

CKD's Principles

The CKD Group established its new principles, Purpose and Brand Slogan, on April 2, 2023, the 80th anniversary of its founding, and new Values in October.

We at CKD will continue to work toward the realization of a healthy global environment and a prosperous future by sharing these new principles with all employees of the CKD Group.

Purpose

We will continue to explore and co-create automation technologies to cultivate a healthy global environment and a prosperous future.

Values

[C-SHIP]

~CKD-SHIP~
CKD-ness

Customer “Customer first”

Sustainability

Human “Human resource”

Innovation

Professionalism

Brand Slogan

Creating Solutions Together

Road to the completion of our new principles

We launched the CKD Branding Project, which was teamed up by various CKD Group employees, including those from overseas, selected following a call for participants. This project was carried out with the aim of becoming a company that fosters a sense of pride and loyalty in CKD Group employees. While conducting analysis of the Company and future projections, the project team held discussions with upper management over the Purpose and Brand Slogan, and repeatedly worked to refine them. After conducting an internal empathy survey on the drafts, the final version was decided by the votes of all CKD Group employees, including those overseas.

As a social raison d'être and aspiration, our **Purpose** is based on the following philosophy: “To continue to explore and co-create core automation technologies with our customers, business partners, and associates, and to create creative and innovative solutions to environmental and social issues to realize a prosperous future.”

There are five **Values** that each and every CKD Group employee should cherish in order to realize our Purpose.

C-SHIP, which stands for **C**ustomer, **S**ustainability, **H**uman, **I**nnovation, and **P**rofessionalism, is an abbreviation of CKD-SHIP and means the “Values to be held by CKD Group employees.”

Our **Brand Slogan** is a concise representation of our thoughts and actions toward the future. The message is to “create solutions to environmental and social issues together with customers, business partners, and associates.”



Our CKD Brand Site has been launched!

We launched our CKD Brand Site to promote the CKD brand.

The site contains an explanation of our Brand Slogan, Fact Reports that give accounts from the perspective of CKD Group employees, videos, and more. Please check it out.



CKD's History “Customer-Oriented Innovation”

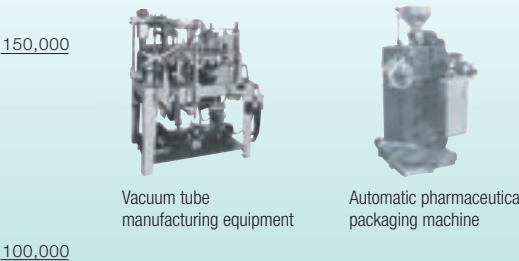
CKD has been engaged in the research and development of automation technology and fluid control technology for 80 years since its establishment in 1943, and has made continued efforts to solve customers' problems. Our lineup of 500,000 products is proof that we have created the same number of products as there are customer needs. These products also contribute to the realization of a world in which people can live safe, secure, and healthy lives.

Social issues and needs

Rising need for automation

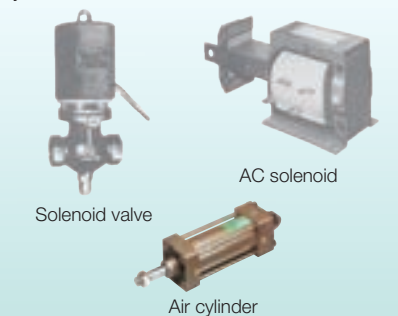
At a time when consumer equipment and daily necessities were being actively developed and there were few functional units required for the automation equipment on the market, we began manufacturing vacuum tube manufacturing equipment in 1947 as CKD's first automatic machinery. After that, we entered the packaging market with the production of an ampoule filling machine, which we developed from our vacuum tube manufacturing equipment. In 1955, we developed an automatic pharmaceutical packaging machine, a type of strip packaging machines. In 1977, we took on the challenge of electrolytic capacitors manufacturing machines that used our functional components, and developed an electrolytic capacitor element winding machine.

Net sales
(¥ million)



Expansion of automation systems

In 1956, we began manufacturing AC solenoids, a functional component developed for use in automatic machinery. Then in 1960, we developed cell cylinders, the predecessor of our pneumatic cylinders. Many major manufacturers started to produce in-house equipment themselves, resulting in greater demand for pneumatic and other components. In 1963, we developed a pneumatic indexing table combining a barrel cam and an air cylinder. We have developed a wide range of functional equipment related to automation, including solenoid valves used to control all kinds of fluids, as well as air cylinders and other components used in pneumatic systems.

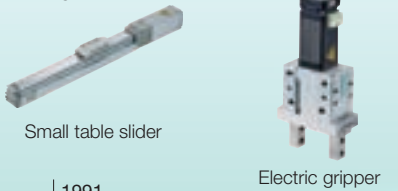


Increasing demand for semiconductors

In 1984, we developed fine system components for semiconductor manufacturing equipment. We support the semiconductor industry by providing state-of-the-art process control with a wide variety of products, ranging from supply systems to exhaust systems, for semiconductor and liquid crystal manufacturing equipment, such as chemical liquid, gas, and vacuum control.

Acceleration of electrification

In 1990, we developed a small table slider in response to continually evolving equipment, including the robotization of machines. Since then, we have greatly expanded our lineup to meet various needs such as environmental measures and energy conservation. We developed electric actuators that perform actions such as gripping, moving, and rotating with high speed and precision.

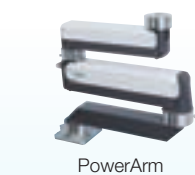


Advancement of *monozukuri* (manufacturing) backed by growing IoT momentum Use in smart factories

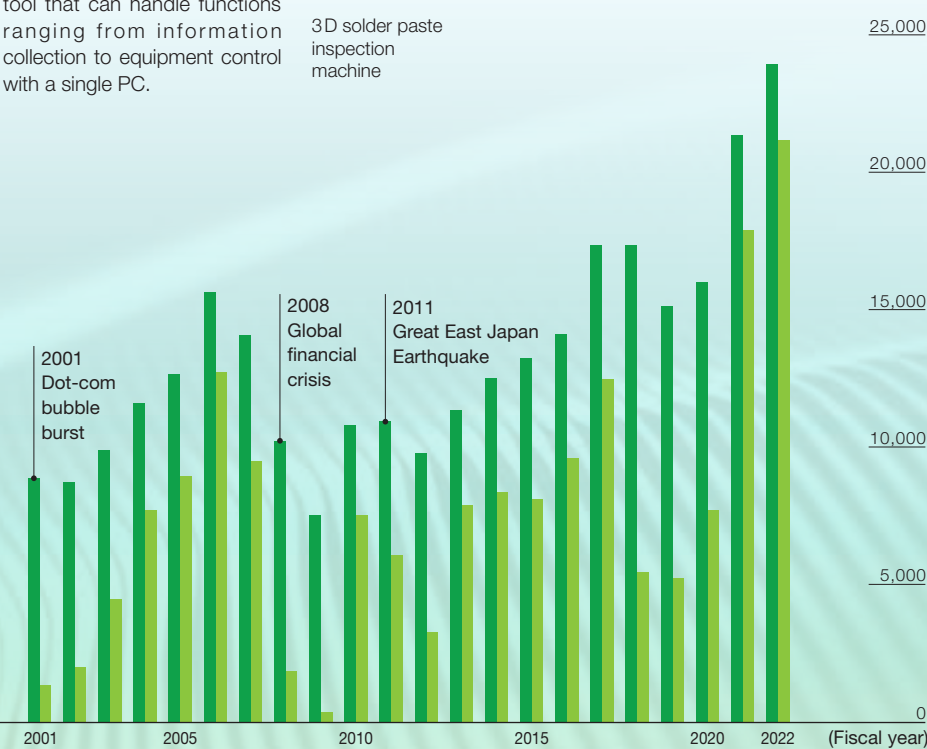
With the spread of automation and IoT in production equipment, we developed sensor components that enable condition monitoring (visualization), contributing to the realization of smart factories. We have been working on image processing technology since the 1970s, and have developed 3D solder paste inspection machines that enable high-speed inspection in 3D. In 2020, we developed Facilea, a programming tool with easy-to-use operations and settings for image processing. We also developed ExiaStudio, a device visual programming tool that can handle functions ranging from information collection to equipment control with a single PC.

Proliferation of sustainability (ESG, SDGs)

We promote the development of more eco-friendly products that reduce environmental impact by consciously incorporating targets for environmental burden levels from the product planning and development stages. Based on the concept of “For Workers,” in 2014 we developed PowerArm as a human-friendly product, an assistance device that contributes to the creation of a safe and comfortable work environment for workers of all ages and genders.



Operating profit
(¥ million)



History

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

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

1961
Relocated its factory to Komaki City, Aichi Prefecture

1962
Listed on the second section of the Nagoya Stock Exchange

1971
Listed on the first section of the Nagoya Stock Exchange

1979
Changed its name to CKD Corporation
Listed on the first section of the Tokyo Stock Exchange

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

1985
Established CKD USA CORPORATION in the United States

1988
Established CKD THAI CORPORATION LTD. in Thailand

1989
Established CKD SINGAPORE PTE. LTD. in Singapore

2001
Established CKD (Shanghai) CORPORATION in China

2002
Established CKD KOREA CORPORATION in South Korea

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

2007
Established TAIWAN CKD CORPORATION in Taiwan

2011
Opened a branch office in Singapore

2012
Changed its name to CKD Corporation (*change in Japanese name only)
Established CKD Field Engineering Corporation as a service company for Automatic Machinery

2013
Completed the construction of a new plant at CKD (China) CORPORATION

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

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

2016
Established CKD Europe B.V. in the Netherlands

2017
Converted CKD NIKKI DENSO CO., LTD. into a group company

2018
Opened an in-house childcare center “Ohana nursery school” at the Head Office/Komaki Plant

2019
Completed Tohoku Plant in Ohira-mura, Kurokawa-gun, Miyagi Prefecture

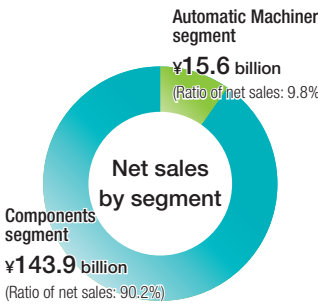
2022
Converted CKD ITALIA S.R.L. into a group company in Italy
Completed CKD USA Austin Manufacturing in the United States

Established CKD Malaysia SDN. BHD. in Malaysia

CKD Now
– At a glance –

Net sales
¥159.5 billion

Operating profit
¥21.2 billion



Consolidated number of employees
4,684

CKD's Business Value that Helps Solve Social Issues

Through its automation and fluid control business domains, CKD has worked on technological innovation and value creation to help resolve various social issues. Going forward, we will remain sincerely committed to achieving SDGs and contribute to realizing a prosperous future, as outlined in our Purpose.

Fine system components

Semiconductors and liquid crystal used in data center servers and tablet devices. CKD's control components also play active roles in the clean working environment in which these products are manufactured.

3D solder paste inspection machines

CKD's technology, which never misses defects in the manufacturing of printed circuit board for smartphones, contributes to the advanced functionality and more compact size of electronic components.

Social issues >

Development of Digital Infrastructure

Social issues >

Creating a Safe and Secure Society (Food and Medical Care)

Automatic food packaging systems/ Food production components

There is a growing number of packaged foods being developed with the aim of improving added value, such as preserving food quality and hygiene. CKD's food packaging technology ensures food safety and delivers peace of mind to people.

Automatic pharmaceutical packaging systems/ Life science components

CKD's technology is also used in machinery and components for pharmaceutical products and medical devices that support safe medical care, such as packaging for drugs and syringes, oxygen concentrators, analyzing devices, and dental equipment control.

Lithium-ion battery winding machines/Battery manufacturing components

Lithium-ion batteries are widely used as the latest type of storage battery, particularly in hybrid and electric vehicles. CKD's technology is also used in the manufacturing of these batteries.

Solar cell components

Solar power generation has been adopted across various fields with the aim of shifting to sustainable energy. CKD products are also used in the solar cell manufacturing process.

Social issues >

Creating a Decarbonized Society

Social issues >

Reforming Monozukuri (Manufacturing) Building Smart Factories

Electric actuators/ Pneumatic cylinders

CKD products include electric actuators and pneumatic cylinders, indispensable in factories where automobiles, daily necessities, and other products are manufactured. Long-life cylinders that help reduce environmental impact are also used in many factories.

Fluid control components

CKD's technology, which controls all kinds of fluids, is used in a variety of fields that make people's lives more convenient, such as park sprinkler systems and machine tools.

Programming tool for image processing

Image processing can be achieved easily without the need for specialized vocabulary. It is used for the automation of various visual inspections.

Message from the CEO

We strive to contribute to the improvement of employee happiness and the realization of social sustainability through “management that makes the most of people”



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

Reconsidering what needs to be protected and what needs to be changed as we celebrate the 80th anniversary of our founding

CKD celebrated the 80th anniversary of its founding on April 2, 2023. Established in 1943 as a company engaged in the development and manufacture of electrical components for aircraft, the Company has continued to develop its operations while pursuing technological innovation based on automation and fluid control technologies over its 80-year history.

We support *monozukuri* (manufacturing) around the world by facing all the challenges of our customers, and strive to make further social contributions and realize a sustainable society.

There are two phrases that came to mind when looking back at our history. The first is “Rome was not built in a day” and the second is “Time flies like an arrow.” While these two phrases may seem to have completely opposite meanings, the technologies and business foundations built up by our predecessors were not achieved overnight. They are

irreplaceable assets of the Company. However, when questioning whether tradition and history ensure the sustainability of society and companies, just as the common practices of corporate management have changed drastically due to consideration for the environment, clinging to the past can sometimes be a hindrance. Amid environmental changes surrounding our business, which are as rapid as an allow, what should CKD's social *raison d'être* be? How do we address the changes of the times, what should we protect, what should we change, and what should we achieve? In this milestone year, I strongly feel that it is important for each and every employee to ask themselves these questions again.

We saw the 80th anniversary of our founding as an opportunity to renew our philosophy, which is one of our guiding principles, in light of changing global circumstances. We established our new principles, which include Purpose and Values in place of our previous Corporate Philosophy and Corporate Commitment, and Brand Slogan as our corporate statement.

In our Purpose, a *raison d'être* as a company, which is to “continue to explore and co-create automation technologies to cultivate a healthy global environment and a prosperous future,” we incorporated “global environment” and “co-creation,” words that were not included in our previous Corporate Philosophy. We did so to express CKD's determination to continue the exploration and co-creation of automation, our core technology, with all stakeholders, including customers and partner companies, to create solutions to environmental and social issues, and ultimately realize a prosperous future.

“C-SHIP” is an acronym for the five Values that are to be upheld by all employees, standing for “Customer first,” “Sustainability,” “Human resources,” “Innovation,” and “Professionalism.” We aim to use this catchphrase to instill these values throughout the company.

We were also particular in how we established our new principles. We launched the Branding Project, which was teamed up by various employees, including those from overseas, selected following a call for participants. This project team repeatedly worked to refine our principles, and the final version of the Brand Slogan was decided by the votes of all CKD Group employees worldwide. Based on our principles that have been updated by our own employees for the first time in 30 years, we aim to become a company that fosters a sense of pride and loyalty, and one that helps create a prosperous society.

Contributing to the realization of a society where no one is left behind by utilizing our unique product development capabilities

As indicated in the United Nations' 17 Sustainable Development Goals (SDGs), there are many social issues that need to be addressed. In recent years, in addition to energy

and environmental problems, particularly labor shortages due to declining birthrates and aging populations worldwide, diversity promotion, including appointing female and senior employees, have become urgent issues in organizational management.

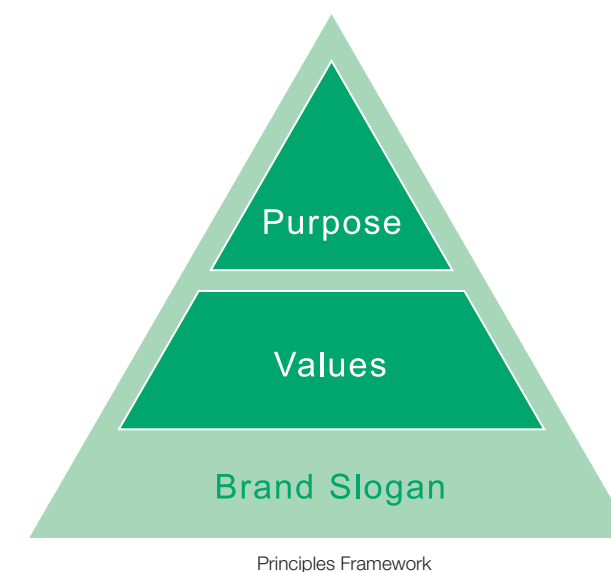
We are working to solve these issues from two main standpoints. The first is the creation of a positive working environment for our employees. We are promoting the creation of an environment and systems in which diverse human resources can play an active role. Efforts on this front include establishing a daycare center at our Head Office, actively promoting senior employees and improving working conditions as part of our lifetime employment program, participating in the Work Happiness Farm, which supports employment for people with disabilities through vegetable farming, and actively hiring non-Japanese employees.

The second is a CKD-style approach in which we tackle issues that arise in the field, including at customers, through product development.

Through our automation and fluid control business domains, we have worked to develop products aimed at solving various social issues, and now have a lineup of more than 500,000 products. One of these products is an assistance device that reduces the workload of workplaces handling heavy objects. It has been well received as a human assistance product that contributes to the creation of a comfortable working environment for workers of all ages and genders.

At the same time, we are developing new offerings such as production support systems, visual programming tools, and remote-control solutions by combining hardware (fluid control/automation) and software (digital technology) to provide total solutions that promote automation and safe and secure working environments.

In addition to providing a broad lineup of products and a wide variety of technologies, doing so at a price range that



Message from the CEO

SMEs with limited resources can afford, with offerings that are easy to use, is what sets CKD apart from rivals in this field. Since assuming the position of Chairperson in 2021, I have been actively taking on external roles, such as the head of the Komaki Chamber of Commerce and Industry. This has led to many SME consultations about automation as a means of tackling labor shortages.

From the perspective of “leave no one behind,” the central promise of the SDGs, we also plan to contribute to the shared global issues of improving productivity and reducing environmental impact by enabling customers in more countries and regions to use our products, regardless of company size. To this end, we need to hone our technological capabilities, one of our key strengths, while also focusing on marketing and branding in order to enhance the Company's presence.

New initiatives and external evaluation and awards

The seventh year of the 10-Year VISION: GO CKD!, our long-term management vision, ended in fiscal 2022. Under our basic policies of “Challenge new business activities and

markets” and “Accelerate globalization and expand overseas markets,” we are steadily moving forward with initiatives aimed at achieving our targets for fiscal 2025, the final year of the Vision. Efforts on this front include the development of service businesses utilizing digital transformation (DX), the operation of the plant in the United States, and the expansion of production bases in India, Malaysia, and Thailand.

With regard to long-term social sustainability and consideration for the environment, which I am particularly focusing on as CEO, we are working to achieve net zero CO₂ emissions, our target for fiscal 2050, by expanding the use of renewable energy, such as installing solar power generation facilities at our plants, and thoroughly stepping up the use of green energy and other CO₂-free energy.

In addition, one sustainable achievement we made that broadly contributes to society and is also related to our basic policy of “Challenge new business activities and markets,” is the practical use of environmentally friendly biomass-based plastic for blister packages, which we developed in collaboration with Astellas Pharma and the Mitsubishi Chemical Group. Said project received the Minister of Environment Award at the 5th Japan Open Innovation Prize in February 2023.

Aiming to promote open innovation in Japan, the prize recognizes highly advanced and creative initiatives with prospects as future role models. We consider this to be a very significant award, following on from the Golden Award of the AICHI Environmental Award we received in 2021, both from the perspective of gaining recognition for our accumulated efforts to develop products that contribute to the environment and society from an early stage, and also in terms of being a first step that embodies the “co-creation” aspect of our Purpose and Brand Slogan. Taking this award as encouragement, we have been working to raise even more our awareness of “further refining our technologies to be useful to society and our customers”, and are also conveying to employees that we want them to carry out co-creation with like-minded “associates,” thereby creating social value.

In the 10-Year VISION, the area that we need to particularly focus on over the remaining three years is “Build a corporate culture with faith in human resources,” which is set forth in our basic policies. The most important issue in achieving sustainable growth of both society and companies through business activities is the development of the human resources that will be responsible for doing so. As society changes, companies will also change. The talent companies seek for will inevitably change as well, both in terms of quantity and quality, therefore making it difficult to train them.

Currently, President Okuoka is leading efforts to cultivate next generation of leaders, global human resources, and digital human resources essential to the growth of the Company, with the aim of implementing “management that makes the most of people.”



India plant under construction (scheduled for completion in 2024)

The four qualities required of the next generation of leaders that will shoulder the future of CKD

Among the three categories of human resources mentioned above, key to the evolution of the company going forward will be the development of the next generation of leaders that will steer CKD toward its 90th and 100th anniversaries. So, what should our next generation of leaders look like? I believe they should have four key qualities.

The first is having a “driven mindset.” For the future, I want young employees to break away from their previous approach of being a behind-the-scenes supporter that is satisfied with merely making good products for use by people who need them, and instead, become leaders who have the mettle to steer the society with new solutions and services ahead of social changes.

The second quality is also important in this regard, which is maintaining a “positive attitude.” The third is to “think outside the box.” I want employees to think outside the box without focusing on our 80-year history, and have the courage to “break” tradition if they want to make the Company better. The fourth is being “both tough and kind.” I want our employees to

grow into leaders that can be both tough and kind, and deeply devote themselves to training subordinates and junior employees.

The greatest strength of our employees is that they are sincere, honest, and have a willingness to actively address the challenges at hand and overcome them. I believe that they will face leadership role models we set forth with sincerity and strive to fulfill what is required of them.

One of our Values is “Human resources,” and we aim to be “management that makes the most of people” where everyone can play an active role. In order to achieve this, the strengths of each employee are necessary. As such, the Company needs to create an environment where employees work with a high sense of happiness. We believe that “management that makes the most of people” will lead to job satisfaction and the fulfillment of employees' lives, and help develop personnel that consider how to contribute to society through their work.

As the times change, companies will also change. The way we approach management must therefore change flexibly, without clinging to the past. Even after celebrating its 80th anniversary, CKD will continue to make efforts to change while still cherishing its good DNA.

We ask for the continued support and guidance of our stakeholders as we strive to achieve further growth.

Key qualities for the next generation of leaders

- 1 Driven mindset
- 2 Positive attitude
- 3 Thinking outside the box
- 4 Both tough and kind



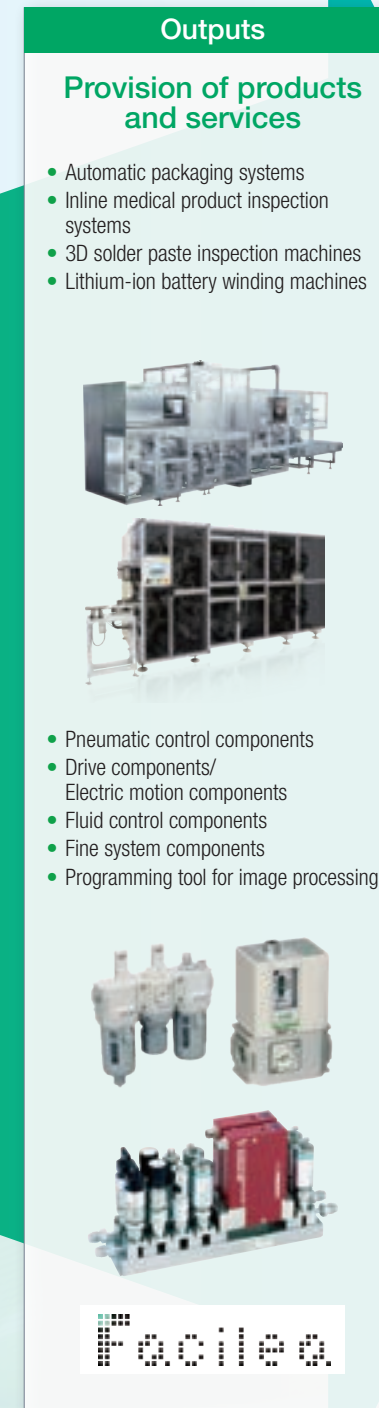
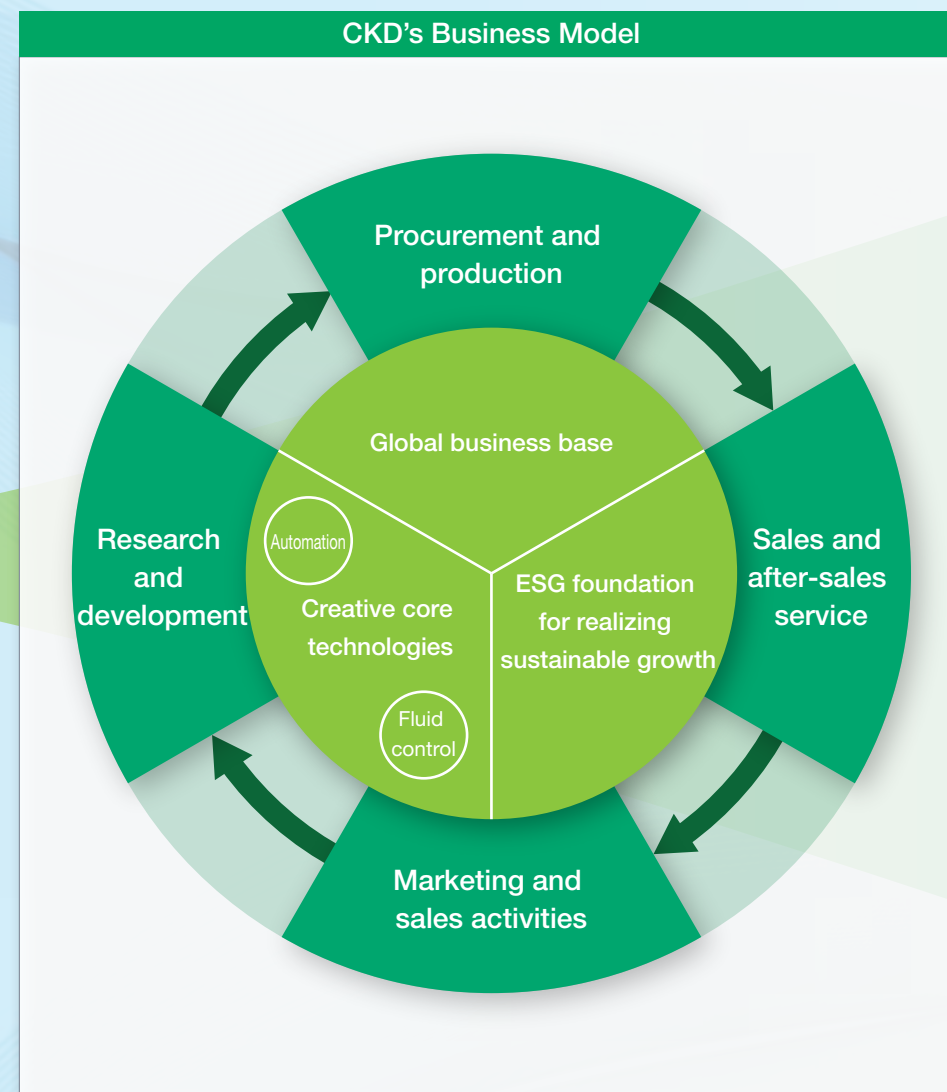
CKD's 80th anniversary logo

Corporate Value Creation Model

CKD aims to contribute to achieving the SDGs by investing capital in each focus domain and working on technological innovation and value creation to resolve various social issues through its automation and fluid control business domains.

Going forward, we will continue to explore and co-create automation, our core technology, with the aim of realizing a prosperous future set forth in our Purpose.

Inputs
(All figures are for the fiscal year ended March 31, 2023)
Human capital
▪ Number of employees: 4,684
▪ Training costs: ¥69 million
Intellectual capital
▪ Research and development expenses: ¥3.81 billion
Financial capital
▪ Net assets: ¥119.73 billion
▪ Equity ratio: 64.5%
Manufacturing capital
▪ Global production bases
Japan: 7 bases
Overseas: 6 bases
▪ CAPEX: ¥11.4 billion
Social capital
▪ Trusting relationship with stakeholders
Natural capital
▪ Water consumption: 542,000 m³
▪ Solar power generation output: 5,805 MWh



Our Long-Term Goal Purpose

We will continue to explore and co-create automation technologies to cultivate a healthy global environment and a prosperous future.

Outcomes

Economic value increase

- Increasing net sales and operating profit
- Providing returns to shareholders
- Expanding businesses
- Expanding overseas bases

Social value creation

- Contributing to *monozukuri* in a society with a shrinking labor force
- Contributing to establishing a decarbonized society through innovation in energy-conservation technology
- Contributing to the safety and long-term preservation of food
- Contributing to a stable supply of medical products
- Making the working environment safer and more secure with devices that assist people—assistance devices

Negative aspects and efforts to reduce them

- Consuming resources and energy and thereby impacting the environment
- Reducing environmental impact through promoting energy conservation and utilizing recycled resources

Materiality

Sustainable growth and enhancing corporate value

We have identified materiality (key issues) that should be prioritized, in order to cultivate a healthy global environment and a prosperous future, as stated in our Purpose, aiming for sustainable growth hand in hand with society. We will work to resolve these issues through our business activities and strive to enhance our corporate value.

Materiality identification process

We identified the materiality faced by the CKD Group based on the idea that contributing to the resolution of social issues will help both society and the CKD Group achieve sustainable growth, which in turn should increase our corporate value.

In the process of identifying materiality, we first collected a wide range of external information to identify social issues, and then extracted the challenges faced by the CKD Group. We then examined the connection between social issues and the challenges faced by the CKD Group, and used our findings to identify the materiality to be addressed.

We will also constantly review the materiality we identified, and through dialogue with our stakeholders, we plan to recognize the issues facing society and the CKD Group and reflect this in our materiality.

Materiality is identified by initial reviews by the relevant divisions, after which the Sustainability Committee, chaired by the President, regularly deliberates the material issues as well as determines the degree of their impact and importance by linking them to risk management. The material issues are then finally discussed and finalized by the Board of Directors. Therefore, all Directors have a shared awareness of materiality.

(P39 ▶ Sustainability promotion structure)

STEP 1

Extract social issues

Extract social issues with reference to the SDGs, GRI Standards, ISO 26000, etc.

STEP 2

Extract issues of the CKD Group

Extract management issues of the CKD Group

STEP 3

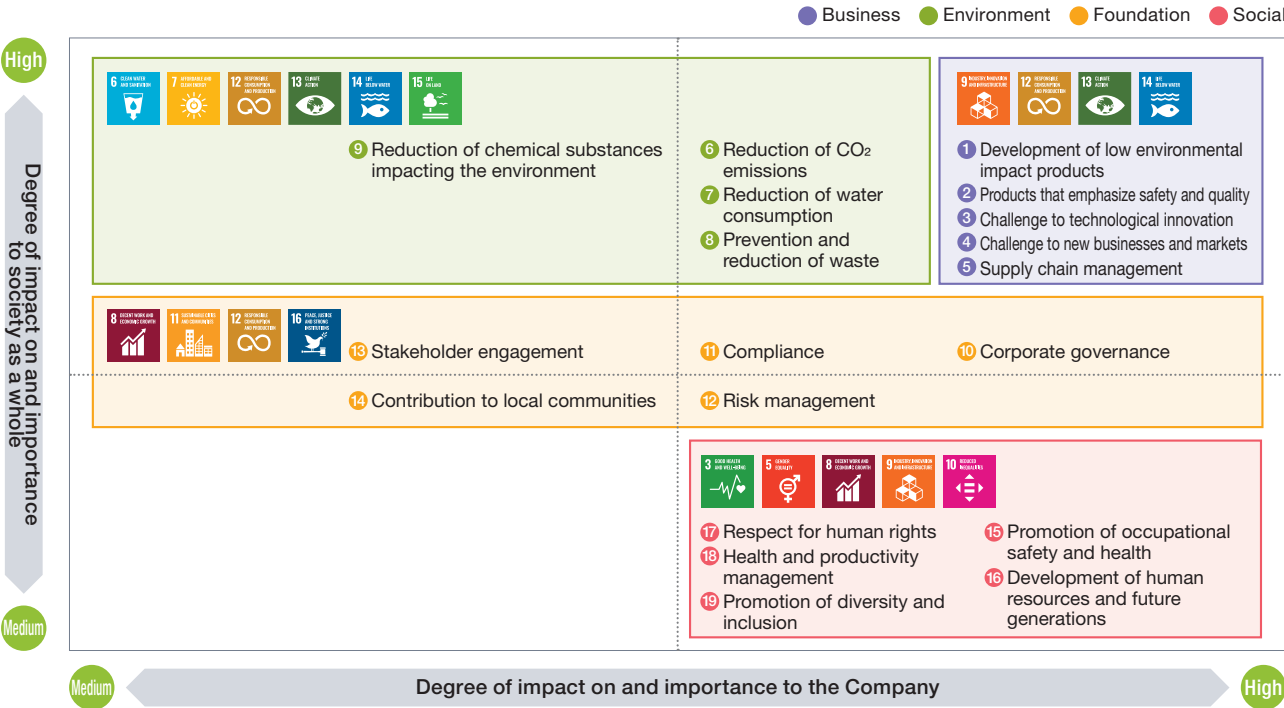
Identify materiality

Identify materiality from the perspective of the CKD Group pursuing sustainable growth with society and enhancing its corporate value.

STEP 4

Hold dialogue with stakeholders

Materiality matrix



Materiality medium-term targets

Materiality	Relevant SDGs	Targets	Relevant page
* The target fiscal year is fiscal 2025 if no target year is stated.			
1 Development of low environmental impact products	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 14 LIFE BELOW WATER	■ Develop machinery for plastic-free packaging ■ Develop technology to reduce packaging material scraps ■ Optimize environmental impact assessment standards and operations for development evaluation	P40-42 ▶
2 Products that emphasize safety and quality	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	■ Improve product safety and quality by proposing new inspection machines ■ 100% implementation rate of customer safety and product quality enhancement by utilizing quality analysis methods	
3 Challenge to technological innovation	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	■ Develop elemental technologies to improve environment conservation efforts, customer safety, and product quality ■ Accumulate core technologies through technological innovation to contribute to society	
4 Challenge to new businesses and markets	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	■ Expand service businesses ■ Develop new businesses	
5 Supply chain management	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	■ 100% compliance rate of CKD Green Procurement Guide by major suppliers	P50 ▶
6 Reduction of CO ₂ emissions	7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION	■ Reduce CO ₂ emissions 50% reduction in total volume by fiscal 2030 (compared to fiscal 2022) 50% reduction per unit of sales by fiscal 2030 (compared to fiscal 2013) Achieve virtually zero by fiscal 2050 ■ Promote environmental investments (systematic introduction of solar power generation and energy-saving equipment)	P40-44 ▶
7 Reduction of water consumption	6 CLEAN WATER AND SANITATION	■ 2% reduction compared to the previous fiscal year (per unit of sales, CKD (non-consolidated))	
8 Prevention and reduction of waste	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 14 LIFE BELOW WATER, 15 LIFE ON LAND	■ 2% reduction compared to the previous fiscal year (per unit of sales, CKD (non-consolidated))	
9 Reduction of chemical substances impacting the environment	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 14 LIFE BELOW WATER, 15 LIFE ON LAND	■ 100% of applicable products are RoHS Directive compliant	
10 Corporate governance	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	■ Improve the effectiveness of the Board of Directors (more active discussions, provide more detailed disclosures)	P55-60 ▶
11 Compliance	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	■ Promote compliance throughout the entire Group, including overseas bases	P63 ▶
12 Risk management	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	■ Strengthen the risk management system of the entire Group, including overseas bases	P64 ▶
13 Stakeholder engagement	8 DECENT WORK AND ECONOMIC GROWTH	■ Disclose ample information to stakeholders ■ Deviation value of 52 based on external work engagement survey results	P19-20 ▶
14 Contribution to local communities	11 SUSTAINABLE CITIES AND COMMUNITIES	■ Support the development of the future generation, carry out environmental protection activities for rivers and forests	
15 Promotion of occupational safety and health	3 GOOD HEALTH AND WELL-BEING, 8 DECENT WORK AND ECONOMIC GROWTH	■ Promote occupational safety and health activities	P47 ▶
16 Development of human resources and future generations	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	■ Carry out next-generation leader training for a cumulative total of 81 employees (number of training participants since fiscal 2017) ■ Carry out global talent training for a cumulative total of 65 employees (number of training participants since fiscal 2012) ■ Carry out digital talent training for a cumulative total of 1,000 employees (number of training participants since fiscal 2022)	P45-47 ▶
17 Respect for human rights	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 AFFORDABLE AND CLEAN ENERGY	■ Conduct human rights due diligence once a year	P49 ▶
18 Health and productivity management	3 GOOD HEALTH AND WELL-BEING, 8 DECENT WORK AND ECONOMIC GROWTH	■ Recognition as a White 500 enterprise ■ Average paid leave usage of at least 65%	P45-47 ▶
19 Promotion of diversity and inclusion	5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH	■ Send a cumulative total of 23 trainees from overseas to Japan (number of training participants since fiscal 2014) ■ Ratio of employees who took childcare leave: male 70%; female 100% ■ Ratio of female managers: 10% (by fiscal 2030)	P45-47 ▶

Risks and Opportunities

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

Approach to risk

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

Risk factors	Risks	Responses and opportunities	Corresponding materiality
Society/ Economy	· Stagnation of business conditions in key customers' industries due to the prolonged economic downturn, affecting business performance	<div>Responses</div> · Prompt action to address changes in the market environment	<div>12</div> Risk management
Natural hazards	· Impact on production activities due to the suspension of operations at production plants and supply chain disruptions caused by natural disasters such as heavy rain and flooding · Impact on production activities of earthquakes in the Tokai, Tonankai, and Nankai regions	<div>Responses</div> · Establishment of a system enabling local procurement at each production base and decentralization of production bases · Strengthening of response capabilities through our business continuity plans (BCP) and new regulations	<div>12</div> Risk management
Politics	· Impact on the Company's business through semiconductor-related customers in the component products business in the event of restrictions on imports/exports and semiconductor-related transactions due to political factors, such as trade frictions · Impact on production activities due to government regulations and import/export restrictions resulting from heightened geopolitical risks	<div>Responses</div> · Promotion of local procurement of products manufactured overseas, production at multiple bases, and placement of inventory centers in various locations by taking into consideration geopolitical risks <div>Opportunities</div> · Increased demand for new capital investment due to the decentralized siting of customers' semiconductor production bases	<div>12</div> Risk management <div>5</div> Supply chain management
Management and internal controls	· Impact on business performance from unexpected changes in the business environment · Unexpected losses that can arise from inadequacy of management at bases with short history or small-scale locations	<div>Responses</div> · Continuous review of management strategies and the management of annual policies · Support for overseas Group Companies to strengthen governance · Human resource strategy incorporating strengthened in-house education, including implementation of a global-based human resource development plan	<div>4</div> Challenge to new businesses and markets <div>10</div> Corporate governance <div>16</div> Development of human resources and future generations
Legal issues related to business transactions	· Impact of the security export control system · Financial disruption caused by the non-collection of accounts receivable · Impact on production activities stemming from shortages in the supply of materials from suppliers due to business succession issues, etc.	<div>Responses</div> · Thorough company-wide training and rigorous export control · Securing multiple suppliers and conducting evaluation tests of alternative materials · Conducting regular credit checks	<div>5</div> Supply chain management
Products/ Technologies/ Services	· Burden of compensation for damages and loss of customer trust in the event that a product causes personal injury or property damage · Intensified price competition with competitors due to the commodification of some products	<div>Responses</div> · Reinforcement of the quality assurance structure from raw materials to shipping inspections · Development of IoT-related components, preventive maintenance, and long service life products · Development of high-value-added products and launch of price-competitive products <div>Opportunities</div> · Increased demand for high value-added products due to an increase in customers who place emphasis on quality	<div>1</div> Development of low environmental impact products <div>2</div> Products that emphasize safety and quality <div>3</div> Challenge to technological innovation

Risk factors	Risks	Responses and opportunities	Corresponding materiality
Employment	· Impact on production activities due to the difficulty of securing labor in Japan under a declining birthrate · Impact on new businesses and global activities due to shortages of global-based human resources and human resources capable of project planning	<div>Responses</div> · Advanced automation in domestic plants and establishment of production systems that do not rely on human labor · Human resource strategy incorporating strengthened in-house education, including implementation of a global-based human resource development plan <div>Opportunities</div> · Increased demand for automation and labor-saving on production lines due to the difficulty of securing labor in Japan	<div>16</div> Development of human resources and future generations <div>17</div> Respect for human rights <div>19</div> Promotion of diversity and inclusion
Information security	· Dysfunction in internal systems or information leaks due to computer viruses or cyberattacks and associated loss of social credibility · Impact on deliveries to business partners caused by a suspension of production lines and distribution systems · Stagnation in procurement, production, and distribution due to the shutdown of the ERP software system, and the resulting negative impact on business activities · Impact of computer virus infection on important business partners	<div>Responses</div> · Development of information security management policies and other regulations and implementation of employee training and internal audits · Installment and updating of the latest information security equipment and software · Investigation and remediation of information security management at our significant business partners <div>Opportunities</div> · Increased opportunities for dealings with customers by improving social credibility through strengthening information security systems	<div>5</div> Supply chain management <div>12</div> Risk management
Environmental issues	· Impact on business performance due to delays in the development of businesses and products that contribute to the realization of a decarbonized society by the Group · Impact on business activities from tighter regulations on the use and emission of greenhouse gases and under the energy-conservation laws due to worsening global environmental issues · Impact on business activities of stricter regulations on chemical substances in use · Impact on the continuity of the Company's packaging machinery business in the event of delayed response in the packaging business to the global trend toward de-plasticization	<div>Responses</div> · Development of low environmental impact products · Prompt switch away from materials containing regulated substances · Development of packaging machinery adapted to plastic-free packaging materials <div>Opportunities</div> · Sales expansion of low environmental impact products · Expansion of business in packaging machinery adapted to plastic-free packaging materials	<div>1</div> Development of low environmental impact products <div>6</div> Reduction of CO2 emissions <div>7</div> Reduction of water consumption <div>8</div> Prevention and reduction of waste <div>9</div> Reduction of chemical substances impacting the environment
Occupational safety and health	· Impact on business operations from employees being overworked or stressed · Impact on production activities from industrial accidents · Impact on deliveries to business partners caused by a suspension of operations at domestic and overseas plants or at key supplier plants due to the pandemic	<div>Responses</div> · Implementation of regular surveys in the form of mental health checks · Carrying out occupational safety and health training · Strengthening of non-contact support including remote sales and services · Strengthening of development of sensors and image processing technology for remote control and labor-saving <div>Opportunities</div> · Increased demand for automation and labor-saving such as production equipment that does not rely on humans and remote diagnosis and operation of equipment as measures against infectious diseases and other threats	<div>15</div> Promotion of occupational safety and health <div>18</div> Health and productivity management
Facilities/ Equipment	· Impact on production activities from malfunctioning or damaged production equipment	<div>Responses</div> · Keeping equipment running through regular upgrades and maintenance	<div>12</div> Risk management

Stakeholder Engagement

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

Examples of dialogue with stakeholders

Customers

Primary responsibilities and challenges

We consistently engage our customers with a customer-oriented and modest mindset, prioritize safety, quality, and the environment, and offer products and services that satisfy our customers.

Primary dialogue opportunities

① Participation in exhibitions

We are increasing opportunities for visitors to see our products by exhibiting at trade shows. We display and demonstrate actual automated machinery and components, and



introduce our biomass film/non-scrap specifications and remote support for environmental friendliness.

② Mobile showroom van tour

In response to requests from customers that are too busy to go to exhibitions but want to check out how our products work in person, we visit customers all over Japan with mobile showrooms containing our products such as the ROBODEX Series electric actuators.



Suppliers

Primary responsibilities and challenges

We promote procurement activities to realize a sustainable society in partnership with our suppliers based on our established Purchasing Principles and Fundamental Policy.

Primary dialogue opportunities

- Shared procurement policies
 - Production trend briefings
 - Shared quality assurance policies
 - CKD Green Procurement Guide
- For details, see P50 ▶ Supply Chain Management

Employees/Families

Primary responsibilities and challenges

We promote a workforce that makes the best use of its diversity & inclusion and does not discriminate on the basis of gender, nationality, or age. We aim to create workplaces where all employees can work in health with safety and a sense of purpose.

Primary dialogue opportunities

① Holding of town hall meetings

We provide opportunities for employees to meet with the President face-to-face and listen to speeches in person, as well as share and hold dialogue on the company's situation, goals, and initiatives.



② Health and Safety Committee

The Occupational Health and Safety Center conducts company-wide *Poketenashi* (five rules for safety improvement) activities and holds conferences. For the company-wide occupational safety and health conference, we have newly established the Excellent Occupational Health and Safety Activities Award. In addition to building an occupational health and safety system, we are also promoting autonomous health and safety activities.



Shareholders/Investors

Primary responsibilities and challenges

We strive to actively disclose information and carry out dialogue in order to ensure transparency. We aim to form an appropriate share price and provide returns that meet the expectations of our shareholders.

Primary dialogue opportunities

① Annual general meeting of shareholders

The 103rd Annual General Meeting of Shareholders was held on June 23, 2023. The Q&A session and other related information are available on our website.



Local society

Primary responsibilities and challenges

We aim to be an open company that can contribute to society and local communities.

Primary dialogue opportunities

① Dispatch of lecturers to seminars and educational sites

At the iCAD Forum Online, an employee from our Production Engineering Department gave a lecture on the efficiency of starting up production lines using digital 3D technology,



where he discussed utilizing digital technology to prepare for production in the context of capital investments.

② Social contribution activities

In October 2022, employees and their families took part in the Oyama River Clean-up event hosted by Komaki City Office as volunteers. In cooperation with local residents, we cleaned up the Oyama River, a first-class river that flows near our Head Office.



Evaluation and Awards

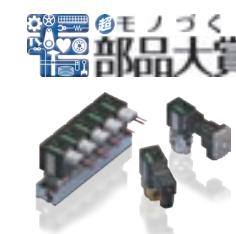
① Received the 5th Japan Open Innovation Prize "Minister of Environment Award"

We won the Minister of Environment Award at the 5th Japan Open Innovation Prize sponsored by the Cabinet Office for the practical use of environmentally friendly biomass-based plastic for blister packages, a joint project with Astellas Pharma and Mitsubishi Chemical Group. By switching materials from the conventional petroleum-derived plastic to plant-derived biomass-based plastic used in blister packages, the primary packaging for pharmaceuticals, CO₂ emissions can be reduced by about 40-60% compared to conventional materials.



② Received the 2022 Cho-Monodzukuri (super manufacturing) Innovative Parts and Components Award for Machinery and Robotics Parts

Our MULTI-FIT VALVE won the 2022 Cho-Monodzukuri Innovative Parts and Components Award for Machinery and Robotics Parts. The Award was co-sponsored by an economic and industrial organization, Monodzukuri Nippon Conference, and the Nikkan Kogyo Shimbun, Ltd. We have received this award for five consecutive years.



③ Recognized as an Outstanding Organization for Health & Productivity Management in 2023

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



Recognition Program for four consecutive years from 2020. Going forward, we will continue to further enhance the work-life balance of our employees and step up our efforts to promote the health of our employees.

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

④ Selection for FTSE Blossom Japan Sector Relative Index

CKD was selected as a constituent of the FTSE Blossom Japan Sector Relative Index for two consecutive years from 2022. This index, constructed by FTSE Russell, is designed to reflect the performance of Japanese companies that relatively demonstrate specific environmental, social and governance (ESG) practices in each sector.



⑤ Selection for MSCI Japan Empowering Women Index (WIN)

CKD was selected as a constituent of the MSCI Japan Empowering Women Index (WIN). This index is constructed using the top 700 companies by market capitalization (MSCI Japan IMI Top 700 Index), and represents the performance of companies that are leading within their industries in terms of promoting and maintaining gender diversity.

⑥ CDP Climate Change Score of "B"

We received a CDP Climate Change Score of "B." A CDP score measures best practices that demonstrate environmental leadership, including disclosure level, awareness and management of environmental risks, and goal setting. Companies are scored across four levels, with a total of eight scores ranging from A to D-.



⑦ Awarded a Kurumin certification



⑧ Certified as an Aichi Josei Kagayaki Company



⑨ Registered as an Aichi Prefecture Family Friendly Company

