

Message from the COO

Aiming to provide new value that goes beyond the imagination by improving engagement and developing human resources that will lead the future



Katsuhito Okuoka

Representative Director,
President and Chief
Operating Officer

Increased revenues and profits thanks to rising automation needs and higher demand for semiconductors

I have entered my third term as president after being appointed in 2021. Over the past two years, I have witnessed the radical changes in the business environment, while also being able to serve in upper management as COO during CKD's milestone 80th anniversary in 2023. I would like to express my deepest gratitude to our employees and stakeholders who have supported our company during this time. I once again feel the

weight of the responsibility I have to bear to drive the Company toward further growth going forward.

Looking back on the past fiscal year, new risk factors emerged and the world became more divided, with energy prices surging, inflation rising due to the prolonged conflict in Russia and Ukraine, and economic friction between the United States and China. Although the global situation remains uncertain, the Automatic Machinery business performed well. This is attributable to increasing demand for automation and labor-saving in the manufacturing industry against a backdrop of labor shortages and soaring labor

costs both in Japan and overseas. In the Component Products business, sales of semiconductor manufacturing equipment increased amid higher demand for semiconductors for data center and automotive applications, and aggressive investments in the semiconductor and battery industries in various countries. Thanks to these tailwinds, in the fiscal year ended March 31, 2023 we achieved record highs in net sales at ¥159.5 billion and operating profit at ¥21.2 billion, and made a strong start to our fifth Medium-Term Management Plan, Exciting CKD 2025, which kicked off in fiscal 2022.

Through this Medium-Term Management Plan, we aim to contribute to society through our businesses operations and create new value that excites both us and our customers over the next four years, which represent the last chapter of our long-term management vision, "10-Year VISION: GO CKD!" We are proceeding with our initiatives by focusing on the three themes of "evolving our earnings and business strategy model," "improving management efficiency," and "strengthening our management foundation," in line with the four basic policies of our 10-year VISION. We have been carrying out initiatives on this front, and began to see exciting results in fiscal 2022. We have also started implementing large-scale investment projects for future growth.

Investment for growth and reinforcement of the foundation are implemented ahead of schedule to achieve the goals of the Medium-Term Management Plan

In the Automatic Machinery segment, we launched FBP-600W, a high-end pharmaceutical packaging machine for the Chinese market we had been promoting for some time. Meanwhile, sales of lithium-ion battery winding machines and 3D solder paste inspection machines were also strong, reflecting the global shift to electric vehicles (EVs).

In the Component Products segment, in order to strengthen the electric motion product business, a business of focus that offers high levels of environmental performance, we launched Simple Electric, New Electric and Multi-Axis Controllers that achieve high rigidity and easy adjustability by inheriting the features of pneumatic components. Through sales growth activities utilizing demo machines and mobile showrooms, we offered the Best Mix of both pneumatic components and electric motion products. Following the recent rise in demand for electric motion components, we will advance our proposal activities even further to gain wider uptake of our electric motion components in addition to our pneumatic components, CKD's strength.

In the area of "new businesses" that we are focusing on, we collaborated with two other companies to make practical use of environmentally friendly biomass-based plastic for blister packages, and won the Minister of Environment Award at the Japan Open Innovation Prize in February 2023. In addition, we launched the following as a service business utilizing DX: solutions for manufacturing sites and primary industries such as agriculture, and the visual programming tool ExiaStudio. Going forward, we will continue to ramp up our efforts to actively create new services that benefit our customers through the fusion of hardware and software.



CKD USA Austin Manufacturing

In the overseas markets of the regions we focus on, we started operation of the Austin Plant in North America in October 2022 to strengthen our production and support system for the U.S. market. In addition, in April 2022 we established a local subsidiary in Italy to improve our sales infrastructure, and in fiscal 2023, we started construction of a plant in India, which is scheduled for completion in February 2024. In anticipation of growing demand in the ASEAN region, we also plan to start operation of a new manufacturing plant for component products in Malaysia by the end of 2024. In Japan, the Hokuriku Plant is under construction in Komatsu City, Ishikawa Prefecture.

In terms of capital policy, we are working to improve managerial efficiency while carrying out the growth investments and strengthening the foundations necessary for sustainable growth ahead of schedule. To this end, we are planning total capital investments of ¥60.0 billion over the next four years.

Our outlook for the fiscal year ending March 31, 2024 depicts a steadily rising scenario in which the semiconductor and rechargeable battery markets will expand over the medium to long term, despite the anticipated impact of restrained semiconductor capital investment due to prolonged inventory adjustments and other factors. We are developing a variety of competitive products based on our technological capabilities that allow us to offer precision control and clean environments required in the increasingly intricate semiconductor field.

With demand for lithium-ion battery winding machines remaining high, in order to fully meet customer needs over the long term, we plan to continue to strengthen our foundations, such as addressing the ever-evolving semiconductor manufacturing processes and boosting production capacity to meet increasing demand for rechargeable batteries. Through these moves, we intend to achieve growth over the next two years.

In June 2022, we announced our support for the Task Force on Climate-related Financial Disclosures (TCFD) as a new ESG initiative supporting sustainable growth, one of the themes for strengthening our management foundation. We have also started to disclose Scope 3 greenhouse gas emissions (supply chain emissions), and are working together with our suppliers to achieve our targets. We are also working to reduce CO₂ in products used by our customers from the development stage, and are carrying out activities that enable us to propose optimal solutions.

Message from the COO



Also broadly catering to potential customer needs as part of the More Value for Customers policy

Following my “Close to Customers” slogan for fiscal 2022, I set my management policy as President as “More Value for Customers” for fiscal 2023 based on the idea of returning to our starting point as a manufacturer that solves customer problems through technology. In order to put into practice our policy of “sensing customers with all five senses and providing value beyond their imagination,” we aim to provide new value that anticipates and responds to latent needs, not only through verbal communication, but also by sharpening our sensitivity to facial expressions and gestures.

The greatest challenge in fostering this awareness of contributing to customers and society and making social contributions across the entire CKD Group is acquiring and developing human resources and improving engagement. As such, in fiscal 2023 we aim to focus much more on human investments as we work to strengthen our foundations.

In fiscal 2022, we launched the Human Resources Strategy Committee, chaired by myself, and the Future Human Resources Project, led by the General Manager of the Human

Resources Department. Based on our current human resource portfolio and the portfolio we are working toward, we are promoting the development of effective measures and systems to build the “human resources-oriented corporate culture” set forth in the 10-Year VISION through “creation of highly engaging and rewarding workplaces,” “systematic development of future human resources” and “diversity and inclusion.”

We are carrying out initiatives to improve employee engagement. These include the “Innovator Challenge System,” kicked off in fiscal 2022, for gathering ideas that can be turned into new businesses, the Go CKD! Award that recognizes and awards outstanding initiatives, and the promotion of health and productivity management initiatives.

With regard to the systematic development of the next generation of human resources, in order to have employees improve their skills not only in-house but also outside the Company, we plan to offer a variety of programs that will lead to independent learning, including external training to foster next-generation leaders, a system for dispatching trainees to overseas bases for the development of global talent, and online training for the development of digital talent.

In addition, in order to actively listen to the opinions of young employees, I personally visit each workplace once a month, and sometimes hold a round-table discussion where we have lunch together.

In addition to IR information on business performance for investors, we have also started internal IR for our employees. Going forward, we plan to actively hold meetings at overseas bases and strive to improve engagement through dialogue in order to prevent disparity between employees and management.

Just as bamboo grows by forming joints, we see the fiscal year 2023 as a time to settle down and solidify the foundations that will become joints, and we are conveying the importance of this to our employees. In order to strengthen our foundations as we progress toward the next stage of growth, we will work to create new value while expanding the harmony of “co-creation” with our stakeholders, as set forth in our newly established Purpose, Values, and Brand Slogan. I sincerely thank all of our stakeholders for your continued guidance and support.



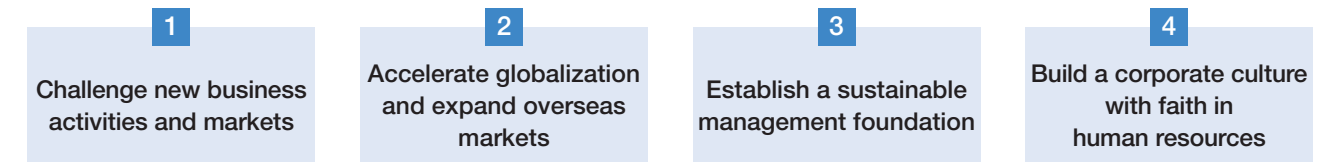
Medium-Term Management Plan

Sales grew steadily in fiscal 2022, the first year of our new Medium-Term Management Plan: Exciting CKD 2025. We have positioned semiconductors, batteries, the electric motion product business, and new businesses as industries/businesses of focus, and overseas markets as regions of focus. We aim to steadily implement growth investments and ESG initiatives in these areas.

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 further excited,
accomplish our 10-Year VISION and inspire the next 10 years with excitement



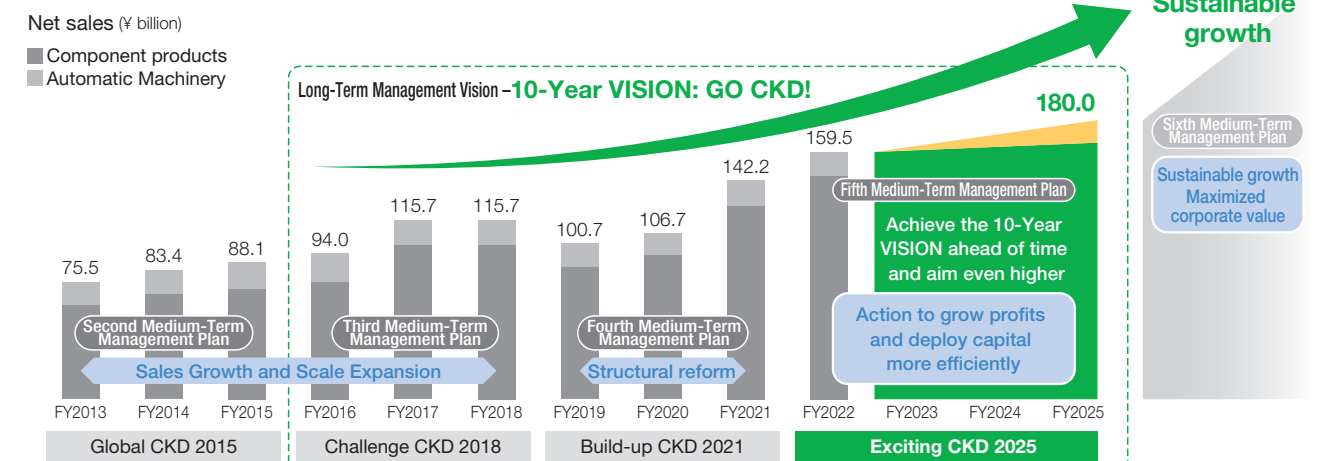
Management goals

Net sales	¥180.0 billion
ROE	10–13%
Dividend payout ratio	around 40%

KPI	FY2022 results	FY2025 goals
Net sales	¥159.5 billion	¥180.0 billion
Operating profit	¥21.2 billion	¥25.0 billion
ROE	12.9%	10.0–13.0%
Dividend policy	Dividend payout ratio of 40.1%	Dividend payout ratio of around 40%
Share buyback	—	Flexible share buyback considered

Positioning of the new Medium-Term Management Plan

Building a foundation for achieving “10-Year VISION: GO CKD!” and linking that to our next medium- to long-term management plan



Medium-Term Management Plan

Management policies and key initiatives

1. Evolution of profit and business strategy model

Industries of focus Semiconductors

As digital infrastructure advances, we need to respond to new demands in the areas of data centers, autonomous driving, and industrial electronics, among others. To this end, we will promote to address technological issues in cutting-edge processes, further enhance our market presence, and firmly establish a global follow-up system with an eye to demand growth down the line.

As for the expansion of manufacturing plants, we began operation of the Austin Plant in North America in October 2022. In 2024, we plan to start operation of a No. 2 plant using land adjacent to the Tohoku Plant, as well as the Hokuriku Plant in Ishikawa Prefecture.



Tohoku Plant



Hokuriku Plant

Industries of focus Batteries

Due to the ongoing global trend toward carbon neutrality, the market for rechargeable batteries for EVs is expected to remain on a growth trajectory. We are addressing this by ensuring we have sufficient production capacity and quality to meet growing demand.

In the Automatic Machinery Business segment, we will strive to contribute to productivity improvement through our ultra-high-speed winding machines. The Component Business Division will continue to respond to manufacturing needs with a product lineup of over 100 models for the rechargeable battery manufacturing process, responding to the manufacturing environment of each customer's equipment and contributing to stable equipment operation with long service life.



Lithium-ion battery winding machines

Businesses of focus Electric motion product business

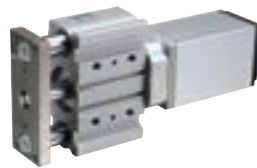
In addition to pneumatic components, we are working to expand the electric motion product business as a new business pillar.

We are expanding our range of electric motion products to meet the needs of our customers. We have launched 14 new models that can be easily adjusted and have excellent rigidity, targeting the niche between pneumatic and conventional electric motion components.

We also launched a series of products compatible with the diversifying environments in which machines are used. In order to propose the ideal mix of pneumatic and electric motion components more quickly, we have started to propose the appropriate selection of components for each manufacturing process, and provide them as systems combined with software.



Electric actuator D series



Electric actuator G series

Businesses of focus New businesses

As a service business, we are making efforts to develop products that can contribute to improving customer productivity and solving their problems.

At manufacturing sites, more facilities are linking PCs, used to collect information, with PLCs, used to control equipment, in order to introduce production management systems and manage traceability. Therefore, in March 2023, we launched a visual programming tool that can handle everything from information collection to equipment control with just a single PC.

Furthermore, we are collaborating with Astellas Pharma and Mitsubishi Chemical Group to develop products that reduce environmental impact. Our joint project is the first in the world to make practical use of biomass-based plastic for blister packages. In February 2023, we received the Minister of the Environment Award at the 5th Japan Open Innovation Prize, as our biomass-based plastic successfully reduced CO₂ emissions by about 40-60% compared to conventional blister packages.



Pharmaceutical packaging machines

Regions of focus Overseas markets

In fiscal 2022, we stepped up our efforts in the U.S., Europe, the ASEAN region, and India in line with the measures set in our Medium-Term Management Plan.

In the U.S., we began operation of the Austin Plant in October 2022 to strengthen our production and support systems for semiconductor manufacturing equipment makers.

In the European market, we have been pushing forward with sales activities under CKD ITALIA after turning EPSITEC, an Italian distributor, into a subsidiary. In India, we are constructing a new plant with the aim of capturing new markets.

In the ASEAN region, we decided to establish a subsidiary in Malaysia and acquire land and buildings for a plant. We did so in order to strengthen our production system with an eye to growth in demand for component products.

As part of efforts to achieve medium- to long-term growth and enhance corporate value, we will continue to make investments in laying a business foundation geared toward future growth.



New plant in Malaysia

2. Improvement of management efficiency

Investing for growth

We secure funds generated from operating activities as investments necessary for sustainable growth, and utilize these funds to make growth investments and strengthen our foundations. In the current fiscal year, in Japan we automated and boosted production capacity at our plants in Tohoku, Kasugai, and Yokkaichi. Overseas, we moved forward with the transfer of production to China and Thailand.

In anticipation of future demand, we are progressing with measures to build a production system ahead of schedule. In Japan, we plan to invest in the construction of the Hokuriku Plant in Ishikawa Prefecture and of a No. 2 plant using land adjacent to the Tohoku Plant. Overseas, we plan to invest in building plants in India and Malaysia.

Key areas	
Growth investment/ Strategic investment	Domestic investment: Invest in semiconductors, batteries, and the electric motion product business
	Overseas investment: Invest in Europe, the U.S., the ASEAN region, and India
Strengthening foundations	Alliances, M&A, launch of new businesses, and business restructurings for business expansion
	Strengthening development capabilities; next-generation, digital, and global talent
	Transforming business model, strengthening core systems both at home and abroad, and reinforcing security
	Installation of solar power generation equipment, co-generation equipment, and energy-saving devices; carbon offsetting
Human investment DX investment Environmental investment Investment in productivity improvement	Raising productivity by upgrading to the latest equipment

3. Enhancement of management foundation

ESG for sustainable growth

With regard to the environment, we have added the target of a 50% reduction in total volume of CO₂ emissions by fiscal 2030 compared to fiscal 2022. In addition, we announced our support for the Task Force on Climate-related Financial Disclosures (TCFD) in June 2022, and have since been working to proactively disclose information.

As for the society, the ratio of female managers is currently 4.0% and the paid leave utilization rate 75.7%. We will continue to raise the health awareness of our employees and strive to create a workplace where they can work vigorously and in good health, both mentally and physically.

With respect to the governance, we have introduced a Corporate Officer System in 2022. The Board of Corporate Officers, which reports directly to the Board of Directors, promotes prompt management decision-making and flexible business execution.

Message from the CFO

Meeting the expectations of our stakeholders by flexibly implementing timely investments and financial strategies with the aim of reaping the benefits of our investments, thereby enhancing corporate value

Yusuke Hirako

Director, Managing Executive Officer and
Chief Financial Officer (CFO), In charge of Administration

Policy and coverage areas as CFO

As CFO, I cover a wide range of areas, including our management plan, business portfolio, financial strategies, governance and IR, risk management, IT planning, and internal audit control. As such, my role is to comprehensively manage risk, capital, and profit. I also focus on determining appropriate capital allocation from the three perspectives of ensuring soundness, emphasizing growth potential, and returning profits to shareholders, after taking into account the expectations of stakeholders and the Company's growth potential from multiple perspectives. I am committed to this approach as my basic policy as CFO, and make an effort to always be aware of business risks and capital strength management while considering the balance of offense and defense. I was also appointed the role of providing support for the CEO's management decisions and the COO's business execution and direction, and thus share information in a timely and appropriate manner.

Strengthening financial and management foundations to enable the execution of investment strategies

As part of our capital and investment strategy that supports growth, we have implemented growth investments in a timely manner and established a flexible financial strategy to support these investments. Under our human capital investment policy of "human resources are the most important capital, and increasing this value and continuing to boost employee engagement will contribute to the enhancement of our fundamental corporate value," we plan to implement measures using the Company's cross-functional Human Resources Strategy Committee as a platform. Furthermore, we believe that ESG initiatives and improvement of non-financial value are issues deeply related to the improvement of profitability and our corporate brand. As such, we will implement measures on this front on a CKD company-wide basis.

As a company listed on the Tokyo Stock Exchange's Prime Market, we will place the highest priority on governance and

strive to strengthen global governance and IT system security by developing and expanding an integrated risk management system.

Fifth Medium-Term Management Plan: Exciting CKD 2025 Off to a better-than-expected start in the first fiscal year

As CFO, I set quantitative targets for the 5th Medium-Term Management Plan with a focus on creating a virtuous cycle through financial and cash management that contributes to the enhancement of corporate value, and establishing a flexible and robust financial base. In the fiscal year ended March 31, 2023, the first year of said plan, we achieved record high earnings. Operating profit checked in at ¥21.2 billion (up 18% year-on-year), exceeding ¥20.0 billion for the first time, and ROE came to 12.9%, reaching our target level. As for shareholder returns, we hiked our annual dividend by ¥22 year-on-year to ¥89 per share. This translated to a dividend payout ratio of 40.1%, in line with our target of 40%.

Next, in our four-year investment plan, in which we plan to deploy ¥60.0 billion, including for M&As, we secure funds generated from operating activities as investments necessary for sustainable growth, and utilize these funds to make growth investments and strengthen our foundations. In the fiscal year ended March 31, 2023, we invested in ¥11.4 billion to automate and boost production capacity at our domestic plants, and transfer production to overseas plants.

In the fiscal year ending March 31, 2024, we plan to invest ¥23.0 billion, and are establishing a production system ahead of schedule in anticipation of future demand. To this end, we procured the funds to pay for the construction of the Hokuriku Plant, as well as of the Tohoku No. 2 Plant and the new Malaysia plant, which are to be carried out ahead of schedule. We procured and allocated ¥5.0 billion through a sustainability-linked loan in March 2023, and ¥20.0 billion through a syndicated loan in May 2023, both on favorable terms. Also, we have concluded a commitment line agreement of ¥20.0 billion, marking an increase of ¥10.0 billion, to prepare for potential geopolitical risks, such as the Taiwan conflict.

Financial and Capital Strategies

Cash allocation and virtuous cycle for growth

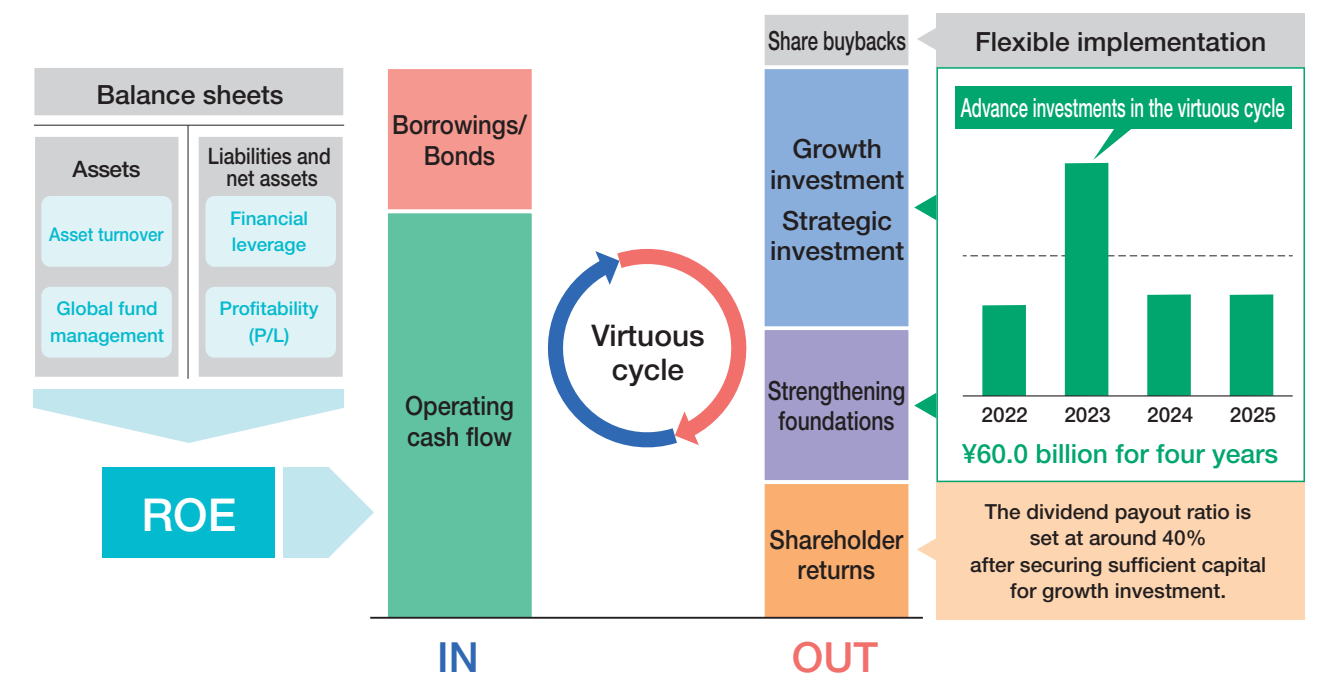
We plan to strategically allocate cash based on our solid cash flow generation capabilities. In order to achieve sustainable growth, we will endeavor to strike a good balance between investments for growth, strengthening our foundations, and shareholder returns.

In principle, we use cash flows from operating activities as the primary source of funds that enable growth, and secure liquidity on hand by flexibly procuring external funds while maintaining our financial soundness.

We focus on ROE as an indicator of corporate value improvement, and strive to conduct well-balanced financial management with an awareness of profitability, asset turnover, and financial leverage. We believe that evaluating the output

from our business activities in terms of financial indicators and using this to simulate the impact on our next initiatives can help us carry out specific activities.

We will improve capital efficiency by allocating cash gained from operating activities to growth investments and strengthening our foundations, while also raising the asset turnover ratio. We will also procure the funds necessary for timely strategic investments, and will allocate these funds to further strengthening our business capabilities. We believe that this virtuous cycle will lead to the sustainable improvement of our corporate value and the enhancement of shareholder returns.



ESG topics

We are actively promoting ESG activities to maximize corporate value. The main topics for fiscal 2022 are as follows.

Major initiatives

- [E] Announced support for the TCFD and started information disclosure, procured funds through sustainability-linked loans
- [S] Started human rights due diligence in the supply chain
- [G] Strengthened our risk management system by establishing the Risk Management Office

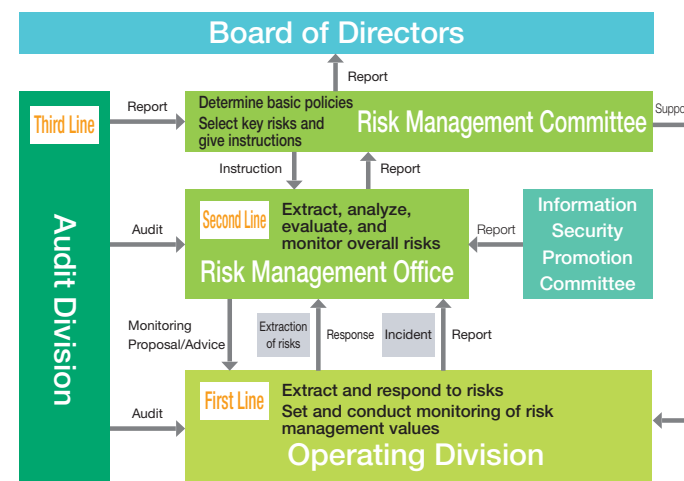
Major evaluation and awards

- Selected as a constituent of the FTSE Blossom Japan Sector Relative Index (Since June 2022)
- MSCI Japan Empowering Women Index (WIN) (Since June 2022)
- Awarded a "Kurumin" certification (childcare supporting company) (August 2022)
- CDP Climate Change Score of "B" (December 2022)
- Won the Japan Open Innovation Prize "Minister of Environment Award" (February 2023)
- Recognized as one of the 2023 Certified Health & Productivity Management Outstanding Organizations (the large enterprise category) (Since March 2020)

Financial and Capital Strategies

Comprehensive risk management

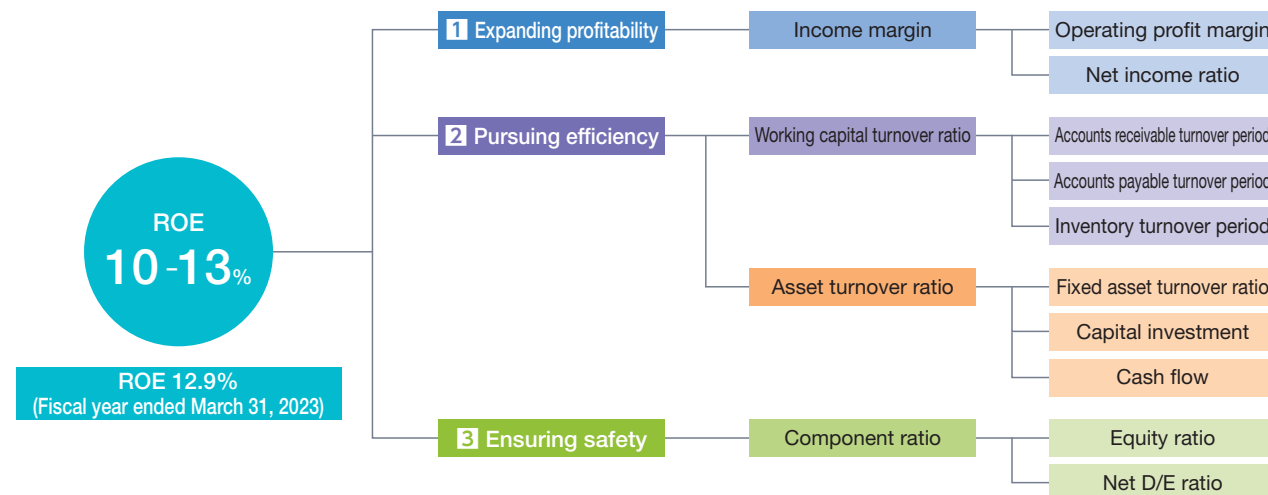
The Risk Management Committee, headed by the CFO, focuses on reducing financial risks overseas and strengthening governance in preparation for global business expansion. Specifically, in order to reduce financial risks, the Risk Management Office works to identify risks at overseas subsidiaries, as well as gain an understanding of the financial situation of each Group company, visualize financial figures and indicators, and enhance monitoring efforts. In addition, we established the Information Security Promotion Committee to continuously implement the measures necessary to tackle internal and external threats and issues. In fiscal 2022, we also established an overseas department in the Internal Audit Division to strengthen governance. We will build a solid management foundation by thoroughly establishing internal rules and conducting business checks.



Maximizing our corporate value

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

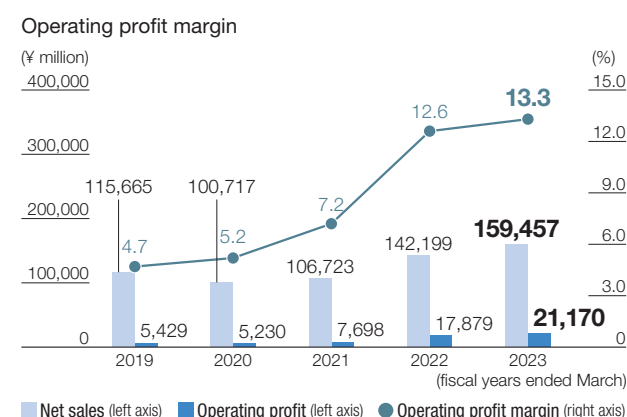
We will pursue balance, paying adequate attention to safety, continuously reducing wasteful costs, executing strategic investments to expand our business, investing aggressively for growth, and exploring possibilities for shareholder returns and flexible share buybacks.



Expanding profitability

To expand profitability, we focus on the operating profit 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

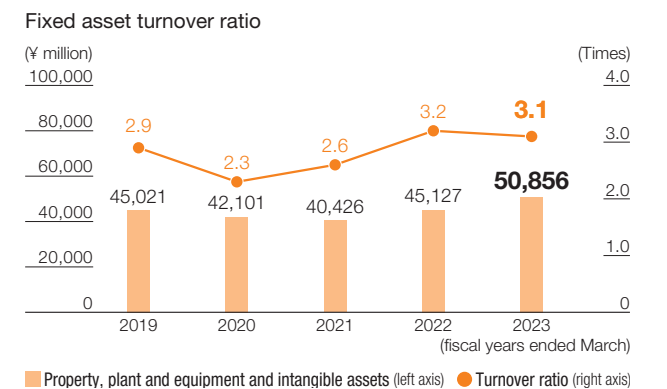
To respond quickly to customer needs, we systematically manage necessary inventories using our ERP software system. At the same time, we respond flexibly according to the volume of orders.

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



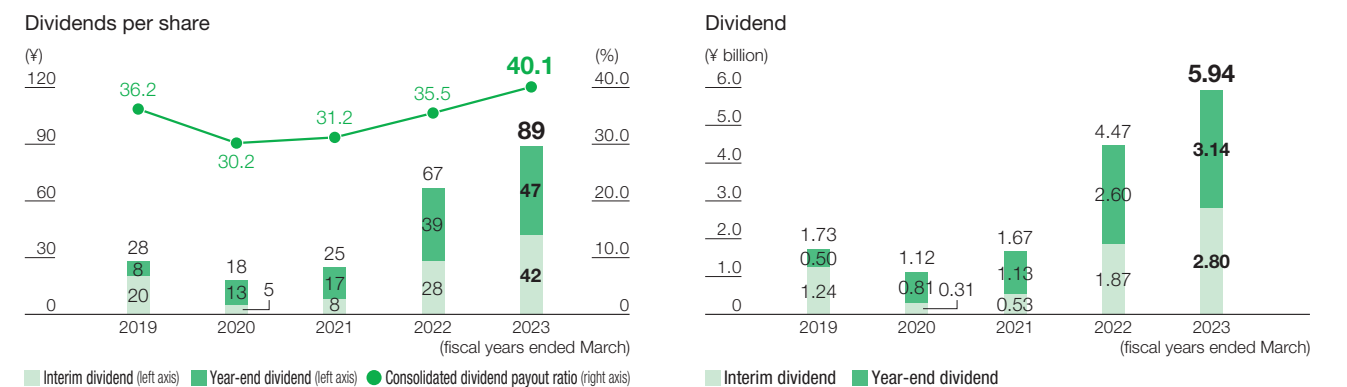
Fixed asset turnover ratio

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

Automatic Machinery Business

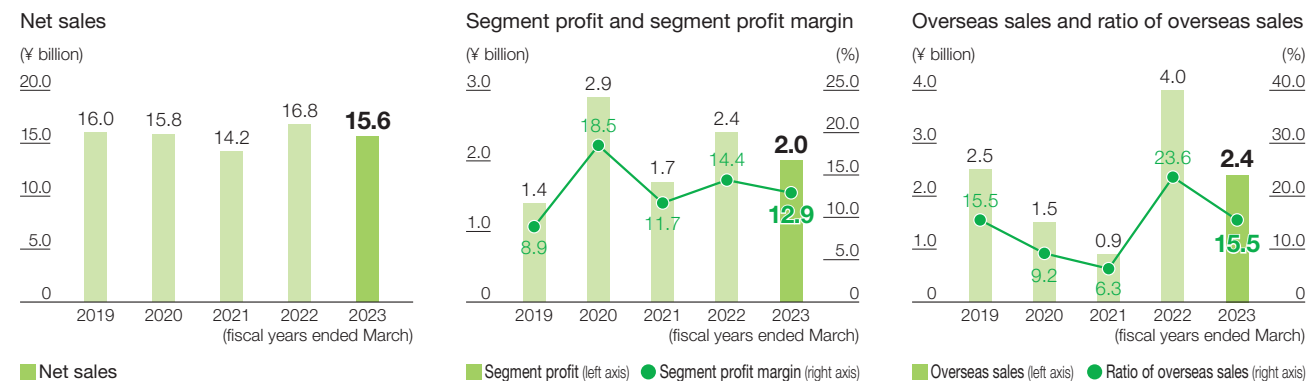
We strive to provide products and services that can respond to major and rapidly changing market needs, such as by improving the production frontline environment through automation and labor-saving that are required in all fields, achieving carbon neutrality, providing environmentally friendly products, and supporting productivity improvements through digital technology. In order to further accelerate this movement without stopping, and to make continuous contributions to society, we will continue to challenge ourselves to transform at a speed that outpaces market changes.

Business vision

We 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 will establish our competitive advantage by sincerely listening to our customers' opinions, bringing latent requests to light, and incorporating them into all automated machinery, and continue to provide safe, high-quality products.

In the packaging machines field, we will work to (1) provide services that improve productivity by linking equipment, ICT tools, and image processing technology, and (2) further improve technology for environmentally-friendly packaging materials.

In the industrial machinery field, we are promoting (1) expanded sales and technological development of lithium-ion battery winding machines that contribute to carbon neutrality, (2) global expansion of 3D solder paste inspection machines, (3) expanded sales of image processing equipment that realizes labor-saving and automation, including transparent object inspection systems.



Progress in FY2022 and future growth strategy

In fiscal 2022, net sales and segment profit fell below those of the previous fiscal year due to the impact of difficulties in obtaining some parts and other factors. On the other hand, orders increased from the previous fiscal year in both the industrial machinery and packaging machines fields. In the industrial machinery field, net sales of 3D solder paste inspection machines increased due to improved production efficiency and stronger collaboration with distributors. Likewise, we increased sales of lithium-ion battery winding machines as we responded to demand from the electrification of mobility. In the packaging machines field, net sales of pharmaceutical products packaging machines decreased due to the impact of prolonged delivery times for procured parts. However, net sales of food packaging machines increased slightly as we responded to demand for individualized meals.

In order to achieve our sales target of ¥17.0 billion for fiscal 2023, we are steadily building up our order backlog thanks to orders received in fiscal 2022, mainly for pharmaceutical products packaging machines and lithium-ion battery winding machines. We will provide solutions that link ICT tools and image processing technology to equipment, and expand and grow into a service business that is highly valued by our customers for safety, quality, and productivity.

1 Packaging Machines

Value provided through business

Automatic packaging systems: Contribute to providing safe and secure products, reducing environmental impact by supporting biomass film and reducing packaging scrap, and reducing food loss by extending the shelf life of products.

Reflecting on fiscal 2022

In the pharmaceutical packaging field, we not only supported the introduction of equipment to resolve the shortage of market distribution capacity caused by confusion in the pharmaceutical production industry, but also expanded our ICT tools and provided solutions and services that improve productivity and quality, in the Japanese pharmaceutical market. We also promoted the use of biomass film, which contributes to reducing environmental impact, and measures to reduce the amount of packaging scrap. In the Chinese market, we released the FBP-600W, a high-speed model exclusively for the Chinese market, which became a foothold for expanding sales. In the food packaging field, we are promoting the development of new technologies and products that contribute to improving production efficiency, reducing packaging scrap, and reducing food loss.

Future growth strategy

In the pharmaceutical packaging field, market needs have shifted even further to improving productivity due to changes in the business environment caused by slowing growth in the domestic pharmaceutical market and revisions to the drug price system. In order to meet this need, we will further refine our automation and labor-saving technologies and contribute to improving our customers' productivity. In addition, CKD Field Engineering Corporation will play a central role in supporting our customers' production activities, so that we can offer solutions such as remote support and production status visualization to help customers make the most of their equipment. We will also strongly promote support for environmentally-friendly packaging materials and link our environmental responsiveness to establishing our market superiority. In addition to establishing a production system at our China Plant, we will strengthen our sales and service capabilities and expand sales.



Pharmaceutical products
packaging machine
FBP-600W

2 Industrial Machinery

Value provided through business

Inline medical product inspection systems: Contributes to providing safe and secure products, automating the inspection process and saving labor, and ensuring the quality of tablets and PTP sheets.
3D solder paste inspection machines: Contributes to quality assurance and productivity improvement in the printed circuit board mounting process.
Lithium-ion battery winding machines: Contributes to the promotion of HEV and BEV and carbon neutrality

Reflecting on fiscal 2022

In the industrial machinery field, demand for automotive lithium-ion batteries is increasing every year due to the accelerated shift to electric mobility worldwide. We will promptly respond to the demand for equipment caused by the rapid growth of the market, and contribute to reducing CO₂ emissions and achieving carbon neutrality. In 3D solder paste inspection machines, we quickly detect market and sales area trends, and are working to optimize our sales, procurement, and production systems in order to respond to equipment demand in a timely manner.

In the inspection machine field, we are not only identifying the target market for transparent object inspection systems and promote sales expansion activities, but are also conducting activities to create new markets by technical application of medical product inspection systems.

Future growth strategy

In response to the explosive increase in demand for lithium-ion batteries required in the mobility market, we will provide high-speed, high-precision lithium-ion battery winding machines and strengthen our production system, so that we can support our customers in improving their productivity and expanding their production capacity.

In 3D solder paste inspection machines, in parallel with the systematic implementation of sales strategies by area, we will build a sales and production system that can provide the optimal equipment for the market.

In the inspection machine field, we will systematically advance sales strategies for each target market to expand sales volume of transparent object inspection systems. At the same time, we will promote sales of inspection systems for new markets created by technical application of medical product inspection systems.



3D solder paste
inspection machine VP9000

Topics

Production status visualization and remote support systems

We have supported our customers in achieving stable production, by providing PTP blister packaging systems that enable customers in the pharmaceutical packaging market to produce safe and high-quality products, and by building a service system centered on CKD Field Engineering Corporation. The major changes that occurred in the pharmaceutical market over the past few years have led to drug shortage problems and caused customers to face urgent issues of increasing production capacity, improving productivity, and ensuring quality and traceability, bringing significant changes to the business environment as well. This business division is working to expand ICT tools, such as DI support, visualization of production status and remote support, while at the same time, working to resolve customer issues through new services that fully utilize this ICT tool.

Strategy by Business



Katsuhiro Niidera
Executive Officer, Corporate Officer
General Manager, Components
Business Division

Component Products Business

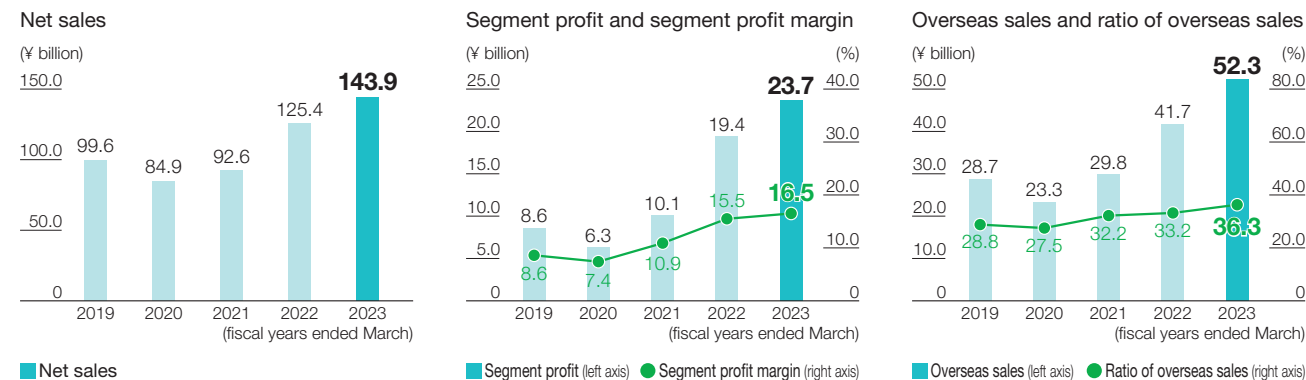
We are planning company-wide growth and strategic investment of approximately ¥60.0 billion over four years, in order to capture markets that will expand over the medium to long term, such as the semiconductor market, rechargeable battery market, environmental measures aimed at reducing CO₂ emissions, and new energy businesses, as well as the automation, sophistication and environmental needs of production.

As a component products business, in order to ride the wave of investment in the semiconductor and rechargeable battery markets, increase our overseas sales ratio to 40%, and achieve our sales target of ¥165.0 billion in fiscal 2025, we will strengthen our domestic and overseas production and sales bases and promote activities not only from current perspectives but from a medium- to long-term perspective to achieve our targets.

Business vision

With the aim of becoming a supplier needed in the global market, we will put together a broad lineup of products that meet diversifying customer demands, including simple/high precision, small size/high speed/further miniaturization, safety/environmental proposals/digitization, etc., and strive to propose new value and creativity.

Continuing to undertake the challenge of technological innovation, we will develop products, make proposals, provide services that can solve customers' issues, and build a business structure that can meet the needs of customers around the world. In our medium-term plan, we aim to propose optimal solutions by combining the fluid control technology we have cultivated to date with newly strengthened electric power and software.

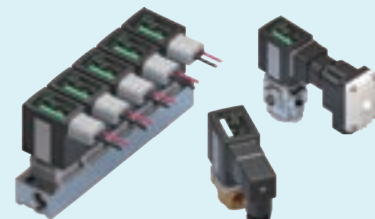


Topics

Direct acting 2, 3-port solenoid MULTI-FIT VALVE

Multi-fit for various fluids. By making functions required for various applications into standard features, we further increase reliability and support a variety of fluids with one series.

Based on the concepts of high reliability, ease of selection, and ease of use, we have consolidated into one body CKD's solenoid valve technology, with which we have a half-century of experience in fluid control. We also contribute to carbon neutrality by reducing waste through longer service life of products and reducing CO₂ emissions through power savings.



Progress in FY2022 and future growth strategy

In FY2022, we set "Close to Customers" as the policy of the Components Business Division, successfully rode market tailwinds in semiconductors and rechargeable batteries, and achieved record-high orders and sales. In the electric motion products business which we are focused on, we simultaneously released the simple electric motion D Series that allows position adjustment with the pneumatic cylinder SW, and the G Series that allows multi-point positioning, and also released a multi-axis controller as a product to differentiate ourselves from competitors. At the same time, we released the software ExiaStudio and are starting proposals of new solutions that combine hardware and software.



Hokuriku Plant

In our overseas business, we expanded investments in response to demand for semiconductor and rechargeable battery investment, mainly in East Asia, and at the same time, we were able to improve our business performance in India, ASEAN, Europe, and America. As a result, we achieved our KPI for overseas sales ratio of 32%, making a favorable start towards our target of 40% for fiscal 2025.

Furthermore, in production systems, we started full-scale operation of the mass production base for fluid control systems adjacent to the Thailand Plant purchased in fiscal 2021. At the same time, we have begun full-scale mass production at our Austin Plant in the United States, in preparation for future market expansion. We will make a move for the next steps, beginning construction of our India Plant and acquiring real estate for our Malaysia Plant, and will also focus on strengthening infrastructure and governance to support our overseas bases, which are expanding year by year. In Japan, we are launching the Hokuriku Plant and Tohoku No. 2 Plant to meet future demand. The Hokuriku Plant is based on the concept of "a plant that is close to people and in harmony with the environment," and aims to create a workplace that increases employee engagement by introducing environmentally-friendly equipment such as the active use of renewable energy. The Tohoku No. 2 Plant will create a well-balanced production system in cooperation with the existing Kasugai and Tohoku Plants.

As for overseas, in addition to strengthening our existing plants, we will promote local production for local consumption at our India and Malaysia Plants to keep up with global demand.

In sales, we will grow into a higher quality sales style by centralizing information, such as management of inquiry information using digital tools, sharing of market trends, product development requests, etc. In overseas sales, we will expand our global market by adding CKD Italy and establishing a European GLC-HUB.

1 Pneumatic Components

● Value provided through business

For driving air cylinders, hands, and air operated valves, we have a wide lineup of control components that controls air flow, including air conditioning, pressure regulation, switching, and speed control. We are expanding our lineup of components with long service life that contributes to environmental protection, such as communication support and automation technology, and the reduction of CO₂ emissions, and we propose pneumatic technology that is energy-saving and environmentally-friendly.



Pneumatic Valve
4E Series

● Reflecting on fiscal 2022

Sales increased compared to the previous fiscal year especially on the back of rising demand in the semiconductor market due to an increase in automation and labor-saving needs both in Japan and overseas. In terms of production, we have bolstered our production capacity and met our customers' delivery deadlines, while enduring the soaring prices of parts and difficulties with their procurement. In particular, we utilized our China Plant to bolster production capacity and promoted production transfer and local procurement. In Japan, we have taken on the challenge of innovative automation using digital technology, and strengthened our automatic assembly line equipment, thereby enabling improved quality, labor-saving, and support for mass production.

In product development, we pursued sliding technology for rubber seals and minimized air leakage, realizing longer service life for a newly-released plug-in valve that achieved even lower wattage. We will contribute to reducing CO₂ emissions through the addition of this new product to the HP series lineup with a long service life. We have also released waterproof remote I/O in response to demand for remote I/O required for equipment DX and eliminating control panels. To improve plant equipment, we released the siloxane ozone remover SFX as a solution for the issue in which air leaks occur in a short period of time due to ozone. We will continue to develop products that contribute to the realization of carbon neutrality.



Remote I/O

● Future growth strategy

Going forward, we will expand our ability to respond to overseas markets and rationalize our domestic and overseas supply chains. Firstly, we will increase the number of models produced at our China Plant, optimize QCD with quality control, and strongly promote local procurement of components. We will increase production efficiency and supply to the global market by utilizing our inventory centers.

Meanwhile, we will produce mainly high value-added products in our Japanese plants, and take on the challenge of innovative automation of production lines by promoting DX. We will deploy the production technology we have cultivated laterally to our overseas plants and strengthen our global production capacity.

We will also continue to work on developing products that can contribute to energy conservation, visualizing energy usage, and complying with environmental regulations. In the global EV market, semiconductor market, food manufacturing processes, and other areas, we work closely with our customers, sensing their needs with all five senses, identifying their real needs, and taking on the challenge of providing value beyond their imagination.

P35-36 ▶ Continues into: Reflecting on individual products and growth strategy

Strategy by Business

2 Drive Components and Electric Motion Components

● Value provided through business

In addition to pneumatic cylinders used in a wide range of industrial fields and electric actuators that are both highly precise and easy to use, we have launched ExiaStudio, a PC software that enables anyone to easily control various components without requiring any expert knowledge. The software can integrally control the best mix of pneumatic and electric motion components, thereby providing added value for making smart products through DX.

We offer total package solutions tailored to production needs of customers using a variety of actuators and control components, such as assistive devices that contribute to safety and the environment, and expanding the variations of the HP Series, which features a long service life and contributes to carbon neutrality.

● Reflecting on fiscal 2022

Electric motion components are products that contribute to the rise of carbon neutrality, smart factories, and automated and unmanned plants. An increasing number of customers are using different types of pneumatic components and electric motion components for different purposes and processes. The number of electric motion components newly adopted is steadily growing, and recognition and branding in the market are also expanding.

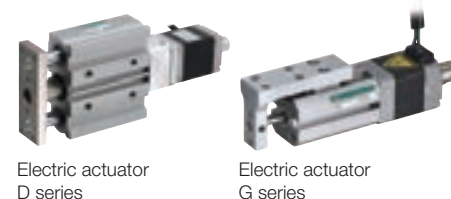
Amid this environment, in terms of product development, we released the simple electric motion D Series which allows two-point position control, as well as the G Series which enables multi-point position control. As a pneumatic cylinder manufacturer, we pursued simplicity and high rigidity with our new electric motion series, which has received high praise from customers for the position setting with a conventional cylinder switch, and the power source that exerts thrust even when the power is not running.

We are proposing new solutions for DX with the ECMG Series, a multi-axis controller that is compact and greatly improved in convenience, and the control PC software ExiaStudio that can control various I/O devices including ROBODEX, and can be linked with the image processing visual programming tool Facilea.

● Future growth strategy

In response to expectations for environmental friendliness in manufacturing production equipment, we will leverage our strengths in handling both pneumatic and electric components to focus on solving customers' issues with the best mix strategy of pneumatics and electric motion components.

Centered on our programming software ExiaStudio and our multi-axis controller, we have formulated a CKD original platform strategy that allows for integrated control of pneumatic pressure, electric motion, and image inspection. Going forward, we will focus on multi-axis controllers and ExiaStudio, and refine our own originality by developing and expanding the variety of control components, thereby increasing customer satisfaction through proposals of total packages that can contribute to the environmental response desired by our customers. We have also received high praise for taking on the challenge of CO₂ reduction proposals using pneumatic-electric motion hybrid products that combine pneumatic thrust and electric motion control. We will also focus on TP (Trial Production) activities to carefully respond to such customer concerns.



3 Fluid Control Components

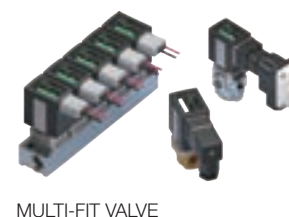
● Value provided through business

Based on the concept of high quality and wide variation, we use a variety of fluid control technologies to create added value by working closely with our customers in a wide range of industries such as semiconductors, mobility, medical/pharmaceuticals, food, water treatment, and gas combustion. We also support new technologies such as gas control with an eye toward new energy.

● Reflecting on fiscal 2022

In Japan, both sales and profits increased over the previous fiscal year due to steady demand for semiconductor manufacturing equipment, medical, food, and general industries. While struggling with rising prices and procurement of parts and materials, we increased production capacity to meet customer needs. We have taken a wide range of measures to increase production capacity, including transferring production to our plants in Thailand and China and promoting local procurement, while placing emphasis on quality. On the other hand, in Japan, we have taken on the challenge of innovative automation using digital technology, which has enabled us to improve quality, reduce labor, and support mass production. Furthermore, with the slogan of making plants that appeal to customers, we are building a plant tour course that incorporates proposals of the use of components and systems that contribute to reducing CO₂ emissions.

In product development, we launched the New Standard MULTI-FIT VALVE, which is equipped as standard with functions that were previously available only as options or custom specifications. It has received praise for its low wattage, long service life, and ease of use.



As products compatible with hydrogen gas combustion aimed at next-generation technology, we have developed products that contribute to the environment, including a lineup of hydrogen solenoid valves.

● Future growth strategy

We aim to further expand sales in the Asian market. In terms of highly versatile products, we will further expand production, procure parts locally, strengthen cooperation between overseas plants, and promote rational use of inventory centers at our plants in Thailand and China, thereby making them our main production bases for overseas markets. Meanwhile, we will produce mainly high value-added products in our Japanese plants, and take on the challenge of expanding innovation and automation by promoting DX. This will further strength our ability to improve quality, save labor, and support mass production. The production technology that we have cultivated here will also be deployed laterally to our overseas factories.

As for product development, we will hold dialogue with customers about their issues and make full use of CKD's core technology. To this end, we will create functional prototypes as quickly as possible, make information more precise, and strengthen our activities to provide solutions to issues in the form of products.

We have received many new development requests for new energy, and we are working on new initiatives through the adoption of our products by our customers for their research and prototyping. We will propose systems based on these component products and contribute to the achievement of SDGs and the realization of carbon neutrality.

4 Fine system components

● Value provided through business

Based on the concept of Ultra Fine, we offer a wide range of products that includes chemical liquid components for semiconductor manufacturing and components for high vacuum and special gases. We will realize cutting-edge process control with variations that cover everything from supply systems to exhaust systems of semiconductor manufacturing equipment. We contribute to the enrichment of people's lives by supporting the semiconductor and electronic device industries through our support of state-of-the-art semiconductor processes.

● Reflecting on fiscal 2022

In line with the digitization of society, capital investment in logic semiconductors/foundries was aggressive, mainly overseas. In addition to demand for our mainstay equipment for semiconductor production equipment, demand for equipment for plant facilities also grew significantly, especially in East Asia, and our semiconductor business achieved record-high results for the fiscal year.

In response to the expanding global market, we have strengthened our production capacity by starting operation of the Austin Plant in North America and expanding clean rooms at our plants in China and Korea. In Japan, we began construction of our Hokuriku Plant and acquired real estate adjacent to the Tohoku Plant. We are proactively investing for the future and expanding our production capacity.

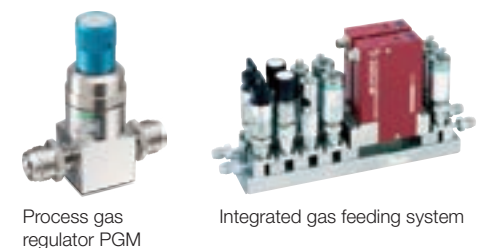
As for research and development, we continue to propose solutions using dedicated sales and technology for cutting-edge semiconductor manufacturing equipment. We aim to speed up product development in line with the progress of state-of-the-art semiconductor process technologies, which are becoming more challenging every year. We strive to sustainably improve environmental management and promote activities aimed at creating a sustainable society, such as starting provision of high value-added products that reduce environmental impact to our major customers.

● Future growth strategy

Further growth in global demand for semiconductors is expected due to factors such as increased investment in data centers in line with the transition to a data society, including AI technology, 5G/6G communications, digital transformation, and the metaverse, as well as an increase in the amount of semiconductors installed in automobiles as EV/automated driving becomes more widespread. In addition, semiconductor manufacturing processes are undergoing technological innovation such as further miniaturization, and the technologies to achieve this are highly value-added, so sustainable business growth can be expected.

By establishing a dedicated system, we will strengthen our relations with supply equipment manufacturers, manufacturing equipment manufacturers, and device manufacturers, and quickly identify customer needs, which will lead to the development of technologies and units that will become the core of manufacturing equipment. At the same time, we will propose the best solutions that will lead to technological innovations in the semiconductor manufacturing processes, and by incorporating our specifications into our customers' next-generation development equipment, we aim to further expand our market share.

In production, we will increase our market share by expanding and strengthening our production bases and R&D bases, and contribute to the semiconductor manufacturing industry, which is necessary to advance the digitalization and greening of society.



DX Strategy



Yoshiyuki Amano

Executive Officer
General Manager,
Digital Strategy
Department

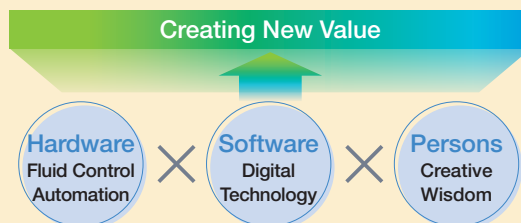
In 2021, we launched the Digital Strategy Department, which utilizes digital technology to promote business model transformation in parallel with internal operational transformation.

In terms of business model transformation, we are working to realize a solutions business that solves the issues faced by customers and society by developing software to realize our DX vision and providing systems in conjunction with hardware. We aim to transform our business model from the traditional “selling products” of stand-alone hardware to “selling solutions” that solve the problems of customers and society, and to realize a recurring model in which solutions are provided as an ongoing service.

For our internal business transformation, we aim to achieve operational excellence by leveraging digital technology to raise the level of business operations to a level that no other company can match.

DX Vision

Integrating hardware and software to create new value that uses human wisdom to solve issues for customer and the society



We have set a DX vision that corresponds to the newly established Purpose of CKD. For hardware, we will develop Automatic Machinery and components, which CKD specializes in, and for software, we will utilize digital technology in general, but we will place particular emphasis on software development to create new value that solves problems for our customers and society through the power of people!

Target

In order to realize our DX Vision, our medium-term plan is to develop solutions that quickly, affordably, and easily achieve automation, visualization, and uninterrupted production that customers in the FA industry require in order to “create customer value.” In terms of solving social issues, we will work on developing solutions that contribute to environmental issues, solutions that contribute to the promotion of DX in companies including small and medium-sized enterprises, and solutions that solve the problems of the primary industry, which is suffering from a declining workforce.

Progress in fiscal 2022

Developed device programming tool ExiaStudio

In addition to our existing software products, we have developed and started selling a new device programming tool, ExiaStudio. As with the image processing programming tool Facilea, it features visual programming, allowing users to easily build a control system by connecting multiple electric products and other component products using a PC. Furthermore, compared to conventional control systems, ExiaStudio allows users to significantly reduce the amount of wiring materials and electric motion components, making it possible to save space, reduce costs, and even build facilities that are more environmentally-friendly. With ExiaStudio, it is now possible to offer a variety of solutions to customers by combining the hardware and software of the Components business, Facilea and Rinops, and providing them as a system.

Topics

Digital human resource development

It is “people” who implement DX, and we are focusing on developing digital human resources, including mindset reforms.

In fiscal 2022, we conducted training for division managers to help them recognize the need for digitalization and training to develop leaders to promote DX. In addition, we held a reskilling seminar (known as the D-Academy) and RPA hands-on training that emphasized practical skills. 446 people participated in the D-Academy's introduction to artificial intelligence, and we also conducted hands-on training in machine learning using open source software to enhance practical skills. In addition, as a way to improve practical data analysis skills, training was held to learn what types of data are disclosed in-house, how to collect them, and how to use analysis tools. Furthermore, we will conduct training on specific data analysis methods in each division.

DX initiatives in business: Expanding software

We are combining software with hardware to build a solution business that helps improve the productivity of customers and solve social issues.

Visual programming tool Facilea

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 in image processing. 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.

Facilea

Production support system Rinops

Production support system Rinops is a DX platform designed specifically for improving the efficiency of human work at production sites. By using wearable devices and connecting devices and information within a factory, the users are able to give work instructions and achieve real-time collaboration among workers in an optimal manner.

Rinops

LTE remote controllers

By combining our know-how on equipment control such as solenoid valves and sensors with new IoT/ cloud technologies, we provide easy remote automatic control for the agricultural and aquaculture fields.

Equipped with a scheduling function that can be operated with a smartphone, automatic operation with a sensor monitoring function, accumulation of work records, and an e-mail notification function in the event of an abnormality, the system contributes to solving labor shortages and work burdens.



DX initiatives in business operations

Aiming to achieve operational excellence, we are leveraging digital technologies to improve productivity, QCDS, and customer experience (CX). Taking the COVID-19 pandemic as an opportunity, we are promoting a company-wide shift to paperless operations and automating operations using RPA and workflow products. As an ERP, the SAP program consolidates order, production, and purchasing data, and we have developed a system to utilize such data and are working on data-driven management, where everyone from

management to the production frontline makes decisions based on data.

Our sales segment is working to improve sales productivity by utilizing digital marketing and SFA, and we have launched efforts to meet customer expectations by sharing customer feedback with technology and production segments. As customer demands are changing, we are striving to make the content of our website as easy to understand as possible, and to enhance them to meet the needs of our customers.

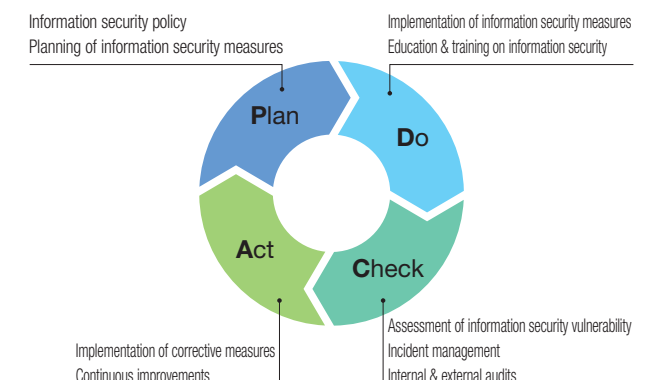
Information Security

We have also worked to strengthen information security along with the promotion of DX. We clearly state the laws, regulations, and guidelines applicable to information security in relevant procedures, provide education and training to all employees, and conduct internal audits. In particular, we recognize that cyber-attacks are a material risk. In order to reduce the risk of cyber-attacks, we have adopted the latest security equipment and software, and have established a monitoring system run by an external security specialist organization. We also regularly conduct targeted attack e-mail training and information security training aimed at raising employee awareness of the risks of increasingly sophisticated cyber-attacks. In addition to these efforts, we outsource system vulnerability diagnosis to a third-party organization in an effort to reduce the risk of cyber-attacks.

In order to strengthen information security, we hold regular meetings of the Information Security Promotion Committee to

monitor the trends of external threats, the status of company-wide activities, and issues to be addressed, and continuously implement necessary measures.

Information security management cycle



Sustainability Strategy



Basic Policy

Based on our Purpose, we have established the Basic Policy on Sustainability as a basic policy for CKD to grow sustainably into the future. As a sustainability company, CKD is committed to highly transparent management that emphasizes environmental protection, social contribution, and dialogue with stakeholders.

Basic Policy on Sustainability

CKD Corporation (the "Company"), in keeping with its Purpose, 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.



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.



Topics Financing through sustainability-linked loans

The Company raised funds through a sustainability-linked loan from Sumitomo Mitsui Trust Bank, Limited. By setting sustainability performance targets (hereinafter "SPT") that are linked to sustainability goals and linking procurement conditions and SPT performance, we aim to achieve environmentally and socially sustainable business activities. We have set the following SPT for this project, and we are working to reduce CO₂ emissions in order to realize a decarbonized society.

Loan date	: March 31, 2023	Amount	: ¥5.0 billion	K P I	: CO ₂ emissions per unit of sales
Contract period	: 4 years	Usage of funds	: Equipment funds	S P T	: Reduce CO ₂ emissions per unit of sales by 38% in fiscal 2025 (compared to fiscal 2013)

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

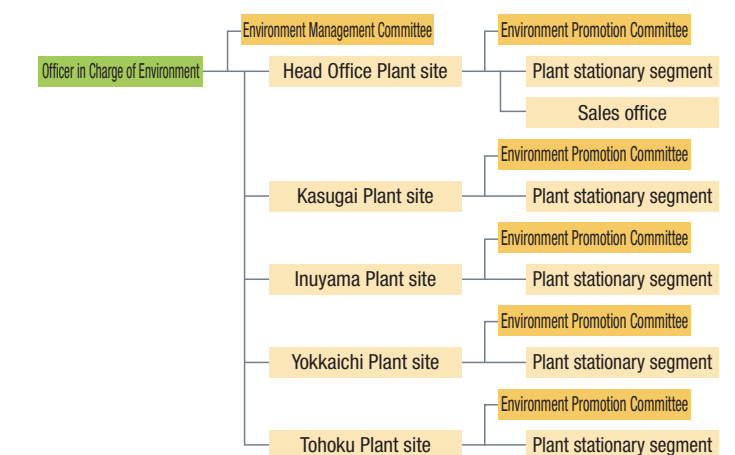
We are developing and expanding sales of low environmental impact products, focusing not only on the conservation of energy and resources, but also on the environmental impact of products throughout their life cycles. While maintaining compliance with all environmental laws and regulations, we have been 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.

ISO acquisition

The Company acquired the ISO 14001 certification in 2000, and conducts environmentally-friendly business activities and complies with environmental laws and regulations. The Company identifies risks and opportunities from environmental aspects, internal and external issues, and other information, and carries out activities based on environmental goals or operational management for the matters we have decided to address. Each activity is reported to the Environmental Promotion Committee at each factory site, and overall, to the officer in charge of environment at the Environmental Management Committee. In addition, regarding operational management and compliance with environmental laws and regulations (Water Pollution Prevention Act, Air Pollution Control Act, Act on Rational Use and Appropriate Management of Fluorocarbons, etc.), the status of management and compliance is confirmed through internal audits and compliance evaluations, and reported to the officer in charge of environment through management reviews. As we discovered in fiscal 2022 that industrial waste had been handed over to the industrial waste disposal company prior to the signing of a contract at the building where a sales office was relocated, a report was made to the local government and an instruction document was subsequently issued. To prevent recurrence, we provided education to sales office staff, checked all sales offices in Japan for similar incidents, and confirmed that industrial waste was being handled appropriately.

Acquisition target	Acquired certification	Acquired date
CKD Corporation	ISO9001	June 24, 1994
	ISO14001	December 8, 2000
CKD THAI CORP. LTD.	ISO9001	January 14, 2004
	ISO14001	
CKD CHINA CORPORATION	ISO9001	January 4, 2009
	ISO14001	
CKD NIKKI DENSO CO., LTD.	ISO9001	March 16, 2018
	ISO14001	March 5, 2021

Environmental management system promotion structure

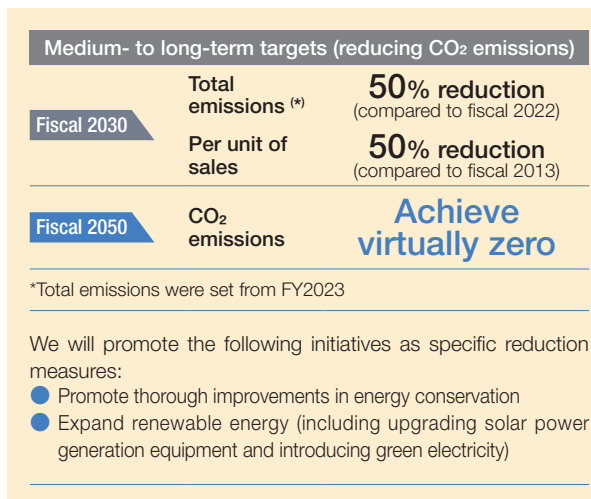


Environment

Reduce CO₂ emissions

Medium- to long-term targets

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.



Notes: 1. CO₂ emissions are the total of Scope 1 and 2.
2. Includes CO₂ emissions offset through the J-credit system and green power certificates.

Solar power generation systems installed in FY2023

Head Office Plant

- Start of operation: July 2023
- Power generation (estimate): 110,000 kWh/year

*Equivalent to approximately 1% of the power used at the Head Office Plant

- CO₂ reduction (estimate): **48 tons/year**



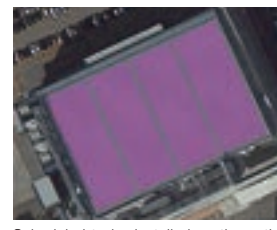
Additional equipment (installed on the roof of the Head Office building)

Tohoku Plant

- Scheduled operation: December 2023
- Power generation (estimate): 860,000 kWh/year

*Equivalent to approximately 11% of the electricity used at the Tohoku Plant

- CO₂ reduction (estimate): **427 tons/year**



Scheduled to be installed on the entire roof of the Tohoku Plant

*Calculated according to GHG Protocol

FY2022 supply chain emissions

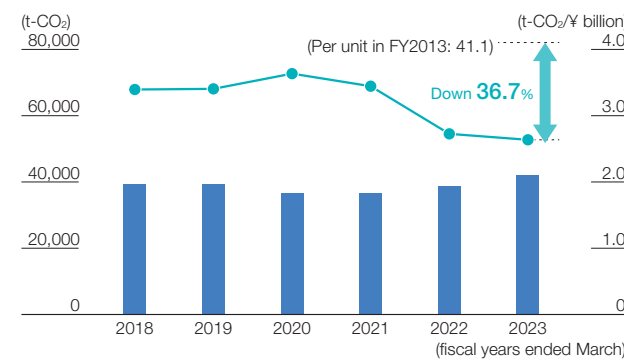
Classification	CO ₂ emissions t-CO ₂	Ratio of total emissions
Scope 1	6,395	0.4%
Scope 2	41,312	2.7%
Scope 3	1,509,335	96.9%
Ct 1 Purchased Goods and Services	386,650	24.8%
Ct 2 Capital Goods	35,334	2.3%
Ct 3 Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2	5,231	0.3%
Ct 4 Upstream Transportation and Distribution	19,619	1.3%
Ct 5 Waste Generated in Operations	1,458	0.1%
Ct 6 Business Travel	621	0.04%
Ct 7 Employee Commuting	1,970	0.1%

Classification	CO ₂ emissions t-CO ₂	Ratio of total emissions
Ct 8 Upstream Leased Assets	-	-
Ct 9 Downstream Transportation and Distribution	-	-
Ct 10 Processing of Sold Products	-	-
Ct 11 Use of Sold Products	1,057,501	67.9%
Ct 12 End-of-Life Treatment of Sold Products	951	0.06%
Ct 13 Downstream Leased Assets	-	-
Ct 14 Franchises	-	-
Ct 15 Investments	-	-
Total	1,557,042	100.0%

Notes: 1. Figures for Scope 1 and 2 are the total of major emissions from CKD Corporation, domestic subsidiaries, and overseas subsidiaries (plants only).
2. Scope 3 applies to CKD Corporation (domestic, non-consolidated).

CO₂ emissions reduction results (target: excluding overseas sales companies)

*In fiscal 2022, CO₂ emissions from the energy and company car gasoline of domestic group companies and the Austin Plant in North America are added, and green power certificates and J-credits are offset.

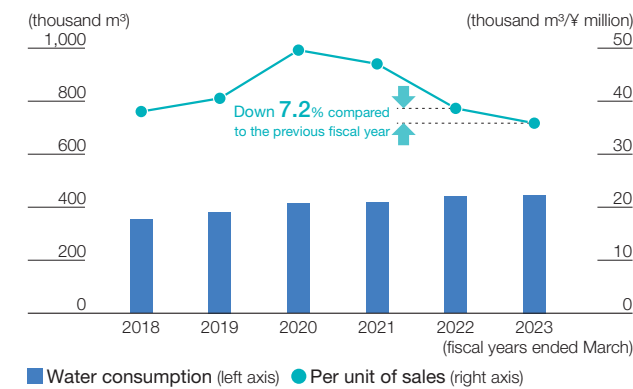


We promote reduction activities by setting internal activity targets for each department and adding points to bonus evaluations according to the degree of target achievement.

Main reduction activities include improving plant air leaks, introducing energy-saving products when replacing equipment, and introducing solar power generation systems.

Reduction of water consumption Target: 2% reduction in per unit of sales compared to the previous fiscal year

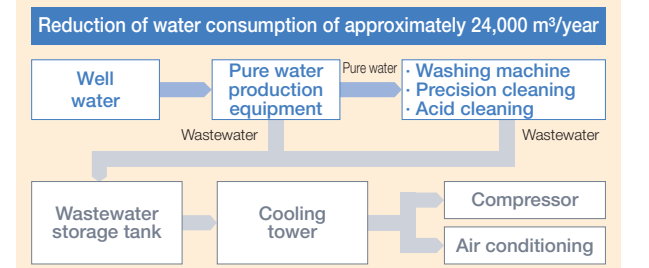
Reduction of water consumption (Target: CKD domestic plants)



FY2022 target: 7.2% reduction compared to 2% reduction compared to the previous fiscal year

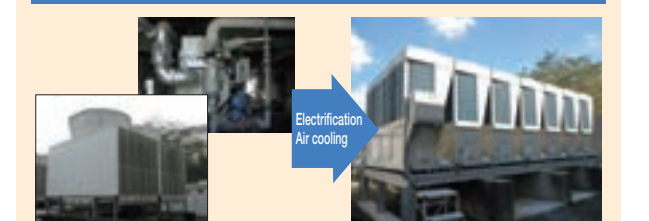
With regard to the water used at each plant, we are working to reduce water consumption by using rainwater, and reusing wastewater from pure water production equipment, washing machines, etc.

Improvement effects due to wastewater reuse (estimate)



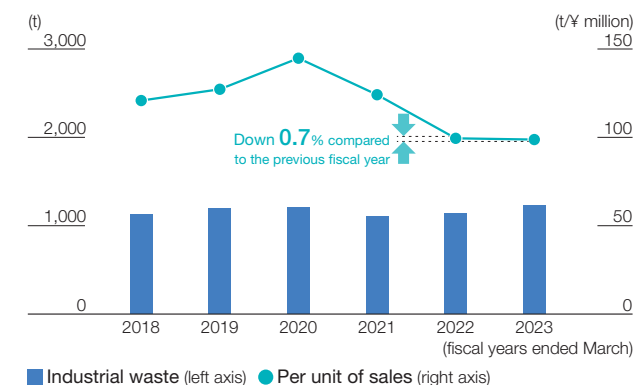
Improvement effect by replacing absorption type cold/hot water generators (estimate)

CO₂ reduction: 100t-CO₂ or more/year Reduction of water consumption: approximately 2,800 m³/year



Reduction of industrial waste Target: 2% reduction in per unit of sales of industrial waste compared to the previous fiscal year

Reduction of industrial waste (Target: CKD domestic plants)



FY2022 target: 0.7% reduction compared to 2% reduction in the previous fiscal year

We are working to cut down waste and convert them into valuable resources to reduce waste generated in our business.

Recently, we have been focusing on further recycling plastic, and are working to reduce plastic industrial waste by checking if waste plastic can be recycled.



The amount of plastic industrial waste discharged in fiscal 2022 was 356 tons.

Management of chemical substances in products

As concerns regarding human health and environmental pollution increase around the world, laws and regulations governing chemical substance management are being enacted and amended in countries around the world. As a member of the global supply chain, we are also required to take various response measures not only for export products but also for non-export products.

In order to ensure the management of environmentally hazardous chemical substances throughout the supply chain, we clarify our requirements in our Green Procurement Guidelines and ask our suppliers to manage them in accordance with the guidelines.

In order to guarantee that CKD products do not contain prohibited substances and disclose information on chemical substances contained in products, we have created a database of environmental substance content data for purchased products and parts.

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.

List of risks and opportunities related to climate change

Impacts of climate related issues	Timeline	Risks and opportunities (possible events)			Degree of impact	
					4°C	1.5°C
Impacts of the transition to a decarbonized society	Medium- to long-term	Introduction of carbon tax and emissions trading	Risks	· Increase in business costs	Low	High
			Opportunities	· Increase in sales of products that contribute to the environment, such as CO ₂ reduction		
	Medium- to long-term	Compliance with GHG emissions regulations	Risks	· Increased costs for the replacement of energy-saving equipment	Low	High
			Opportunities	· Increase in sales of products that emit limited CO ₂ during their manufacturing process		
	Medium- to long-term	Renewable Energy Policy/Energy Saving Policy	Risks	· Increase in business costs due to higher renewable energy prices, and increased costs for the replacement of equipment to energy-saving models	Low	High
			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		
	Short- to long-term	Advancement of low-carbon technologies	Risks	· Decrease in sales when the Company is unable to respond to rapid demand shifts from pneumatic components to motion components · Increase in R&D costs for developing decarbonization technologies	Low	High
			Opportunities	· 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		

Impacts of climate related issues	Timeline	Risks and opportunities (possible events)			Degree of impact	
					4°C	1.5°C
Physical impacts of climate change	Short- to long-term	Intensification of extreme weather events	Risks	· 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	High	Low
			Opportunities	· 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		

Risks and opportunities related to climate change and our responses

Impacts of the transition to a decarbonized society	Reducing risks	· Set CO ₂ reduction targets for the Group, including subsidiaries
		· Install solar power generation systems
		· Reduce Scope 2 emissions utilizing green electricity
		· Reduce Scope 1 emissions utilizing CO ₂ -free city gas
		· Carbon Offsetting through the J-Credit Scheme
	Capturing opportunities	· Enhance sales of pharmaceutical products packaging machines which limit packaging loss
		· Strengthen electric motion products business
		· Strengthen the development of low environmental impact products
		· Launch a series of components for rechargeable batteries
		· Actively disclose information on our contribution to the environment
Physical impacts of climate change	Reducing risks	· Establish disaster prevention management/BCP regulations in preparation for disasters
		· Placement of production bases in various locations
		· Accelerate the replacement of air conditioners to energy-saving models
		· Establish measures against infectious diseases

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.

(P64 ▶ Risk Management)

Indicators and targets

(1) Key performance indicators

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. From fiscal 2022, we have started calculating Scope 3 CO₂ emissions in addition to Scope 1 and 2.

Key performance indicators	Unit	FY2022 results
CO ₂ emissions (before offset) (Notes 1, 2, 3)	t-CO ₂	44,281
CO ₂ emissions (after offset) (Note 4)	t-CO ₂	41,506
CO ₂ emissions (per unit of sales) (Note 5)	t-CO ₂ /¥ billion	2.6
CO ₂ emissions reduction rate (per unit of sales, compared to fiscal 2013) (Note 5)	%	36.7

(2) Target

Fiscal 2030	Reduce CO ₂ emissions by 50% (total amount, compared to fiscal 2022)
	Reduce CO ₂ emissions by 50% (per unit of sales, compared to fiscal 2013)
Fiscal 2050	Achieve virtually zero emissions

*From fiscal 2023, we have set an additional CO₂ emissions reduction target of 50% reduction in fiscal 2030 (total amount, compared to fiscal 2022).

- Notes: 1. CO₂ emissions are the total of Scope 1 and 2.
2. Scope 1 is the total of major emissions from the Company, domestic subsidiaries, and overseas subsidiaries (plants only), and calculated using emission factors published on the website of the Ministry of the Environment.
3. Scope 2 is the total of major emissions from the Company, domestic subsidiaries, and overseas subsidiaries (plants only), and calculated using basic emission factors published on the website of the Ministry of the Environment. Please note that the sales offices and overseas subsidiaries (plants) of the Company use the same emission factors as the Head Office.
4. The Company offsets CO₂ emissions through the J-credit system and green power certificates.
5. Figures are calculated based on CO₂ emissions (after offset).

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

Human Capital

Strategy

In order to build a corporate culture with faith in human resources, we have established a human resource development policy and policy for establishing internal environments.

Human resource development policy

The CKD Group will build a “Corporate Culture with Faith in Human Resources” by creating highly engaging and fulfilling workplaces, systematically developing future human resources, and promoting diversity and inclusion.

Policy for establishing internal environments

In order to realize our human resources development policy, we are promoting effective measures, system development, and awareness reforms for each of the three priority measures.

1

Creating a highly engaging and fulfilling workplace

- Measures for employee self-fulfillment, such as the innovator challenge system and internal job posting system
- Holding the GO CKD! Award as an opportunity to recognize outstanding initiatives
- Health and productivity management initiatives

2

Systematic development of future human resources

- External training for systematic development of next-generation leaders
- Trainee dispatch system to overseas bases to develop global human resources
- Training for developing digital human resources

3

Promotion of diversity and inclusion

- Trainee dispatch system from overseas bases to Japan
- Establishing a working environment in which employees feel free to take childcare leave
- Promoting women's career advancement
- Promoting career advancement of seniors (age 60 and over)
- Workplace development for people with disabilities

Key performance indicators and targets

Key performance indicators and targets for priority measures

Priority measures	Key performance indicators	FY2025 goals		FY2022 results
Creating a highly engaging and fulfilling workplace	Work engagement*1	52		47.9
	Health and productivity management	Recognition as a White 500 enterprise		Outstanding Organization 2023
Systematic development of future human resources	Developing next-generation leaders*2	Cumulative total	81 persons	Cumulative total 42 persons
	Developing global human resources*3	Cumulative total	65 persons	Cumulative total 50 persons
	Digital human resource development*4	Cumulative total	1,000 persons	Cumulative total 446 persons
Diversity and inclusion	Trainees from overseas to Japan*5	Cumulative total	23 persons	Cumulative total 19 persons
	Ratio of employees who took childcare leave by gender	Male	70.0%	Male 54.4%
		Female	100.0%	Female 100.0%
	Ratio of female managers	10.00% (FY2030 goal)		4.01%

*1. Deviation value based on external survey results
*2. Introduced from FY2017
*3. Introduced from FY2012
*4. Introduced from FY2022
*5. Introduced from FY2014

Promotion structure

We have established the Human Resources Strategy Committee to promote management that utilizes the most of all people in the CKD Group. In order to create a company and workplace where all employees can work vigorously, we have launched the Future Human Resources Project as a subordinate organization of the Human Resources Strategy Committee, with the aim of envisioning our vision and promoting ideal human resources strategies.

Major initiatives

Priority measure 1 Creating a highly engaging and fulfilling workplace

Introduction of the Innovator Challenge System

In fiscal 2022, we introduced the innovator challenge system in which employees propose compelling themes for launching new businesses. In the first year, we received 18 applications from 17 people, and there were many proposals based on new ideas, such as proposals that utilize the Company's core technologies and proposals that help respond to social issues. We are currently developing specific plans for commercialization of the selected themes.



Holding of the GO CKD! Awards

The GO CKD! Award is a system that evaluates activities that contribute to society and the Company from among initiatives aimed at achieving the 10-Year VISION, which is our long-term management goal.

In fiscal 2022, 15 projects were selected from 298 applications and advanced to the main screening, from which the theme that would excite our customers and us was awarded the Grand Prize.

Health and productivity management

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.

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.

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)

KPI (health management strategy map)

In order to promote health management, we have set absenteeism*1, presenteeism*2, and work engagement*3 as KPIs. We believe we can achieve sustainable growth for CKD if all employees are healthy both physically and mentally and work vigorously.

*1 Absenteeism: The average number of days taken by all employees to be absent from work or leave due to personal injury or illness.
*2 Presenteeism: Percentage of productivity loss due to health problems (calculated by WHO-HPQ)
*3 Work engagement: Awareness and behavior toward work (deviation value based on external survey results)

KPI	FY2020	FY2021	FY2022
Absenteeism	0.77 days	1.54 days	1.22 days
Presenteeism	—	—	37.3%
Work engagement	48	48	47.9

Priority measure 2 Systematic development of future human resources

External training for systematic development of next-generation leaders

With the aim of learning practical knowledge about innovation management and developing the next generation of leaders who can lead the Company, we systematically dispatch employees to a graduate school of management of technology (“MOT”) as well as to various external training programs to learn MBA and MOT fields in a short-term intensive manner.

Developing global human resources

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.

Digital human resources For details, see P37 Digital human resource development

Human Capital

Opinions of Employees

Learning at the Department of Management of Technology (MOT), Graduate School of Management, Tokyo University of Science
Practical learning to acquire strategies to thrive 10 or 20 years from now

Just having theories and frameworks in your head as knowledge will not allow you to utilize them in practice. In order to put this into practice, you have to think for yourself. I believe that the Tokyo University of Science MOT was an opportunity to receive training for this purpose, and to cultivate the ability to think. I boldly discussed topics outside of my field of expertise with working students from a variety of industries and work backgrounds, including not only engineers but also managers and salespeople. I heard a lot of eye-opening opinions and realized the real thrill of competing against people from different fields. Thus, I naturally gained a variety of perspectives and knowledge. In the manufacturing industry, which is undergoing a transition due to the Fourth Industrial Revolution, I believe I have acquired the "power to think," a weapon that will enable us to survive 10 to 20 years into the future.



Toshikazu Tsuruga
New Business Development Office

Priority measure 3 Diversity and inclusion

We value the potential of each of our diverse employees, regardless of gender, nationality, or age, and have focused on promoting the creation of workplace environments and systems so that each worker with different strengths can make the most of his or her abilities.

Initiatives for promoting women's career advancement

- 1 Establishment of an in-house day-care center and systems such as shorter working hours and exemption from overtime work for employees with children up to the sixth grade of elementary school.
- 2 Training for managers and introduction of case studies of male employees who have taken childcare leave through in-house newsletters in order to increase the ratio of male employees taking childcare leave.
- 3 In order to increase the ratio of female employees, we set a target value for the ratio of female new graduates hired in the action plan and carry out recruitment activities.



In-house childcare center
'Ohana nursery school'

Specific measures to increase the ratio of female workers in managerial positions to 10% in FY2030 from the current situation

- 1 Implement systematic promotions and promote appointment to managerial positions, etc. to achieve the Company's target for ratio of female workers in managerial positions
- 2 Conduct training for female employees to foster their mindset toward promotion and managerial positions

Workplace development for people with disabilities

In October 2022, we hired six new people with disabilities at the Social Farm Waku Happiness Farm. The purpose of this farm is for people with disabilities to grow and harvest crops by themselves, allowing them to be employed long-term while experiencing the joy of working, a sense of responsibility, and a sense of fulfillment in their work. We will continue to promote the creation of workplaces where people with disabilities can play active roles and strive to expand employment.

Occupational Health and Safety

The Occupational Health and Safety Center was established in July 2021 to promote company-wide occupational health and safety activities, including those of our overseas subsidiaries.

Specific activities include (1) promoting Company-wide risk assessments, (2) developing Company-wide *Poketenashi* (five rules for safety improvement) activities, and (3) holding Company-wide occupational health and safety conferences.

We are determined to build a safety-first corporate culture by raising awareness of safety and health, aiming for no accidents, engaging in health and safety activities with the participation of all our employees.

Basic Philosophy

We place the greatest emphasis on safety and manufacture products in the right way.
From a safe and healthy workplace, we will provide our customers with products that they can use with peace of mind.

Policy

- 1 We will maintain healthy minds and bodies.
- 2 We will act with safety first and raise safety awareness among all employees.
- 3 We will observe laws, company rules, and work procedures.
- 4 We make every effort to foresee potential dangers.
- 5 We will manufacture safe and reliable products

Technology and Intellectual Capital

Maintaining departments that specialize in intellectual property, CKD works to further improve corporate value by managing intellectual property for all CKD Group companies 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.

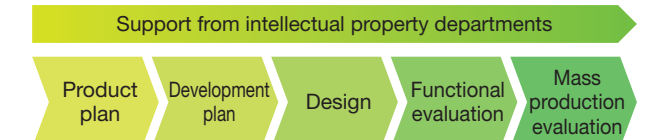
System

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.

The intellectual property departments conduct



research and analysis of intellectual property at each stage of product/development planning, design, and evaluation, and provide the latest technical information for projects.

Development process

Major initiatives

Focusing on new businesses, new markets, and the environment in the Medium-Term Management Plan, we offer a variety of intellectual property support such as providing patent maps and invention consultations from intellectual property departments to technology departments.

Excellent Patent Award

We have established a patent reward system with the aim of increasing employees' aspiration to invent and promote the creation of better inventions. The Patent Achievement



Evaluation Committee selects outstanding inventions and awards employees.

In fiscal 2022, we selected one patent from vacuum equipment for an excellent patent award, two from pharmaceutical products packaging machines for outstanding patent awards, and one each from pneumatic components, control components, and electric motion components.

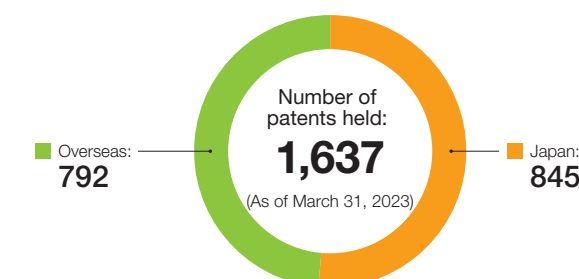
Employee education

We conduct intellectual property education for new employees every year, providing general education on intellectual property rights and explanations about our intellectual property management system, in order to facilitate a better understanding of intellectual property.

Regarding education within the Intellectual Property Department, education is provided in accordance with the basic education program after being assigned to the department, and the employees acquire skills to execute patents, designs, and trademarks in Japan and abroad.

Number of patents held

Recognizing the intellectual capital created through research and development activities as an important asset of the Company, we are actively acquiring intellectual property rights such as patents in Japan and overseas. As of the end of March 2023, we hold 1,637 patents in Japan and overseas.


Topics
Publishing of the CKD Technical Journal

Please refer to the CKD Technical Journal, published and posted on our website, which introduces technical information on challenges to innovate automation, problem-solving technologies, and research and development results that we have accumulated over many years.



Human Rights

The Group is committed to respecting human rights as an important management issue. We recognize considering human rights in our corporate activities is vital for the sustainable development of businesses and of society. Throughout our actions, we aim to ensure respect for the human rights of everyone involved in our business activities. To this end, we continuously conduct human rights due diligence based on the CKD Group Human Rights Policy established in April 2022.

For the full text of our Human Rights Policy and a list of human rights risks, please refer to "Sustainability" on our website.



CKD Group Human Rights Policy

The Group has established the CKD Group Human Rights Policy. It is based on the Guiding Principles on Business and Human Rights and the International Bill of Human Rights of the United Nations, which are international norms related to human rights, the ILO Declaration on Fundamental Principles and Rights at Work of the International Labor Organization (ILO), and the human rights guidelines formulated by the Japanese government, etc.

CKD Group Human Rights Policy

- | | |
|------------------------------------|------------------------------|
| 1 Scope of application | 5 Training |
| 2 Respect for human rights | 6 Information disclosure |
| 3 Human rights due diligence | 7 Dialogue with stakeholders |
| 4 Corrective and remedial measures | |

System

The Sustainability Committee, chaired by the President, reports on and discusses the status of efforts to respect human rights. (P39 ▶ Sustainability promotion structure)

Human rights due diligence

To ensure that the CKD Group Human Rights Policy is put into practice through concrete actions, we work to understand any negative impacts on human rights. We have put in place a flow for preventing and addressing such issues, which we implement on a regular basis.



Identification and evaluation of human rights infringement risks

We identify and assess the risk of infringement of human rights that could occur in the supply chain in areas such as working conditions, working environment, discrimination, harassment, privacy, and environmental pollution.

Surveys

We conduct surveys of CKD Group companies and major suppliers on the status of their response to the human rights risk items we have identified and evaluated. We analyze the survey results and implement countermeasures if there is a risk of negative impact.

Major initiatives relating to human rights

Employee education on human rights

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



Dissemination of Purchasing Principles and Fundamental Policy

Respect for human rights is clearly stated in our Purchasing Fundamental Policy and communicated to our suppliers. We hold briefings among other activities as we work to promote respect for human rights throughout the supply chain.

Establishment of a whistleblower contact point (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. (P63 ▶ 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.

Supply Chain Management

We renewed our Purchasing Principles and Fundamental Policy in April 2022. We see all our suppliers as important partners, and will continue to deepen communication as we build our global supply chain.

Based on nine requests for our suppliers, we are promoting procurement activities that consider overall CSR in addition to the quality and delivery time requirements that we use to consistently provide products that satisfy our customers.

For details of this page, please refer to "Material Procurement" on our website.



Purchasing Principles

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

Fundamental Policy

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

Requests for Business Partners

- 1 Sound business management
- 2 Observance of laws and social norms
- 3 Consideration for the environment
- 4 Improvement of human rights and the working environment
- 5 Stable supply of materials and optimal quality
- 6 Improvement of technical capabilities and technical proposals
- 7 Development of the management system
- 8 Confirming the status of initiatives
- 9 Handling of conflict minerals

Risk assessment for CSR and ESG procurement

We aim to mutually develop with our suppliers while helping to build a sustainable society. To this end, we regularly conduct surveys on the promotion of CSR and ESG procurement and related efforts at our suppliers.

In 2022, we conducted a questionnaire on the environment and quality. From fiscal 2023 onwards, we will proceed with efforts aimed at improvements based on these results. We will also continue to conduct BCP surveys and questionnaires on initiatives in the areas such as labor, safety and health, and human rights, working on risk assessment through close communication.

Green procurement

CKD has a longstanding commitment to voluntary environmental conservation activities. However, the environmental problems that face the planet today cannot be solved by the efforts of one company alone. In addition to the conventional "quality, price, and delivery time," our Purchasing Department has set "environment" as a key word, and we are committed to green procurement activities that consider the environment from the procurement stage.

Holding briefings

We regularly hold briefings on production trends and purchasing policy, quality briefings, exhibitions, and technical exchange meetings, inviting all of our suppliers to participate. We contribute to realizing a sustainable society through our global supply chain by mutually developing with our suppliers.

