture a corporate culture that places the top priority on safety by raising awareness of safety and health, aiming for no accidents, and engaging in safety and health activities with the participation of all our employees.

Basic Philosophy

We place the greatest emphasis on safety and manufacture products in the right way.
We deliver products that customers can use with a sense of security from our safe and healthy workplaces.

Policy

- 1 We will remain healthy both physically and mentally.
- 2 We all strive to raise awareness of safety, placing utmost emphasis on safety.
- 3 We comply with relevant laws and regulations, internal rules, and work procedures.
- 4 We make every effort to predict potential dangers.
- 5 We manufacture safe and secure products.

Human Rights

The Group has established the CKD Group Human Rights Policy based on its Corporate Philosophy and Corporate Commitment. The content of the Policy was deliberated on and determined by the Sustainability Committee, chaired by the President. We have identified the respect for human rights as part of our materiality. Accordingly, we are committed to practicing actions that respect the human rights of all persons involved in our business activities as an important management issue.

CKD Group Human Rights Policy

The CKD Group has established the CKD Group Human Rights Policy in order to practice actions that respect the human rights of all persons involved in our business activities based on our Corporate Philosophy and Corporate Commitment.

1. Scope of application

Our Human Rights Policy applies to all officers and employees of the CKD Group. We also require all suppliers and business partners of the CKD Group to understand and practice the policy.

2. Respect for human rights

The CKD Group supports international norms related to human rights, such as the United Nations Guiding Principles on Business and Human Rights, the International Bill of Human Rights, and the ILO Declaration on Fundamental Principles and Rights at Work of the International Labor Organization (ILO) and respects the human rights of all persons involved in the business activities of the CKD Group.

We will comply with national laws and regulations in each of the regions in which we operate; and where there is a gap between national laws and international human rights standards, we will seek ways to respect internationally recognized human rights.

3. Human rights due diligence

The CKD Group will establish a human rights due diligence mechanism and implement initiatives to identify, prevent, mitigate, and avoid negative impacts on human rights.

4. Corrective and remedial measures

When the CKD Group recognizes that its business activities have, directly or indirectly, had a negative impact on human rights, it will promptly take measures to correct or remedy the negative impact.

5. Training

Appropriate training and instruction will be provided to all directors, officers, employees, etc., of the CKD Group to ensure that this policy permeates our business activities and is effectively implemented.

6. Information disclosure

The CKD Group's efforts to respect human rights will be disclosed transparently and appropriately through its website, integrated reports and other means.

7. Dialogue with stakeholders

We will strengthen our efforts to respect human rights through active dialogue with stakeholders.

Major initiatives relating to human rights

Employee education on human rights

We provide new hires with education on human rights each year.



Revision of Purchasing Principles and Fundamental Policy

In April 2022, we revised our Purchasing Principles and Fundamental Policy by additionally setting out a commitment that we respect human rights and contribute to realizing a sustainable society.

Going forward, we will promote the respect for human rights across the supply chain.

For details of our Purchasing Principles and Fundamental Policy, please refer to our corporate website.



Establishment of a whistleblower contact point (whistleblower system)

We have established a whistleblower contact point as a mechanism through which employees and others who work in the CKD Group can make reports.

(P61 ► Compliance)

Establishment of a harassment consultation contact

On top of the whistleblower contact, we have set up a harassment consultation contact to facilitate the correct understanding of harassment and to provide consultation.

DX Strategy



We innovate fluid control and automation with creative wisdom and digital technology to deliver new value that helps solve the issues of customers and society.

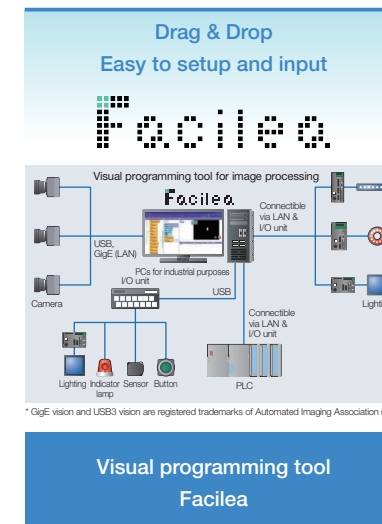
Creating New Value



To transform our business model, we have worked to build a service business that solves the issues of customers and society. To this end, we have been developing software products and deliver them together with hardware products as one system.

Expansion of software products

combining these software products with CKD's hardware to build a service business that helps improve the productivity of customers and solve social issues.



In image processing, an area that requires a high level of technological expertise, Facilea enables its users to automate their visual inspection and prevent the outflow of defective products through an interim inspection at low cost without the need for technological expertise. Facilea serves 90 or more functions and is compatible with a variety of devices, thereby enabling customers to flexibly combine these functions and solve their issues.



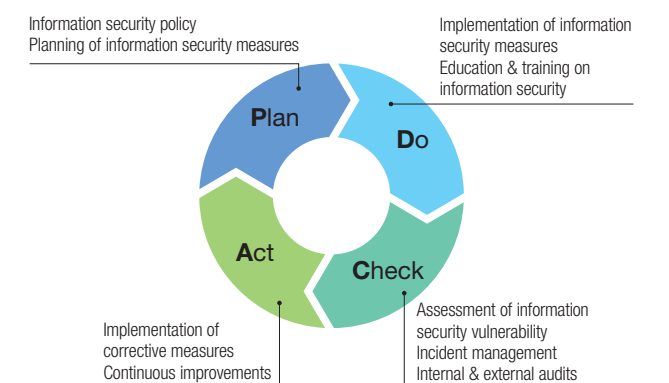
The diagram illustrates the application of LTE remote controllers in the primary industry. A hand holds a smartphone displaying a control interface with 'Off' buttons. A small antenna icon is shown next to a grey 'NIRXLE EVO' device. Red lines connect the device to three black valve actuators, which are in turn connected to three rows of crops: green plants, carrots, and small green plants.

In recent years, the agriculture sector in Japan has been making a shift towards smart agriculture, especially as a measure to solve issues including labor shortage and the need to reduce work load amid the aging society and declining population. We have developed LTE remote controllers that remotely control agricultural equipment on smart phones by combining new IoT/cloud technologies with our knowhow on equipment control, which we have accumulated through the development of solenoid valves and other devices. The product is provided with a variety of functions, such as remote control, scheduled automatic operation, accumulation of operational records, and emergency e-mail notification to help resolve the concerns of customers in the agricultural sector.

Information security

In addition, the Information Security Promotion Committee has continued to implement necessary measures, while monitoring the trends of external threats, the status of company-wide activities, and issues to be addressed.

Information security management cycle



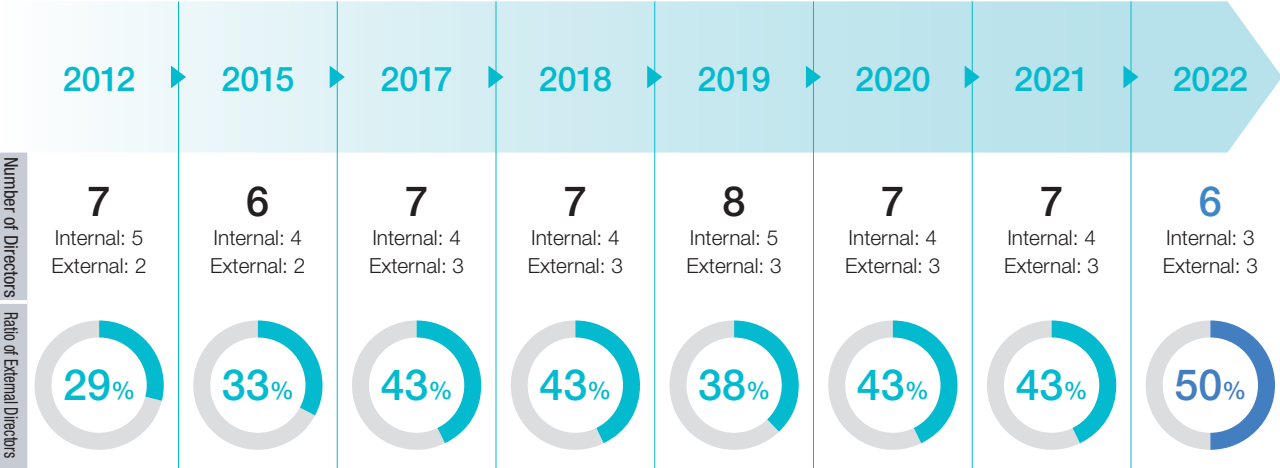
Corporate Governance

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 the Company is based on our Corporate Commitment. To build good relationships 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.

Corporate governance evolution



2017	<div><div>• The number of External Directors increased from two to three</div><div>• Evaluation of the effectiveness of the Board of Directors initiated by a third-party organization</div></div>
2018	<div><div>• Nomination & Remuneration Advisory Committee established</div><div>• Information Disclosure Committee established</div><div>• Restricted stock remuneration introduced as a remuneration system for Directors (excluding External Directors)</div></div>
2020	<div><div>• Compliance Committee (renamed from the Good Value Promotion Committee) established</div><div>• Opinions exchanged between the Representative Directors, External Directors, and External Audit & Supervisory Board Members</div></div>
2021	<div><div>• Sustainability Committee established</div><div>• Opinions exchanged between External Directors and External Audit & Supervisory Board Members</div></div>
2022	<div><div>• Proportion of independent External Directors: 50%</div><div>• Corporate Officer System introduced</div></div>

Promotion structure

The Board of Directors is positioned as an entity that determines basic policies and important matters concerning management as well as those required by laws and regulations.

Currently, the Board of Directors consists of six Directors, including one female Director and one non-Japanese Director, and the proportion of independent External Directors is set to be 50%. In addition, we have introduced a Corporate Officer System in 2022. At the Board of Corporate Officers, which reports directly to the Board of Directors, the Corporate Officers promote prompt management decision-making and flexible business execution. They aim to achieve both short-term and medium- to long-term performance targets and further enhance corporate value. 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 the 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.

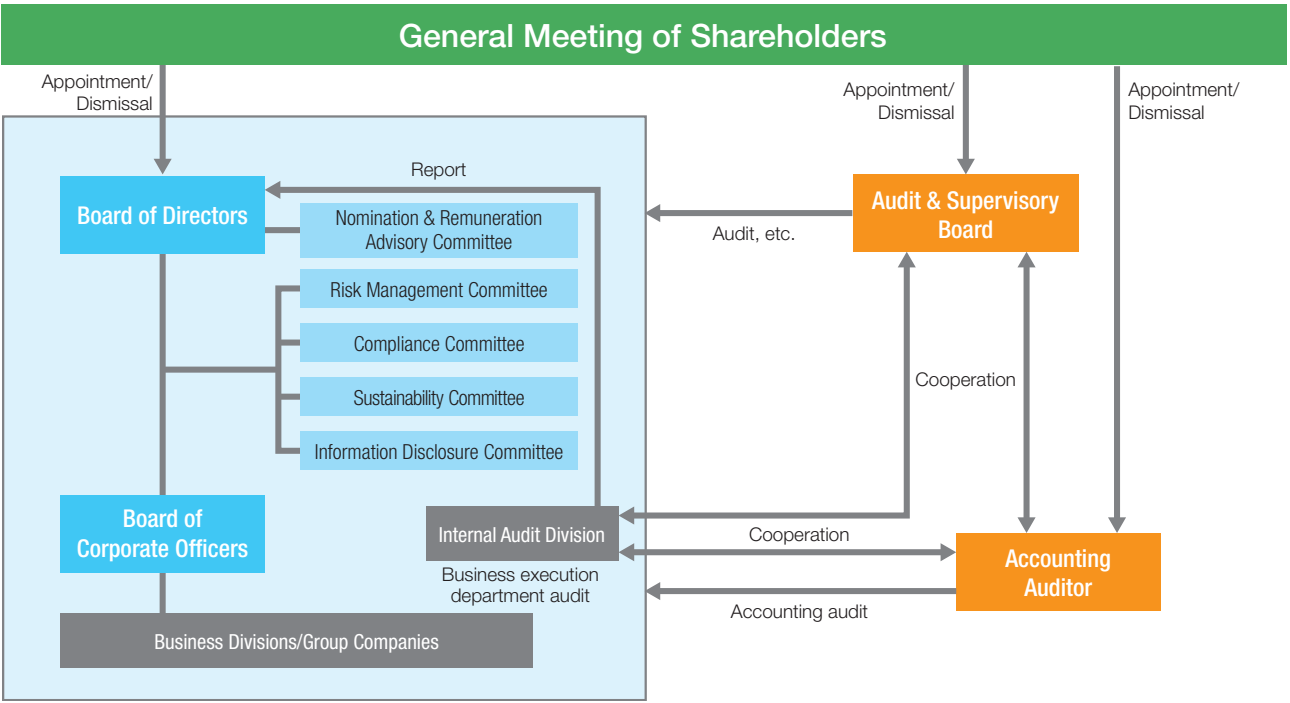
Auditing functions

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.

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

Accounting audits are conducted under an audit contract with an Accounting Auditor for Companies Act audits and Financial Instruments and Exchange Act audits. We request fair and unbiased accounting audits.

Corporate governance structure



Corporate Governance

Boards and committees

Name	Details
Board of Directors	Outline In the Regulations for the Board of Directors, the Company stipulates that the matters stipulated by laws, regulations, and the Articles of Incorporation, and other matters related to important businesses shall be decided by resolution of the Board of Directors. The Board delegates decision-making authority for the execution of other businesses to the Board of Corporate Officers in accordance with internal regulations that clarify decision-making authority.
	Main activities ・ The Board of Directors meetings provide a forum for more extensive discussions of important cases as matters to be discussed in addition to matters to be resolved and reported. ・ Conduct regular reports on the status of business execution from Executive Officers. ・ Exchange opinions between the Representative Directors, External Directors, and External Audit & Supervisory Board Members. ・ Exchange opinions between External Directors and External Audit & Supervisory Board Members.
Nomination & Remuneration Advisory Committee	Outline The committee has been established to ensure objectivity and transparency in the decision-making process regarding the nomination of Directors and Audit & Supervisory Board Members and the remuneration system for Directors and further strengthen the corporate governance system.
	Main activities ・ The committee is chaired by an independent External Director. A majority of the committee members are independent External Directors. Meetings are held about four times a year. ・ Appointment of candidates for Directors is determined in light of the appointment criteria. ・ The committee determines policies on remuneration for Directors and the amount of individual remuneration, deliberates on the establishment and revision of the remuneration system, and determines the specific details of the stock remuneration.
Board of Corporate Officers (since July 2022)	Outline The board promotes prompt management decision-making and flexible business execution to achieve company-wide management goals.
	Main activities In principle, the board meetings are held twice a month. Directors, Audit & Supervisory Board Members, and Corporate Officers attend the meetings to discuss business reports and applications from each division, which lead to prompt management decision-making and flexible business execution.
Risk Management Committee	Outline As part of business management, the committee establishes basic matters necessary to identify and comprehensively manage risks surrounding the Company and conducts risk management.
	Main activities ・ The committee meetings are held every three months in principle. However, they are held as needed at the chairperson's discretion for risks that need to be addressed immediately. ・ Individual themes are selected from key risks. The status of each activity is regularly checked with instructions. ・ In fiscal 2021, the committee promoted initiatives to promote information security, responses to climate change and BCP, and activities to increase engagement.
Compliance Committee	Outline The committee ensures that all employees are fully aware of legal compliance and business ethics and promotes compliance with the CKD Group. It also conducts activities to prevent compliance violations within the Company, acts as a contact point in the event of compliance violations, investigate the causes and establishes measures to prevent a recurrence. The committee acts as a contact point for whistleblowing, conducts investigations in cooperation with each division within the Company, reviews necessary corrective measures, and takes immediate action.
	Main activities ・ Hold the meetings every six months in principle. ・ Review disciplinary action proposals. ・ Report the results of the harassment consultation contact. ・ Report the results of compliance inspections (conducted in 2021). ・ Report the results of reporting and recommendations to internal and external reporting contact points. ・ Review harassment prevention measures. ・ Report to the Board of Directors.
Sustainability Committee	Outline The committee consists of the President as chairperson and relevant officers and division heads as committee members. It deliberates on key issues to promote our ESG and SDGs initiatives, contribute to the global environment, and help enrich society through our business activities.
	Main activities ・ Hold the meetings every six months in principle. ・ Extract key issues. ・ Review and deliberate on the progress of responses. ・ Report to the Board of Directors. ・ Formulate response policies and plans. ・ Disseminate policies and plans to related divisions and the entire Company.
Information Disclosure Committee	Outline The committee determines the materiality of information and the appropriateness of disclosure content in statutory and timely disclosure and works to establish a fair and reliable information disclosure system.
	Main activities ・ The committee meetings are held every three months, after the settlement date of accounts, in principle. However, they are held as needed at the chairperson's discretion for cases that need to be addressed immediately. ・ Confirm the status of disclosure in IR, general meetings of shareholders, and business results. Review and determine the method of disclosure of matters to be added. ・ Review and respond with corrective actions when concerns are identified in disclosing information subject to the Fair Disclosure Rules. ・ Monitor decisions made by the Information Disclosure Committee. ・ Report to the Board of Directors.

Skill set matrix

	Name	Job title	Gender	Age [*]	Years in appointment	Significant concurrent positions		Expertise and experience								
						The number of companies	Of which, the number of listed companies	Corporate management	Manufacturing, technology, research and development	Quality and safety	Sales and marketing	Finance and accounting	Legal affairs and risk management	DX and IT	Sustainability and environment	International experience
Internal	Kazunori Kajimoto	Representative Director, Chairperson of the Board of Directors and Chief Executive Officer	Male	65	18			●		●	●	●			●	●
Internal	Katsuhito Okuoka	Representative Director, President, President and Chief Operating Officer	Male	54	6			●	●	●		●	●	●	●	
Internal	Yusuke Hirako	Director, Managing Executive Officer and Chief Financial Officer	Male	59	(New appointment)			●			●	●	●	●		
External (Independent)	Noriko Asai	External Director	Female	57	7	3	2		●					●	●	
External (Independent)	Stefan Sacré	External Director	Male	59	1	2		●	●	●	●					●
External (Independent)	Koichi Hayashi	External Director	Male	57	(New appointment)	2	1	●				●	●			●
Internal	Masafumi Kokubo	Full-time Audit & Supervisory Board Member	Male	61	2			●			●	●	●	●		●
External (Independent)	Shuzo Hashimoto	External Audit & Supervisory Board Member	Male	66	2	1		●					●			
External (Independent)	Kiyoshi Miura	External Audit & Supervisory Board Member	Male	64	(New appointment)			●			●	●	●			
External (Independent)	Tsuyoshi Takeuchi	External Audit & Supervisory Board Member	Male	63	(New appointment)	1		●				●	●			●

* As of June 24, 2022

Corporate Management	Experience and knowledge of corporate management and business operation, which are necessary to fulfill medium- to long-term business goals, practice the Corporate Philosophy of “contributing to building a rich society,” and grow together with society sustainably	Legal Affairs and Risk Management	Experience and knowledge of legal affairs and risk management, which are necessary to develop a foundation for sustainable corporate value enhancement by establishing a governance system, improving compliance, and thoroughly managing risks
Manufacturing, Technology, Research and Development	Experience and knowledge of manufacturing, technology, and research and development, which are necessary to engage in R&D of automation and fluid control technologies and manufacture products that contribute to solving challenges faced by society	DX and IT	Experience and knowledge of DX and IT, which are necessary to promote the creation of new value, such as improving operational efficiency and optimizing business processes by utilizing newly introduced core systems and integrating digital technologies and data
Quality and Safety	Experience and knowledge of quality and safety, which are necessary to deliver high-quality and safe products to society and create a work environment that gives due consideration to occupational safety and health within the organization	Sustainability and Environment	Experience and knowledge of sustainability and environment to actively promote sustainability and environmental initiatives to realize a sustainable society, which are essential for the Company's medium- to long-term development as a company that contributes to society
Sales and Marketing	Experience and knowledge of sales and marketing, which are necessary to develop marketing activities that satisfy customers, strengthen sales capabilities, and respond to customers' needs to become the company of choice	International Experience	Experience and knowledge of overseas businesses, management, culture, etc., which are necessary to accelerate globalization and fulfill management strategies for expanding overseas markets
Finance and Accounting	Experience and knowledge of finance and accounting, which are necessary to disclose financial information, raise finance properly, and aim to increase the Company's corporate value that satisfies both investing in growth and returning profits to shareholders based on the sound financial standing		

Corporate Governance

Evaluating the effectiveness of the Board of Directors

Toward sustainable growth and increased corporate value, 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, that information necessary for Directors and Audit & Supervisory Board Members to execute their duties is being provided appropriately, and that the Board's overall effectiveness is secured. The Company will also further enhance 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	Composition of the Board of Directors Management of the Board of Directors meetings Discussion at the Board of Directors meetings Monitoring function of the Board of Directors Training Dialogue with shareholders (investors) Self-improvement
● 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.

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

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

In fiscal 2021, the achievement rate for each of the performance indicators for performance-linked remuneration ranged from 40% to 70% of the evaluation indicators, i.e. consolidated net sales, consolidated operating income, ROE, development investment, and environmental initiatives 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%)*	● 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%)*	● To raise awareness on improving performance each year, performance-linked remuneration is 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%)*	● 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 is 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.

Proportion of basic remuneration, performance-linked remuneration, and restricted stock remuneration

Internal Directors	Basic remuneration (30 to 70%)	Performance-linked remuneration (20 to 40%)	Restricted stock remuneration (5 to 20%)
External Directors and Audit & Supervisory Board Members	Basic remuneration (100%)		

■ 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.

■ Total remuneration, total of each type of remuneration, and number of recipients by type of officer in fiscal 2021 (¥ million)

Officer type	Total remuneration	Total remuneration by type			Number of officers
		Basic remuneration	Performance-linked remuneration	Restricted stock remuneration	
Directors	236	143	72	20	8
Audit & Supervisory Board Members	43	43	—	—	4
Total	280	187	72	20	12

*1 Of the amount paid above, the total remuneration for four External Directors and three External Audit & Supervisory Board Members is ¥40 million.
*2 As of March 31, 2022, 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 is 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.

Messages from External Directors



Noriko Asai
External Director

Stefan Sacré
External Director

Koichi Hayashi
External Director

Noriko Asai, External Director

Conventional formulae for success no longer apply today, when the business environment is changing at an extremely swift pace. Sustainable growth cannot be driven forward under such circumstances unless objective risk management is ensured on the one hand, while daring risks are also boldly taken on the other. Global agenda, including progress of the cyber physical system (CPS), economic security accompanying the conflict over technological supremacy, and the intensification of climate change, are becoming more serious.

With automation and fluid control technologies as the foundation, CKD has been continuing to change by anticipating the trend of the times. The Company has grown into a large tree embodied by a wide-ranging family of products consisting of over 500 thousand items. “Sustainable” is an important keyword of the “10-Year Vision: GO CKD!,” our long-term management vision formulated in 2016 that depicts how CKD would like to be in 10 years’ time. The path being followed by CKD as it continues taking on its challenge toward green transformation (GX) and DX coincides with the initiatives taken from the perspective of ESG. In the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) released in 2021, a warning bell was sounded for further acceleration of the human-induced climate change crisis. CKD set new medium- to long-term CO₂ reduction targets and is working to reduce CO₂ emissions per unit of sales by 50% by fiscal 2030 and to achieve net-zero emissions by 2050.

Under the fifth Medium-Term Management Plan: Exciting CKD 2025, the Company has set a goal of creating new value by evolving into a DX-based service business. When deploying a new ERP software system, the Company worked tenaciously even when faced with an unexpected increase in workload and irregular responses. Success was achieved by fully mobilizing the wisdom that is distinctive of CKD. During the transition process, a fundamental review of the existing growth trajectory and work flow also became necessary, resulting in an uphill battle. However, unified management of the flow of people,

goods, and money was made and results were achieved in grasping the situation even amid the COVID-19 pandemic. As we stand at the threshold of 2025, I am confident that the ability to overcome difficult challenges, which was developed through this experience will undoubtedly be utilized in the evolution into a DX-based service business.

Financial indicators do not readily show the capabilities of a company’s human resources. However, these capabilities have an impact on its corporate value. For this reason, further investment in intangible assets, such as R&D and human capital, can be raised as an issue to be addressed. To accelerate the creation of innovation through diversity and inclusion, I believe there is a need to further boost the level of frameworks that enable diverse human resources to exert their abilities and play active roles regardless of their gender, age, nationality, or other attributes. The same is true for training and support systems.

As an academic, I have been making reference to the utilization of AI, IoT, and big data, and also pointing out the importance of reskilling based on the Annual Report by World Economic Forum. While teaching a university course on production management, I am now also a student studying both theory and practice alongside engineering and informatics graduate students under the Practical Data Scientist Development Program. This requires hard work. However, it provides me with an opportunity to not only acquire new knowledge but also gain new insights by coming into contact with novel concepts, viewpoints, and diverse values in a different world. Taking into consideration my own practical activities, I get the sense that this will be a chance for self-renewal.

As a Doctor of Economics, I will make use of the expert knowledge and experience I have cultivated at more than 3,000 manufacturing sites. I will fulfill my supervisory function from the perspective of both offensive and defensive roles, and from an external standpoint that is independent of the Company. I intend to do my best to contribute to CKD’s sustainable growth.

Stefan Sacré, External Director

CKD operates in a global environment which is experiencing turbulent times: political, economic, and societal changes are encountered as shocks rather than as gradual trends. The war in Ukraine and its economic fallout, high levels of inflation, and new forms of working arrangements under remote conditions came unexpectedly – and were not part of the business plans. In the absence of a stable environment, an effective risk management system guards CKD from existential threats.

Since the mentioned political and economic turmoil capture the headlines, topics of sustainable development (SDGs) and ESG are at risk of becoming forgotten. It would be irresponsible to slow down the efforts to address the urging long-term threat.

Like many companies, CKD faces the challenge of how to enact bold ESG measures while pursuing ambitious growth plans at the same time. The topic of “diversity”, however, may serve as one example in which economic and social goals can go hand in hand: The tightening labor market in Japan intensifies the competition to attract and retain talent. By actively promoting “diversity”, CKD could tap into a human resource pool which is presently not fully utilized. It will be important to embrace “diversity” as an opportunity – and not regard it as a necessary evil.

CKD’s globalization of its business is not only a business opportunity but also a means of globalizing its workforce. The orchestration of a more global company requires appropriate rules and guidelines, capable human resources, as well as risk management. These capabilities need to be developed together with a more global mindset.

The business environment does not only hold more risks, but also offers more opportunities; CKD is well positioned to benefit.

The long-term mega trends stay intact, and semiconductors and batteries will play an important role. CKD’s strong presence in these market segments promises long-term growth and opportunities. The strong company brand and its financial strength allow CKD to position itself as reliable and a partner of choice.

With a rather modest share of overseas business, the international markets offer further growth potential. The proven competitiveness of CKD’s products and solutions can be leveraged into other markets.

Koichi Hayashi, External Director

CKD has been expanding its business domains to date by increasing its domestic and overseas production bases, and through M&As. And, the performance of the Company has been steadily improving even during the prolonged the COVID-19 pandemic. The Company’s strong desire to develop and manufacture good products and deliver them to customers has been the engine for its growth up to now.

Meanwhile, if we turn our attention to the external environment, companies are currently facing post-pandemic changes in the business environment. Location independence, for example, has been resulted from a shift from in-person to remote interactions. This is accompanied by sophistication of communication skills. There is also the fragility of the global economy, as represented by the Russia-Ukraine Crisis. These circumstances can indeed be described as VUCA, which stands for volatility, uncertainty, complexity, and ambiguity. We need to navigate a business under such circumstances where the future is uncertain. As a great reset is truly needed in this day and age, it is important how a company can retain its “good old corporate culture” while ensuring that it meets today’s needs. Careful consideration must be made to identify what should and should not be changed. At the same time, selection and concentration must be promoted to build a management structure that will enable to make the most of our managerial resources. I believe

that promoting the thorough streamlining and visualization of management as well as building a company-wide combat-ready structure are of importance. Specifically, it is to share the strengths and weaknesses of the Company with all employees while utilizing various financial indicators. Furthermore, it is to establish clear targets for each segment and promote measures. I think that the thorough implementation of such efforts on a global scale by the whole organization, including those in Japan and overseas, will enable them to head in the same direction, making further growth possible.

Through my work experience in accounting audits and management consulting, I have had many opportunities to observe the way a strong organization should operate. During that time, I have witnessed through my involvement in M&As, including post merger integration (PMI), how difficult it can be to bring together organizations whose values differ. On the other hand, I have also seen many examples of the dynamism of growth of companies when the organizations were able to merge successfully. My intent is to utilize such experience and contribute to increasing CKD’s corporate value, while providing support to the Company’s management setup.

Board of Directors and Audit & Supervisory Board Members

Directors



Kazunori Kajimoto
Representative Director,
Chairperson of the Board of
Directors, Corporate Officer, and
Chief Executive Officer (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 Representative Director and President
- Jun. 2021 Representative Director, Chairperson & CEO (to present)

Reason for appointment
Mr. Kazunori Kajimoto has extensive experience in overseeing sales divisions as well as abundant experience and broad insight as a corporate executive. We have appointed him as we believe that he will contribute to our management by utilizing the above.



Katsuhito Okuoka
Representative Director, President,
Corporate Officer, and Chief
Operating Officer (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
- Jun. 2022 Representative Director, President & COO (to present)

Reason for appointment
Mr. Katsuhito Okuoka has extensive experience in overseeing production and corporate planning divisions as well as abundant experience and broad insight as a corporate executive. We have appointed him as we believe that he will contribute to our management by utilizing the above.



Yusuke Hirako
Director, Managing Executive
Officer, Corporate Officer, and Chief
Financial Officer (CFO)

- Apr. 1986 Joined Mitsui Bank
- Apr. 2015 Executive Officer, General Manager, Tokyo Banking Department VII,
Sumitomo Mitsui Banking Corporation
- Apr. 2017 Executive Officer, General Manager, Eastern Japan Corporate Banking
Division IV
- Jan. 2018 Managing Executive Officer, General Manager, Nagoya Corporate Banking
Division, in charge of Nagoya Banking Department, Nagoya Banking
Division
- Apr. 2020 Managing Executive Officer, Sumitomo Mitsui Financial Group, Inc.
Managing Executive Officer, Sumitomo Mitsui Banking Corporation
- Jan. 2022 Advisor, the Company
- Jun. 2022 Director and Managing Executive Officer (to present)


Reason for appointment
Mr. Yusuke Hirako has extensive experience developed over the years in financial institutions and broad insight into finance and accounting. We have appointed him as we believe that he will contribute to our management by utilizing the above.



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
- 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 Professor (Production Management), Graduate School of
Economics, Nagoya University (to present)
- Jun. 2022 Student of Practical Data Scientist Development Program, Mathematical
and Data Science Center, Nagoya University

Reason for appointment
Ms. Noriko Asai appropriately performs her duties as an External Director by making important managerial decisions and overseeing business execution from an independent and impartial standpoint. Furthermore, she has abundant experience as a Doctor of Economics (Production Management), including analyzing management practice in numerous manufacturing plants. We have appointed her as we expect that she will oversee all aspects of the Company's operations and offer advice and opinions from broad perspectives.



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 and Representative Director, Carl ZEISS Co., Ltd. (Japan) (to present)
- Jun. 2021 President and Representative Director, Carl Zeiss Meditec Co., Ltd. (to present)
Director, the Company (to present)

Reason for appointment
Mr. Stefan Sacré appropriately performs his duties as an External Director by making important managerial decisions and overseeing business execution from an independent and impartial standpoint. Furthermore, he has high academic knowledge as a Doctor of Engineering and abundant experience as a corporate executive in the manufacturing sector in Japan and overseas. We have appointed him as we expect that he will oversee all aspects of the Company's operations and offer advice and opinions from broad management perspectives.

Audit & Supervisory Board Members



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)

Reason for appointment
Mr. Masafumi Kokubo has abundant experience in overseeing sales divisions, including those overseas, and the Corporate Planning Department. We have appointed him as we believe that he will appropriately audit management based on such experience and insight.



Kiyoshi Miura
External Audit & Supervisory Board
Member

- Apr. 1980 Joined Sumitomo Bank
- Apr. 2010 Executive Officer, General Manager, North Osaka Corporate Banking Division,
Sumitomo Mitsui Banking Corporation
- Apr. 2012 Managing Executive Officer secondarily responsible for Corporate Divisions, In
charge of Western Japan Region
- Jun. 2014 Representative Director and Executive Deputy President, Kansai Urban Banking Corporation
- Apr. 2019 Representative Director and Executive Deputy President, Kansai Mirai Bank, Limited
- Apr. 2020 Director, Chairperson of the Board of Directors, SMBC Human Career, Co., Ltd.
- Jun. 2022 Audit & Supervisory Board Member, the Company (to present)

Reason for appointment
Mr. Kiyoshi Miura has experience developed over the years in financial institutions as well as abundant experience and broad insight as a corporate manager. We have appointed him as we believe that he will apply such experience and insight to the Company's audit.



Koichi Hayashi
External Director

- 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
- Jun. 2013 External Audit & Supervisory Board Member, Plaza Create Co. Ltd.
- Jun. 2018 External Director, Plaza Create Co. Ltd. (to present)
- Jun. 2022 Director, the Company (to present)

Reason for appointment
Mr. Koichi Hayashi has professional knowledge as a certified public accountant and abundant experience as a corporate executive. We have appointed him as we expect that he will oversee all aspects of the Company's operations and offer advice and opinions from broad management perspectives.



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)

Reason for appointment
Mr. Shuzo Hashimoto has abundant experience and broad insight as a lawyer. We have appointed him as we believe that he will apply such experience and insight to the Company's audit.



Tsuyoshi Takeuchi
External Audit & Supervisory Board
Member

- Oct. 1983 Joined Peat Marwick Mitchell, Osaka Office (currently KPMG)
- Apr. 1988 Registered as a certified public accountant
- Sept. 1993 Head of ASEAN Japan Center, KPMG Singapore Office
- Jun. 1999 Representative Partner, Century Audit Corporation
- Jun. 2003 Representative Partner, Azsa Audit Corporation
- Jul. 2021 Representative Director, PM Business Solutions Inc. (to present)
- Jun. 2022 Audit & Supervisory Board Member, the Company (to present)

Reason for appointment
Mr. Tsuyoshi Takeuchi has professional knowledge as a certified public accountant and abundant overseas experience. We have appointed him as we believe that he will apply such experience and insight to the Company's audit.

Compliance

In our compliance regulations and Standards of Conduct, 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 Standards of Conduct

Our Standards of Conduct 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 Standards of Conduct 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 Standards of Conduct 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 suppliers 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 2021, 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.

Standards of Conduct

Requests for Business Partners

Whistleblower system

We have established a whistleblower helpline as a mechanism through which employees and others who work in the CKD Group can make reports. In addition to the internal whistleblower hotline, we have established an external helpline staffed by an independent lawyer to ensure anonymity and confidentiality of whistleblowers and to protect them as well as to detect and correct compliance violations as early as possible. 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 other multiple languages. The details of reports are presented to Representative Directors (or External Audit & Supervisory Board Members, depending on the nature of the case) 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.

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.

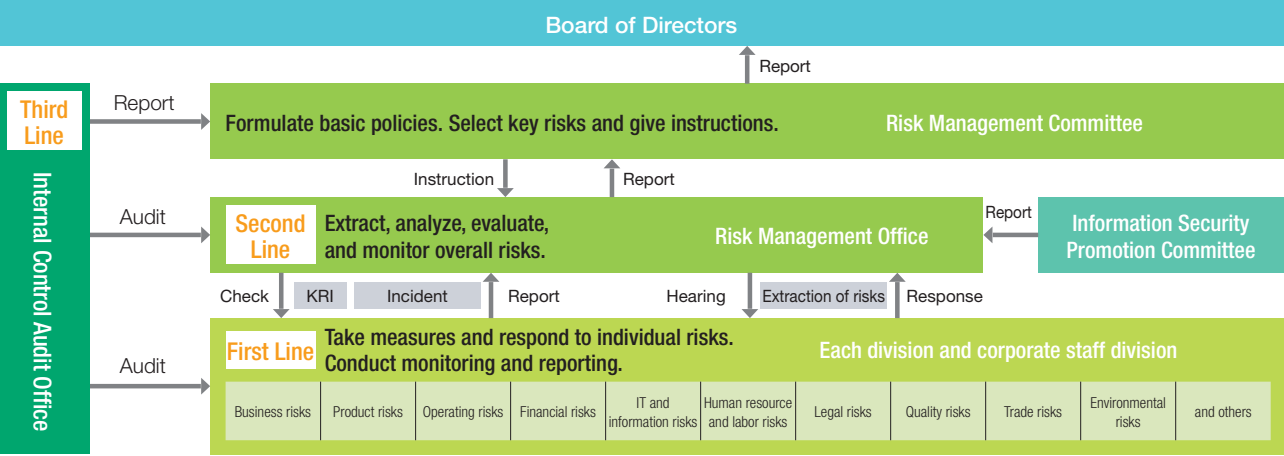
We have established a Risk Management Office as a subordinate organization of the Risk Management Committee in July 2022, and established a monitoring system by the Internal Control Audit Office to further strengthen our risk management system.

Specifically, the Risk Management Office comprehensively identifies and analyzes the risks for CKD as a whole, checks the

status of each division's efforts to address each risk, and encourages improvements as necessary. It regularly reports to the Risk Management Committee.

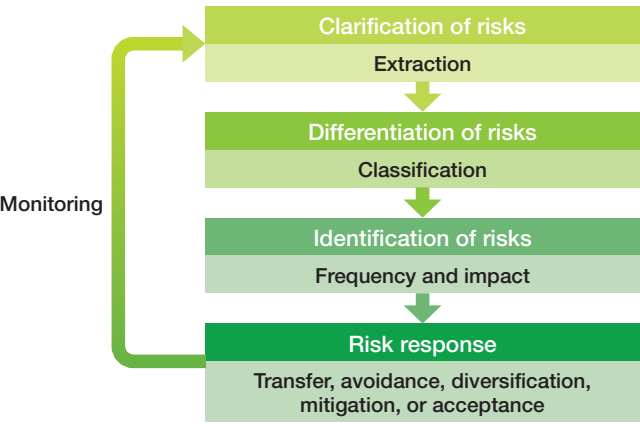
The Internal Control Audit Office, the third line of risk management, monitors the appropriateness of functions of each division, which is the first line of risk management, and the Risk Management Office, which is the second line.

These three functions make up the Three Lines of Defense System.



Risk identification process

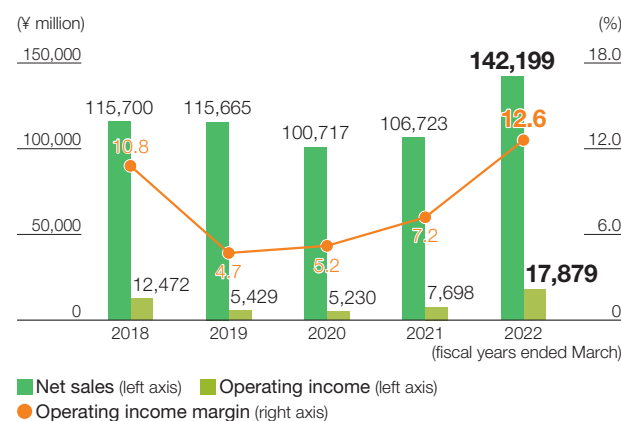
Each of the business divisions, Group companies, and the Head Office administration divisions identifies risks that may hinder the improvement of corporate value and the achievement of management goals and their countermeasures. Risks are identified as external factors, such as risks surrounding corporate management, risks related to random attacks, natural disasters, and other contingent risks, and internal factors, such as risks related to management's decision-making on business strategies and risks related to business execution. They are evaluated and identified based on the frequency and degree of impact when they occur. Identified risks are reported to and shared at the Board of Directors.



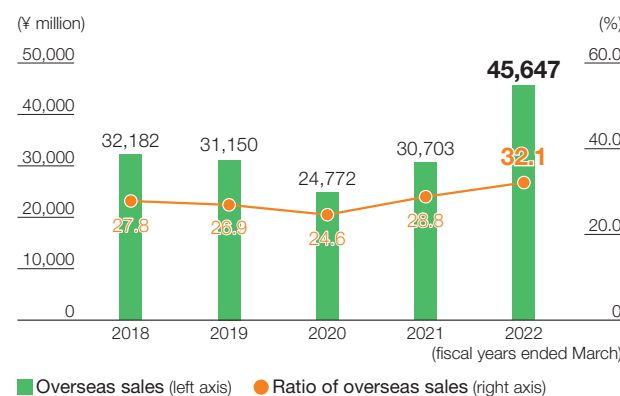
Financial/Non-Financial Highlights

Financial highlights

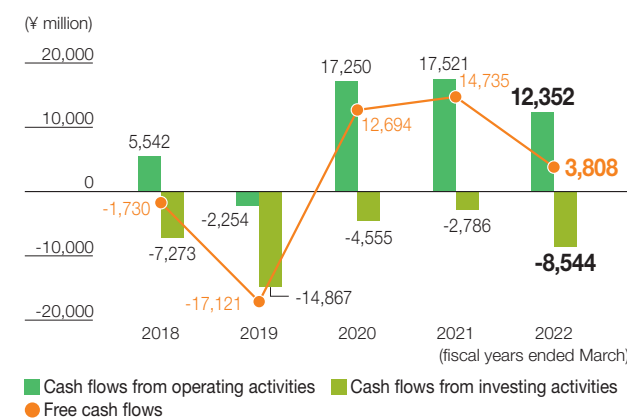
Net sales **¥142,199 million**
Operating income **¥17,879 million**



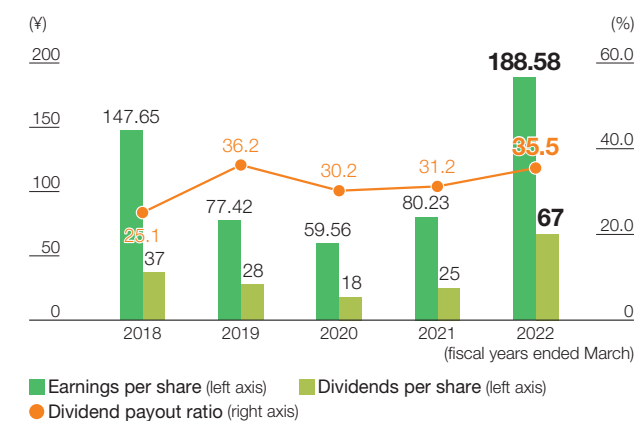
Overseas sales **¥45,647 million**
Ratio of overseas sales **32.1%**



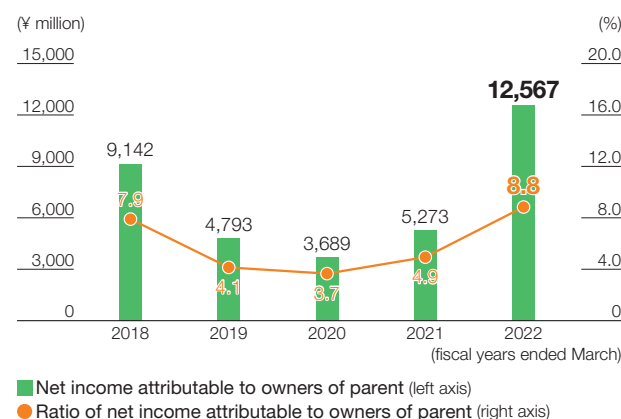
Free cash flows **¥3,808 million**



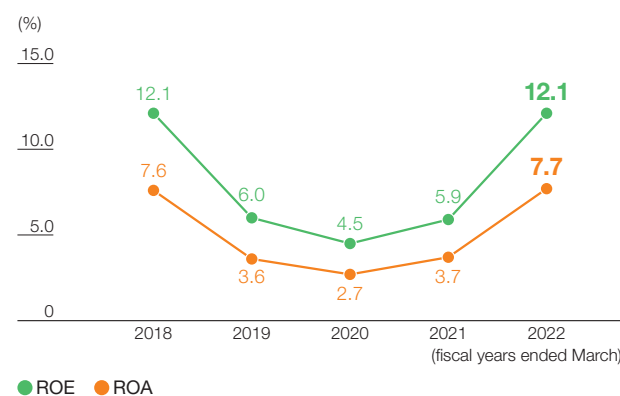
Earnings per share (EPS) **¥188.58** Dividends per share **¥67**



Net income attributable to owners of parent **¥12,567 million**

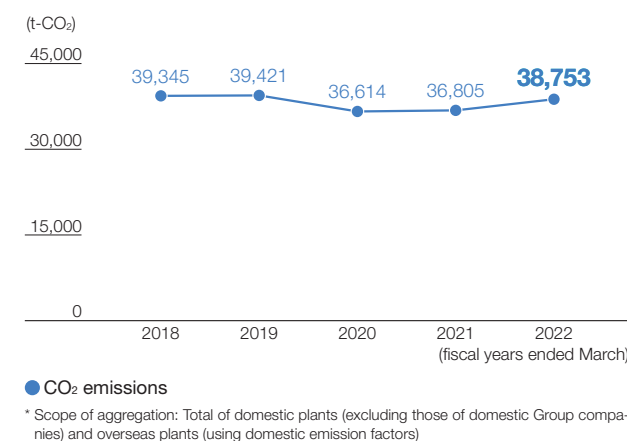


ROE **12.1%** ROA **7.7%**

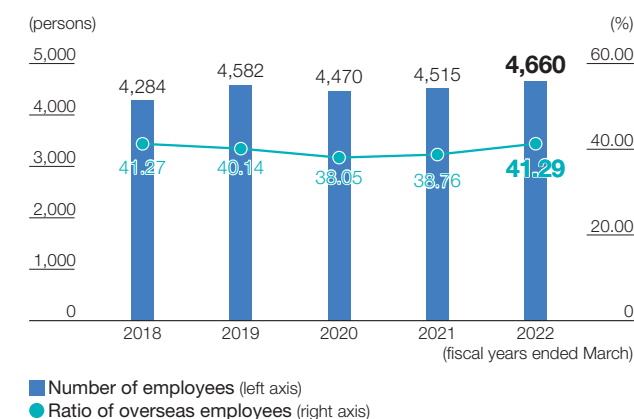


Non-financial highlights

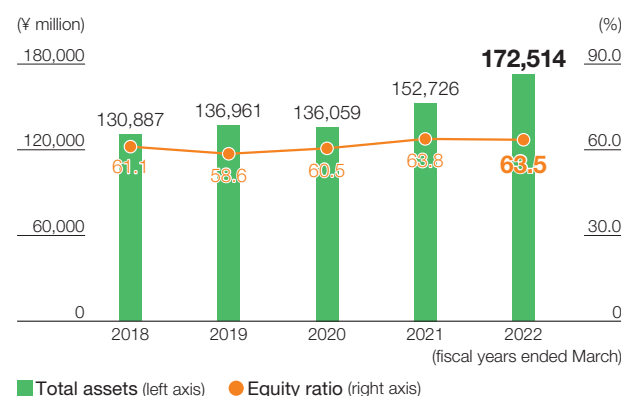
CO₂ emissions **38,753 t-CO₂**



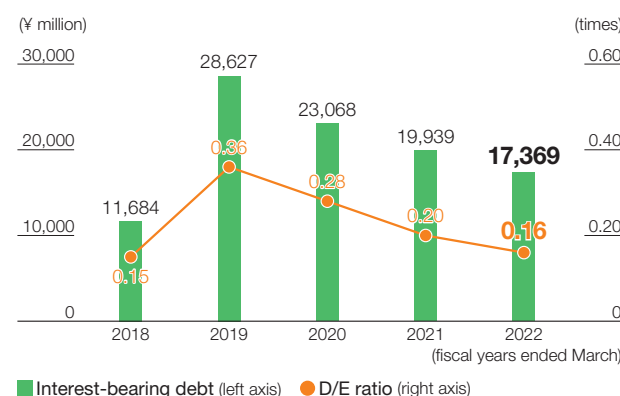
Employees **4,660** Ratio of overseas employees **41.29%**



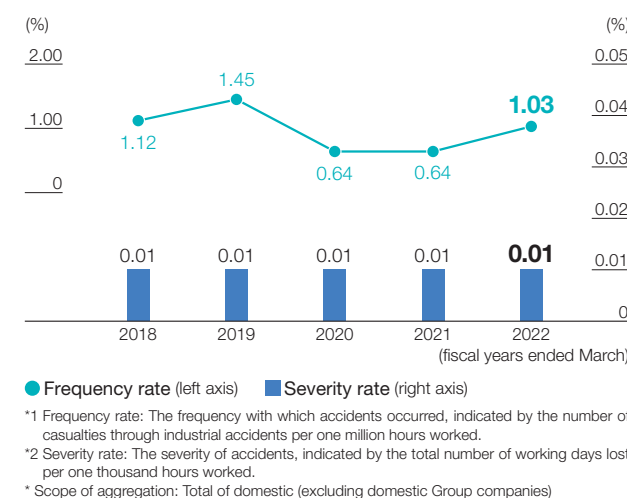
Total assets **¥172,514 million**
Equity ratio **63.5%**



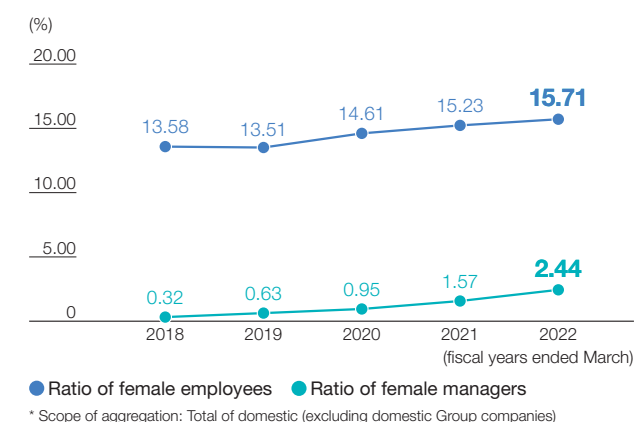
Interest-bearing debt **¥17,369 million**
D/E ratio **0.16 times**



Frequency rate^{*1} **1.03%** Severity rate^{*2} **0.01%**



Ratio of female employees **15.71%**
Ratio of female managers **2.44%**



11-Year Summary

10-Year Vision GO CKD!

Medium-Term Management Plan

NEW CKD 2012

GLOBAL CKD 2015

Challenge CKD 2018

Build-up CKD 2021

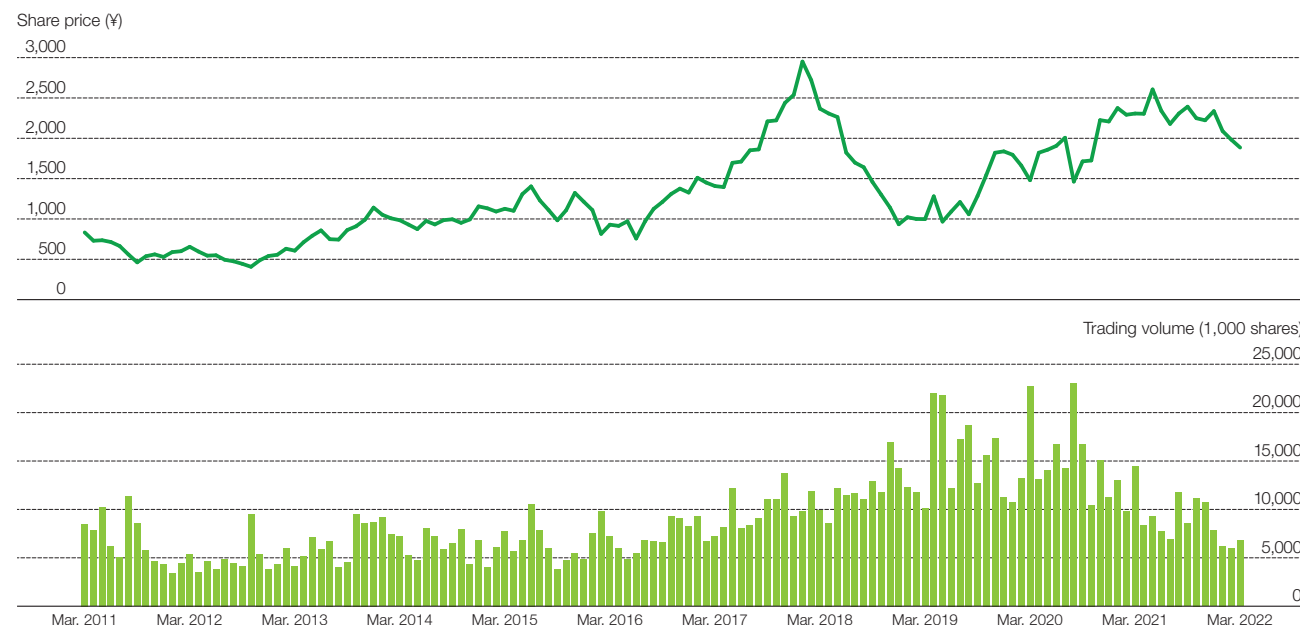
(fiscal years ended March)												
	(Unit)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Financial summary												
Business results												
Net sales	¥ million	72,804	65,031	75,491	83,379	88,117	94,012	115,700	115,665	100,717	106,723	142,199
Operating income	¥ million	6,067	3,244	7,883	8,363	8,107	9,580	12,472	5,429	5,230	7,698	17,879
Ordinary income	¥ million	6,213	3,517	8,136	8,735	8,094	9,771	12,469	5,425	5,374	7,823	18,043
Net income attributable to owners of parent	¥ million	3,741	2,452	5,456	6,010	5,459	6,958	9,142	4,793	3,689	5,273	12,567
Cash flow												
Cash flows from operating activities	¥ million	3,775	7,008	9,754	6,226	8,027	10,163	5,542	(2,254)	17,250	17,521	12,352
Cash flows from investing activities	¥ million	(3,020)	(5,017)	(6,224)	(4,755)	(6,183)	(4,081)	(7,273)	(14,867)	(4,555)	(2,786)	(8,544)
Cash flows from financing activities	¥ million	(2,450)	(57)	(2,330)	618	(3,329)	(2,505)	2,559	14,374	(6,022)	2,423	(6,264)
Free cash flows	¥ million	754	1,990	3,530	1,471	1,844	6,081	(1,730)	(17,121)	12,694	14,735	3,808
Financial position												
Total assets	¥ million	70,079	71,742	86,711	96,018	96,412	106,361	130,887	136,961	136,059	152,726	172,514
Net assets	¥ million	48,322	50,852	57,712	65,555	66,419	70,957	80,058	80,444	82,465	97,617	109,571
Cash and cash equivalents	¥ million	5,961	8,180	9,831	12,290	10,342	13,905	14,799	12,028	18,409	35,913	34,027
Interest-bearing debt	¥ million	4,040	5,070	3,446	5,411	4,391	3,602	11,684	28,627	23,068	19,939	17,369
Investment												
Depreciation	¥ million	2,769	2,619	2,485	3,188	4,060	3,964	4,230	5,173	5,822	5,507	5,910
Capital investment	¥ million	2,963	2,710	5,800	5,454	7,801	4,864	9,422	14,843	3,060	3,620	9,596
Research and development expenses	¥ million	2,151	2,336	2,709	2,927	2,857	3,348	4,330	3,637	3,383	3,578	3,639
Per share information												
Earnings per share (EPS)	¥	58.96	38.99	87.36	96.25	87.99	112.38	147.65	77.42	59.56	80.23	188.58
Dividends per share	¥	12	10	18	24	26	30	37	28	18	25	67
Book-value (net assets) per share (BPS)	¥	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	1,643.36
Key performance indicators												
ROE	%	8.0	4.9	10.1	9.8	8.3	10.1	12.1	6.0	4.5	5.9	12.1
ROA	%	5.3	3.5	6.9	6.6	5.7	6.9	7.6	3.6	2.7	3.7	7.7
Equity ratio	%	69.0	70.9	66.6	68.3	68.9	66.7	61.1	58.6	60.5	63.8	63.5
Non-financial summary												
Governance												
Number of directors	Persons	7	7	7	7	6	6	7	7	8	7	7
Number of external directors	Persons	2	2	2	2	2	2	3	3	3	3	3
Ratio of external directors	%	29	29	29	29	33	33	43	43	38	43	43
Society												
Number of employees	Persons	3,266	3,273	3,166	3,294	3,594	3,719	4,284	4,582	4,470	4,515	4,660
Number of female employees	Persons	—	778	773	821	897	939	1,090	1,197	1,183	1,232	1,313
Ratio of female employees	%	—	23.77	24.42	24.92	24.96	25.25	25.44	26.12	26.47	27.29	28.18
Number of overseas employees	Persons	—	1,261	1,109	1,188	1,460	1,526	1,768	1,839	1,701	1,750	1,924
Ratio of overseas employees	%	—	38.53	35.03	36.07	40.62	41.03	41.27	40.14	38.05	38.76	41.29
Environment												
CO ₂ emissions	t-CO ₂	—	—	24,597	25,295	24,147	40,123	39,345	39,421	36,614	36,805	38,753
Water consumption	1,000 m ³	—	—	338	309	336	392	413	464	479	496	535
Industrial waste	t	—	—	951	1,077	1,015	1,243	1,341	1,455	1,453	1,353	1,566

*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



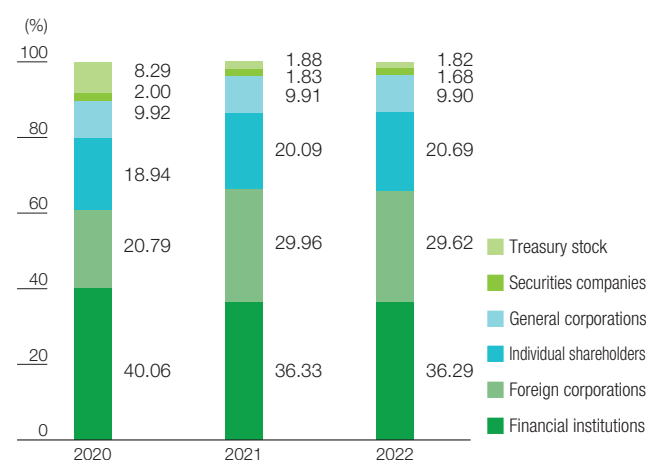
Stock status (As of March 31, 2022)

Total number of authorized shares	233,000,000 shares
Total number of shares outstanding	67,909,449 shares
Number of shareholders	13,274

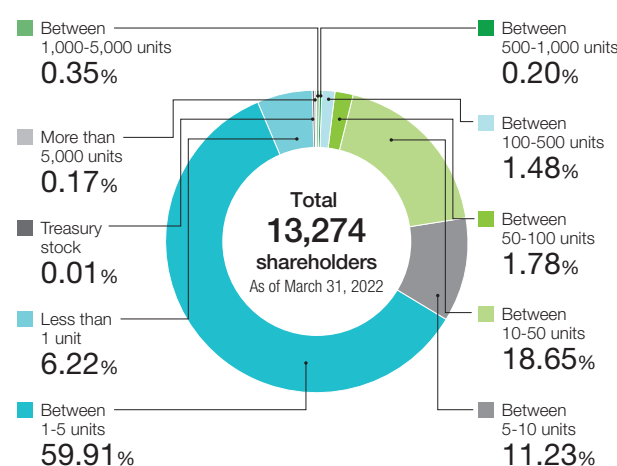
Dividends and dividend payout ratio (fiscal years ended March)

	Dividends (¥)	Dividend payout ratio (%)
2022	67	35.5
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

Shareholder status (As of March 31)



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



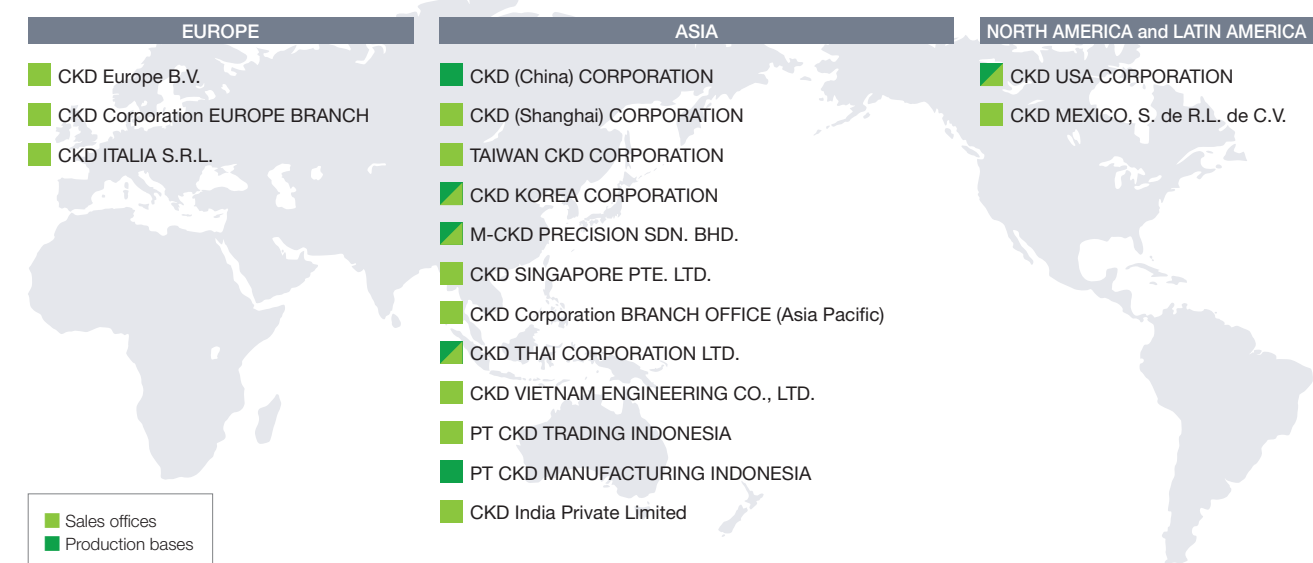
Corporate Data

Corporate profile

Company name	CKD Corporation
Establishment	April 2, 1943
Paid-in capital	¥11,016 million
Consolidated number of employees	4,660 (March 31, 2022)
Net sales	¥142.2 billion (Fiscal year ended March 31, 2022)
Listed on	Tokyo Stock Exchange (Prime Market), Nagoya Stock Exchange (Premier Market)
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

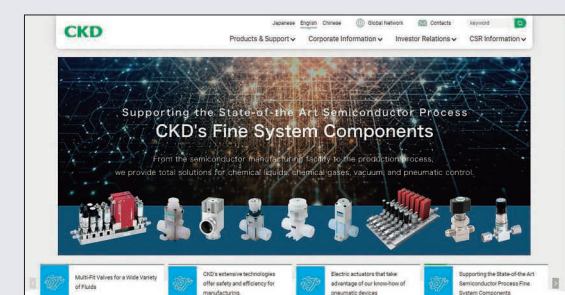
Key overseas business facilities and overseas subsidiaries



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/>



Reporting organization: CKD Group consolidated companies in principle

Scope of the report: In principle, the report covers April 1, 2021 to March 31, 2022, but includes some previous and subsequent initiatives to provide more detailed information.