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CKD Report 2024 Structure

The “CKD Report 2024” is organized with reference to the Guidance for Collaborative Value Creation. Those sections corresponding to the Guidance for Collaborative Value Creation and the main contents of each section are as follows.



Values	Long-Term Strategies	Implementation Strategies	Performance and Key Performance Indicators (KPIs)	Governance
CKD's Value Creation Story		CKD's Growth Strategies	CKD's Capital Strategies	Corporate Governance
<div><div>• CKD's Principles</div><div>• CKD at a glance</div><div>• Message from the President</div></div>	<div><div>• CKD History</div><div>• CKD's Corporate Value that Helps Solve Social Issues</div><div>• Corporate Value Creation Model</div><div>• Materiality</div></div>	<div><div>• Medium- to Long-Term Roadmap</div><div>• Medium-Term Management Plan</div><div>• Segment Overview</div><div>• Strategy by Business</div><div>• DX Strategy</div><div>• Special Feature: Global Expansion</div></div>	<div><div>• Message from the Officer in Charge of Administration</div><div>• Sustainability Strategy</div><div>• Financial Capital</div><div>• Human Capital</div><div>• Natural Capital</div><div>• Intellectual Capital</div><div>• Manufacturing Capital</div><div>• Social Capital</div></div>	<div><div>• Message from the Chairperson of the Board of Directors</div><div>• Roundtable Discussion with the Independent Directors</div><div>• Corporate Governance</div><div>• Board of Directors and Audit & Supervisory Board Members</div><div>• Compliance</div><div>• Risk Management</div><div>• Risks and Opportunities</div></div>
Data				

Editorial Policy

Aiming to provide all stakeholders with an understanding of the overall picture of the value creation story at CKD Group, we publish an integrated report that comprehensively reports on financial information, such as medium- to long-term management strategies, value creation and business performance as well as non-financial information, including that relating to the environment, society and governance.

In preparing this report, we have referred to the International Integrated Reporting Framework advocated by the IFRS Foundation, the Sustainability Reporting Standards of the Global Reporting Initiative (GRI), and the Guidance for Collaborative Value Creation of the Ministry of Economy, Trade and Industry.

We will use our integrated report, CKD Report, as a tool to facilitate dialogue with our stakeholders as we continue to make efforts to enhance our corporate value.

Scope of the Report

Organizations covered: CKD Group consolidated companies in principle

Period covered: In principle, this report covers fiscal 2023 (from April 1, 2023 to March 31, 2024), but also includes some disclosure items and business activities that began in and after April 2024.

Notes on forward-looking statements

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

CKD Report 2024 Key Points

An integrated report setting out our vision for medium- to long-term growth of the Company with the “Value Creation Model” at its core

With the “Value Creation Model” at its core, the theme of the Integrated Report is to set out the Company’s vision for its medium- to long-term growth. The content is intended to convey the value CKD will create over the medium to long term by using its financial and non-financial capital (resources) in response to changes in the external environment.

P09-10 ▶ CKD History

P11-12 ▶ CKD's Corporate Value that Helps Solve Social Issues

P13-14 ▶ Corporate Value Creation Model

P17-30 ▶ CKD's Growth Strategies

Focusing on the diverse product lineup that is one of CKD's strengths

Leveraging the Company’s strengths cultivated over its long history, we use our diverse product lineup to convey how we strive to achieve technological innovation and value creation in order to solve various social issues.

P09-10 ▶ CKD History

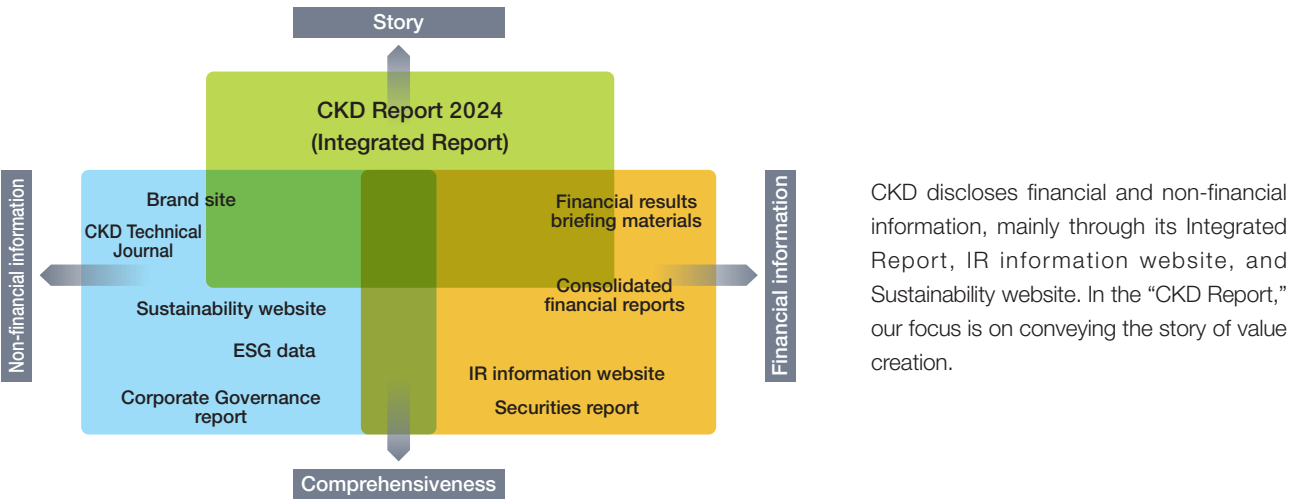
P11-12 ▶ CKD's Corporate Value that Helps Solve Social Issues

The “Special Feature” section presents the initiatives that we are currently focusing on

We have created a special feature page on “Global Expansion,” which is key to CKD’s value creation efforts and is something that we are currently focusing on in particular, through which we provide details of our initiative and talk about future prospects.

P29-30 ▶ Special Feature: Global Expansion

CKD Report Positioning



CKD discloses financial and non-financial information, mainly through its Integrated Report, IR information website, and Sustainability website. In the “CKD Report,” our focus is on conveying the story of value creation.

CKD's Principles

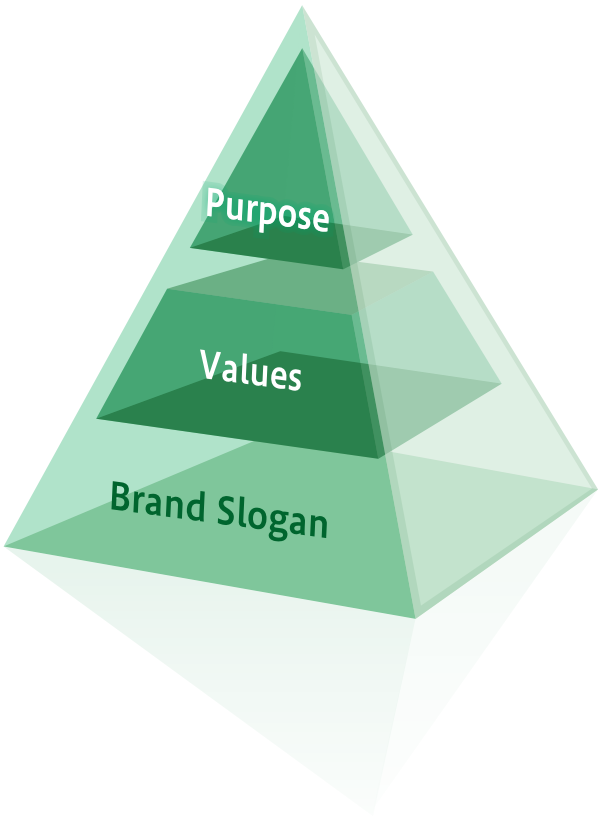
Purpose, Values, and Brand Slogan

The CKD Group established its Purpose and Brand Slogan in April 2023 and its Values in October 2023.

The Purpose sets forth the raison d’etre and direction of the CKD Group.

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

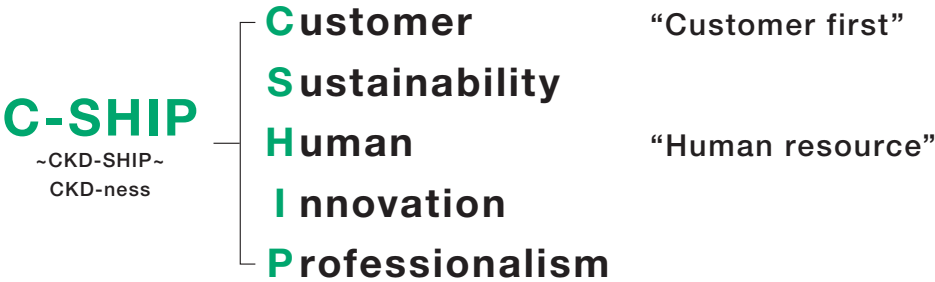
Our Brand Slogan is a concise representation of our thoughts and actions toward the future that encompasses the principles of the Purpose and Values.



Purpose

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

Values



Brand Slogan

Creating Solutions Together

CKD at a glance



Message from the President



We asked President Okuoka, who was appointed CEO in June 2024, to describe his resolve toward the further enhancement of corporate value.

As the Company's first CEO to come from the technology and production divisions, I will drive growth that makes the most of our technological strengths

I would like to first express my appreciation to our stakeholders who continue to support the Company, including our customers, suppliers, and also our employees.

Last year marked the 80th anniversary of the founding of CKD Corporation, and during this milestone year, we undertook a variety of new initiatives.

One of those was the renewal of our principles. Considering the changes in the times, we established a new Purpose and Values in place of our previous Corporate Philosophy and Corporate Commitment, and a Brand Slogan in place of our corporate statement. In our aim to become a company that, above all, fosters a sense of pride and loyalty in CKD Group employees, a diverse group of employees, including some from overseas, who had been selected following a call for participants, took part in the establishment of the new principles. Our emphasis in this process was to foster a sense of unity and satisfaction among the participants. The new principles have been well received outside the company as conveying well our direction of contributing to the environment and society through our business activities. Students have identified with the notion of being able to contribute to society, with many citing it as a reason for their decision to apply for employment at CKD.

Our next challenge will be how well we can achieve the penetration and embodiment of the principles. Whenever I send out communications to employees from management, such as the President's Management Policy, I make a point of ensuring that those messages tie the principles to specific businesses and work. We will continue to promote activities for the penetration of the principles throughout the entire company.

The second new initiative that we embarked on in FY2023 was the establishment of our new showroom, ulu Creative Base, at our Head Office/Komaki Plant as a place to realize the "co-creation" with customers espoused in our principles. The new showroom has a design that evokes the warmth of wood through a "tree of growth" motif that represents the history of the Company's many and varied products. It offers a space for visitors to sense the essence of CKD through a variety of content, including demonstration machines and videos using LED signage. The word "ulu" means "grow" in the Hawaiian language. This reflects our aim to grow together through communication with visitors to the showroom and to connect that growth to new innovation.

Our third initiative was a Technology Exhibition that we held over two days from February 29, 2024 at Nagoya Congress Center, bringing together a wide variety of technologies that we do not usually show to the outside world. We welcomed over 1,000 visitors, primarily our customers, to the exhibition. It attracted favorable comments such as 'It gave me a renewed appreciation for the strengths of CKD's unique technologies,' and it even led to the creation of business projects.

The fourth initiative was a commemorative staff trip to Universal Studios Japan in Osaka to express our appreciation to our hard-working employees and their families. Approximately 4,000 people joined the trip, which appears to have been a wonderful opportunity for the participants to interact with each other.

This fiscal year, I took over the CEO baton, which was passed to me by Mr. Kajimoto, our current Chairperson of the Board of Directors, in June 2024. As the Company's first top executive to come from the technology and production divisions, I see it as my mission to open up our next stage of growth while taking advantage of the management foundations and competitive advantage in technology that we have built up over the years. Lending a careful ear to the voices of all those who support me, I will fulfill my duties as the company's leader.

Strengthening production bases globally Responding broadly to the resolution of customers' issues

In consideration of social changes, in 2021, the Company revised its Long-Term Management Vision, 10-Year VISION: GO CKD! ("10-Year VISION"), which was formulated in 2016, and declared four basic policies: "Challenge new business activities and markets," "Accelerate globalization and expand overseas markets," "Establish a sustainable management foundation," and "Build a corporate culture that emphasizes human resources." Under the Fifth Medium-Term Management Plan, "Exciting CKD 2025" ("the current medium-term plan"), which ends in FY2025 and sets forth our concrete directions, we are undertaking measures based on three themes. Following the four basic policies of the 10-Year VISION, those three themes are "Evolution of profit and business strategy model," "Improvement of management efficiency," and "Enhancement of management foundation."

Our results for fiscal 2023, the second year of the current medium-term plan, were declines in revenues and profits, with net sales of ¥134.4 billion and operating profit of ¥13.1 billion. As a result of the stagnation of capital investment in the manufacturing industry, which was caused by the sluggish Chinese economy, and supply chain disruptions, inventory adjustments were protracted, resulting in an ongoing suppression of capital investment in semiconductors, and this had an impact on our results. For this reason, in the Component Products Business, sales of products for semiconductor manufacturing equipment and products for automobiles and machine tools also fell short of projections. In the Automatic Machinery Business, lithium-ion battery winding machines and other products performed well thanks to increased demand for rechargeable batteries, resulting in increases in revenues and profits.

Over the medium to long term, we anticipate a growth trend in the businesses and industries that we are focused on in the current medium-term plan, including semiconductors, and we are making steady progress on the establishment of our foundations through strategic investments to accommodate increases in demand. This fiscal year, we have forecast increases in revenues and profits, and we will press forward with the determination to reach the current medium-term plan's FY2025 target of ¥180.0 billion in net sales.

In the semiconductor industry, which we are focusing in the evolution of profit and business strategy model, advances in the areas of generative AI, EVs, and autonomous driving will be the drivers of growth, and the market is forecast to expand to approximately \$1 trillion in 2030. To meet expanding demand

for fluid control components for semiconductor front-end processes, we are strengthening our production bases in Japan and overseas. Construction of our new Hokuriku Plant was completed in March 2024, and the new plant in Malaysia is scheduled for completion at the end of 2024.

As well as responses to the mainstream trends of miniaturization and multilayering in semiconductor front-end processes, we also believe that our technological capabilities can contribute to hybrid bonding, an area of semiconductor packaging positioned between front-end and back-end processes, where technological innovations are advancing. In focusing our efforts on these areas, our aim is to further increase our presence in the semiconductor industry.

One other industry that we are concentrating on is batteries. In addition to batteries for EVs, this area is being boosted by the reevaluation of HVs, and the rechargeable battery market is forecast to grow to a scale of approximately ¥26 trillion in 2035. Leveraging the strength of our diverse product lineup that meets the demands of society such as recent labor shortages and production efficiency improvements, as well as market expansion, we have rolled out lithium-ion battery winding machines that are able to wind with high speed and precision in the Automatic Machinery segment, and products of over 100 models to accommodate rechargeable battery manufacturing processes in the Component Products segment. With these products, we are contributing to the manufacturing needs of our customers, such as stable operation and long service life.

In our focus on new products and new businesses, we are concentrating efforts on the software area, as well as our conventional hardware focus, in response to demand for automation and labor saving. Packaging the image processing technologies that we have cultivated with pharmaceutical packaging machines and 3D solder paste inspection machines in the automatic machinery, we launched Facilea AI, an image processing AI tool that expands the range of these technologies with an AI function, and ExiaStudio, a device programming tool that allows anyone, even without specialized knowledge, to perform integrated control of electric motion components, pneumatic components, and image inspection easily with only a PC. We plan to strengthen our service business by pairing our existing core technologies with new functions.

In the hardware area as well, we have added the Compact Arm CAW Series and Flex Arm FAW Series to our lineup of assistance devices that contribute to workability improvement and the prevention of occupational accidents. We are also working on customers' further productivity improvement and the resolution of social issues.

As an environmental initiative, we are expanding our range of low environmental impact products. In the Automatic Machinery Business, we are developing PTP pharmaceutical packaging machines that use biomass plastics and contributing to the reduction of the amount of plastic used when producing PTP sheets.

In the Component Products Business, considering the perspectives of energy and resource efficiency, as well as product lifecycle, in the HP Series of pneumatic components that contributes to "Production equipment that never stops" and "Stable operation," we have developed and launched the TVG Series of long-service-life pneumatic valves. To reduce the Company's own CO₂ emissions, last fiscal year, we installed additional solar power generation equipment at five locations, including the Komaki Head Office and our plants. We are also proceeding with improvements to our infrastructure and production processes and reductions in energy consumption.

Message from the President

Aim for a year of making the activities whose seeds we have planted bloom and bear fruit

In our focus area of “overseas markets,” in addition to the Austin Plant (USA) that started operating in 2022, and the previously mentioned new plant in Malaysia, construction of our India Plant was completed in May 2024. With demand expected to expand in India and the ASEAN region, our aim is to strengthen our production systems for pneumatic components and fluid control components, among others. We also turned our Italian distributor a Group company into a sales office, and established a global logistics center (GLC) in Europe as a distribution base.

Over the four years of the current medium-term plan, we have projected a capital investment plan, including M&As, of ¥60.0 billion. In FY2023, we made investments totaling ¥22.1 billion. Our investment activities for the construction of the foundations to achieve the targets of the plan are in their final stages, and preparations for the launch of operations are underway.

FY2024 is the ninth year of the 10-Year VISION and the third year of the current medium-term plan. As such, it is an important year for achieving outcomes as we head into their final year. For my President's Management Policy for FY2024 aimed at realizing this, I chose the slogan, “Blooming Globally!” So that the activities whose seeds we planted together with our colleagues all over the world will bloom and bear fruit, I have set out the following four policies.

The first is “create workplaces where each individual can play an active role with lively communication.” Most years, the first requirement set out in the President's Management Policy has to do with business performance. This year, however, I placed a policy concerning a comfortable workplace environment at the top of the list. As the top management executive, I have realized anew that the cornerstone to the enhancement of corporate value is nothing more or less than our people. Based on the seriousness that is a strength of our employees, if we can establish a comfortable environment and systems that will allow our people to demonstrate their true abilities, that is sure to lead to results and to the achievement of our targets. So that we can ensure diversity of work styles and all employees can demonstrate their abilities to the full, we will



increase opportunities for communication between supervisors and subordinates, including one-on-one meetings. By sharing our goals in this way, we will realize our mutual growth.

The second policy, which is related to the Purpose, is “engage in product development and production activities that are considerate of both people and the environment.” The third policy is “take maximum advantage of new foundations and connect them to growth.” In response to the recent demands from the market for “management that is conscious of cost of capital and share price,” we are conscious of the effective utilization of the capital that we have been entrusted by our shareholders in these policies. Amid the progress in the construction of foundations such as production bases and the new showroom, we have set out key performance indicators (KPIs) for each segment for employees, and we are concentrating our efforts on achieving them. Examples of these KPIs include capturing new customers and expanding business with the use of those foundations, the optimization of inventory turnover periods, and the appropriate management and use of data.

The fourth management policy is “identify our customers' needs from a global perspective and meet their expectations.” The origin of our business model is, above all, responding to the concerns of our customers. Their needs differ greatly depending on the country or region, the company, and even the times, and flexible, prompt responses are needed given the acceleration of the speed of change. One other thing that is particularly conspicuous in the semiconductors area is that, as the required processes become more and more sophisticated, problems are bound to emerge. It then becomes a matter of how well our technologies will contribute to solving those problems. I believe that it is precisely by providing high value added products and services through the exploration and co-creation of technologies, without resorting to competition on price and scale, that we will be able to demonstrate the value of CKD Corporation's existence.

Even if each individual request and need of our customers are “niche,” if we roll their solutions out globally, we will be able to extend our reach to global niche markets. By combining those solutions with the core technologies that are our strength to respond broadly to the needs of global companies, our aim is to expand efficiently through the acquisition of the right talent for the right positions and through allocations of personnel.

Realizing better employee engagement through roundtables and town hall meetings

As I mentioned earlier, amid the intensifying competition to acquire talented people on a global scale, valuing our employees and workers and increasing engagement is the most important issue of management for realizing sustainable growth and making CKD a sustainable company.

In its pursuit of human capital management, the Company launched a Human Resource Strategy Committee and the Future Human Resources Project as a subordinate organization of that committee in FY2022. Declaring the CKD Vision, based on our current human resource portfolio and the portfolio we are working toward, we are promoting the development of measures and systems to build the “human resources-oriented corporate culture” set forth in the 10-Year VISION through the “creation of highly engaging and rewarding

workplaces,” “systematic development of future human resources” and “diversity and inclusion.” This fiscal year, we are doubling the amount invested in human capital and accelerating our initiatives.

Specifically, we are implementing measures in each phase of recruitment, development, and retention. In terms of recruitment, to maintain our human resources foundation, in addition to our recruitment of new graduates, including international students, we are conducting mid-career recruitment of experienced personnel. We are also planning year-round recruitment activities.

Further, in new-graduate recruitment, we have widely deployed video advertisements, public transport advertisements, posters, signage on university campuses, and other media in collaboration with the popular manga, “Cells at Work!,” which features anthropomorphized cells working inside a human body, and conducted promotions aimed at people “getting to know CKD” in a manner to suit the times. We have also reinforced our recruitment of interns, and we are promoting recruitment activities across all business segments, not just the Human Resources Department.

Regarding development, we are pursuing effective measures, establishing systems, and reforming mindsets for each of our three priority policies of creating highly engaging and fulfilling workplaces, systematically developing future human resources, and promoting diversity and inclusion. In addition to new employee education, OJT education, education for managers, education for engineers, and education programs for selected personnel, our extensive education and training offerings include external training for systematic development of next-generation leaders and training for developing digital human resources.

We also have put numerous measures in place from many different directions for the retention of our employees. For example, in posting advertisements at the local baseball stadium, Vantelin Dome Nagoya, at the same time as achieving broader recognition of the company name, our greatest objective is to foster a sense of loyalty in the company in our employees. Other initiatives include our Innovator Challenge System, which gives opportunities and a place to play an active role to people who want to take on a challenge, our internal job posting system to support employees with their career planning within the company, and the “GO CKD! Award,” which recognizes and awards outstanding initiatives directed at employees' self-realization. Another area in which we are placing particular effort is the strengthening of



Scene from a town hall meeting

communication, which is also mentioned in the President's Management Policy.

My personal way of setting an example is to hold regular roundtable discussions with employees. In these discussions, which I hold with around 10 employees at a time, without their department heads being present, we talk about their frontline concerns and awareness of issues. They have given me numerous insights into problems with the degree of penetration of the measures that we are pursuing and points for improvement regarding personnel recruitment, work styles, and other areas. Motivated by my appointment to the top position, I also started traveling around to our various bases and holding town hall meetings. We have also started meetings with the individual division general managers who supervise production and sales and the employees to seek solutions to issues that are closer to the front lines.

While narrowing the distance between senior management and employees, we are working to revitalize communication in all directions, with the intention of everyone working together to make CKD a better company.

Fostering interest in corporate value enhancement at IR workshops suggested by an employee

As part of our efforts to improve engagement with a broad range of stakeholders, we have started holding investor relations (IR) introductory workshops for employees. This was the suggestion of a young employee who had been assigned to the Investor Relations Office. With the motto of “casual, fun, and easy to understand,” these workshops communicate information about IR that is tailored to the employees' directions. The aim of this initiative is to encourage employees to take a greater interest in IR, and it includes employees acting as instructors to teach other about IR in a quiz format. Anybody from any department who wants to learn can participate. This initiative, which is aimed at employees improving each other's skills, won the Japan Investor Relations Association's “Most Liked!” IR Award in 2023.

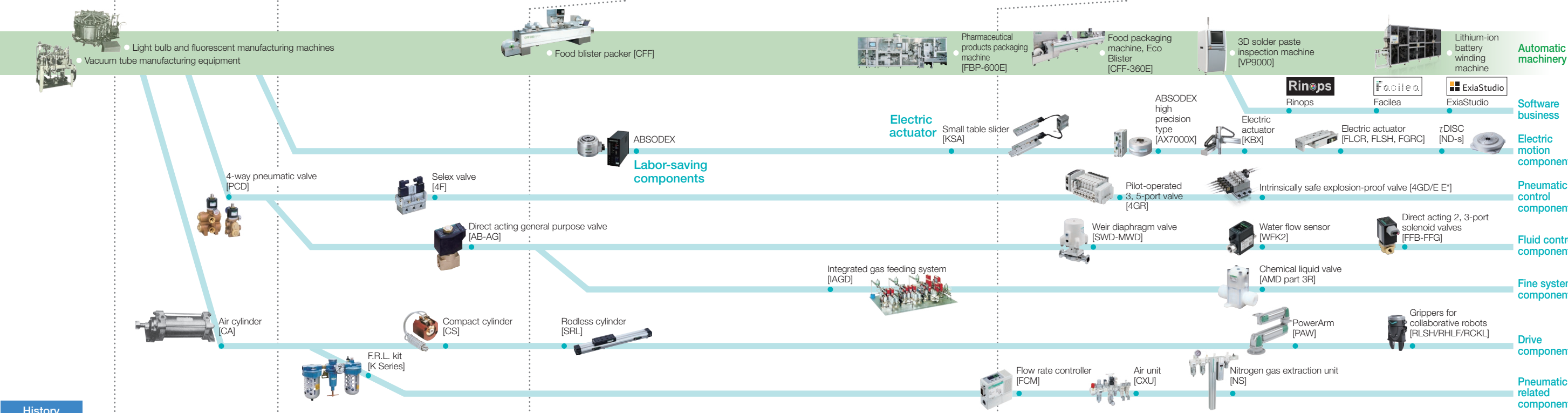
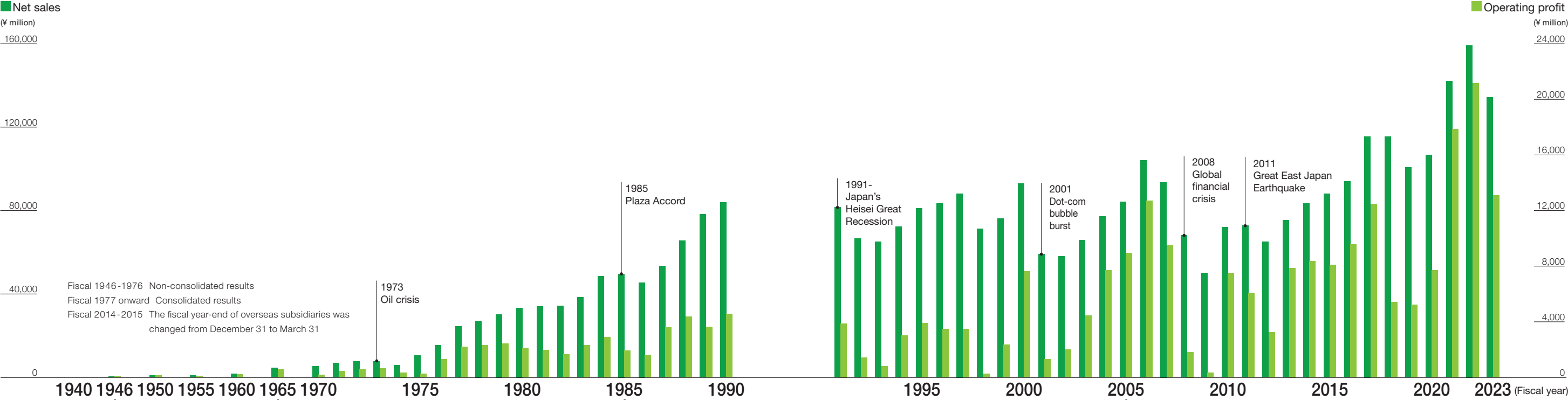
This award is a new award established in 2020 for the purpose of actively sharing IR activities to realize best practice. There is a tendency to think of IR as difficult, but by engaging in it voluntarily from the employee's perspective, we hope that this initiative will lead in turn to greater interest in share price movements and in the enhancement of corporate value.

Something that I recognized anew when I assumed the position of CEO was that we are a technology company and, as our Purpose and Brand Slogan state, I have a strong resolve to contribute to our customers with our technological strengths and to work toward the resolution of social issues and the enhancement of corporate value. We will link the return of the outcomes we achieve to our stakeholders, including our employees, and to society as a whole, to the sustainable growth of the Company.

The current medium-term plan will come to an end next fiscal year. Awaiting us after that is the huge mission of formulating our next medium-term management plan and 10-Year VISION. We will first achieve the targets set out in the current medium-term plan, after which we will aim to take further leaps forward. I hope that our stakeholders will give us their diverse opinions, and we ask for their continued support and guidance.

CKD History

CKD has been engaged in the research and development of automation technology and fluid control technology for over 80 years since its establishment in 1943. Our lineup of over 500,000 products is proof that we have created the same number of products as there are customer needs.



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

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

2012
Changed its name to CKD Corporation
(*change in Japanese name only)

2022
Transitioned to the TSE Prime Market and NSE Premier Market

2023
Establishment of Purpose, Values, and Brand Slogan

CKD's Corporate Value that Helps Solve Social Issues

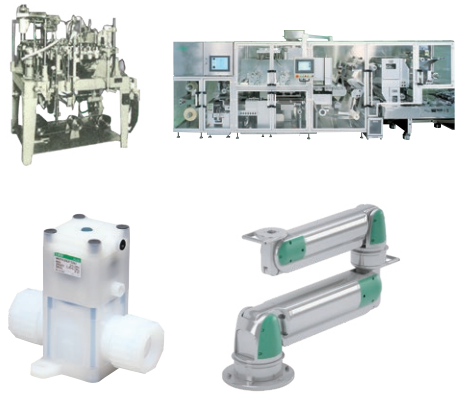
Leveraging the Company's strengths cultivated over its long history, we will strive to achieve technological innovation and value creation in order to solve various social issues, and contribute to the realization of a prosperous society and the creation of a new era through a variety of products.

CKD's strengths

Various technical capabilities linked to automation

Since its foundation, CKD has consistently worked on automation technologies. Based on the Purpose of "We will continue to explore and co-create automation technologies to cultivate a healthy global environment and a prosperous future," CKD continues to refine technologies related to automation.

As the need for automation increases in a variety of different applications, including in addressing labor shortages due to the shrinking labor force, rising safety awareness among workers, and uniformity of product quality, the Company, as a leading machinery manufacturer in Japan with a diverse product lineup, supports manufacturing operations worldwide and is growing into a real global company that offers totally new lifestyles and services that leverage technology.



Co-creation capabilities that closely meet customer needs

We have customers from various industries, including automobiles, semiconductors, healthcare and pharmaceuticals, and food products.

In addition, we are also collaborating with local governments in the field of agriculture, and our software tools are being utilized at schools.

By utilizing our core technologies and collaborating with suppliers and various stakeholders, we will respond to various customer requests, including the realization of high precision, high quality, energy saving, cleanliness, miniaturization, high speed, high-frequency use, and longer service life.

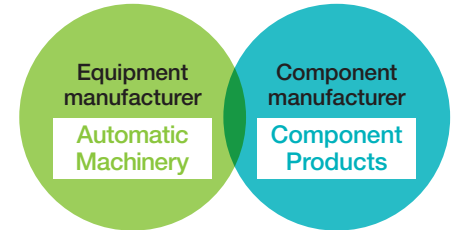


Innovation capabilities that combine technologies to generate new proposals

CKD is developing its business around the two linchpins of Automatic Machinery and Component Products. Automatic Machinery, one of the linchpins of CKD, are machines that manufacture things instead of humans. Component Products, the other linchpin, are components like our limbs necessary for the automatic machinery to function.

There are not many companies in the world that engage in both of these businesses.

The Company provides total solutions that promote automation and safe and secure working environments by proposing system units that integrate a wide range of technologies based on the two linchpins of Automatic Machinery and Component Products, as well as service businesses that utilize DX, and by creating value by combining fluid control and automation technologies with digital technologies.



Development of digital infrastructure

Fine system components

Semiconductors and liquid crystals 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 boards for smartphones, contributes to the advanced functionality and more compact size of electronic components.



Creating a safe and secure society

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, oxygen concentrators, analyzing devices, and dental equipment control.

Creating a decarbonized society

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 manufacturing components

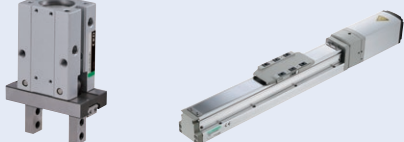
Solar power generation has been adopted across various fields with the aim of shifting to sustainable energy. CKD products are also used in the solar cell manufacturing process.



Reforming Monozukuri (Manufacturing) Building smart factories

Electric actuators/Pneumatic cylinders

Actuators, which are indispensable in manufacturing plants are another of CKD's products. The Company also contributes to the reduction of environmental impact through the optimal mix of pneumatic and electrical systems, long-life cylinders, etc.



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.



Software services and products

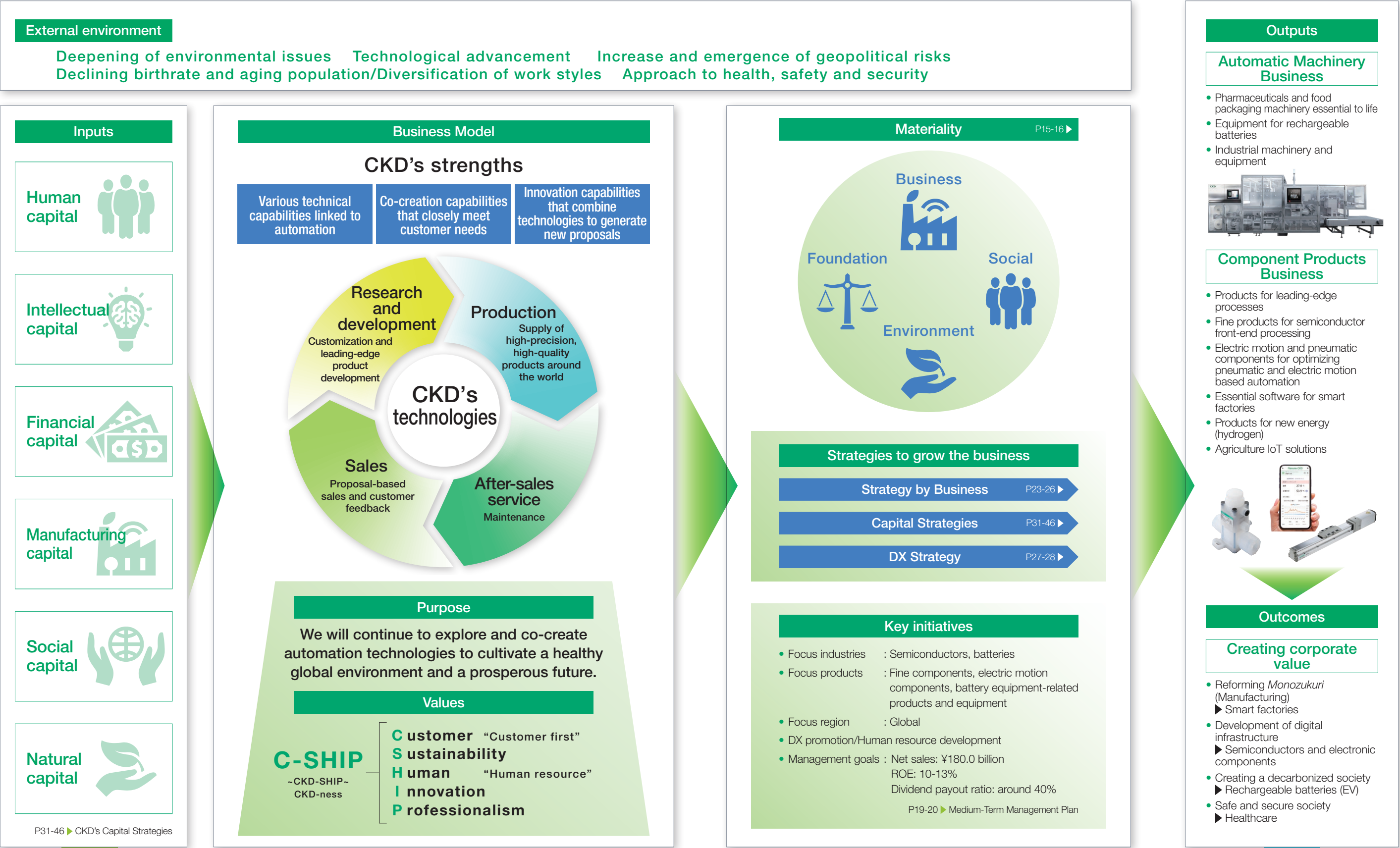
Our services and programming tools are used to improve productivity in factories, agriculture, aquaculture, etc.



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 creating a healthy global environment and realizing a prosperous future set forth in our Purpose.

















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 medium-term targets

For the Materiality Matrix, please refer to "Addressing Climate Change Response Risks" on our website. <https://www.ckd.co.jp/en/csr/tcfd/>

Materiality	Relevant SDGs	Targets * The target fiscal year is fiscal 2025 if no target year is stated.	Progress (Fiscal 2023)	Relevant page
① Development of low environmental impact products	  	<ul style="list-style-type: none">■ Develop machinery for plastic-free packaging■ Develop technology to reduce packaging material scraps■ Optimize environmental impact assessment standards and operations for development evaluation	<ul style="list-style-type: none">Commercialized environmentally friendly biomass-based plastic for blister packages, contributing to a reduction in the environmental impact of pharmaceutical packagingReducing scrap discharged from packaging machines through proprietary technologyIncorporated contributions to CO₂ reduction into environmental assessment standards in product development	P38-40 ▶
② Products that emphasize safety and quality		<ul style="list-style-type: none">■ 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	<ul style="list-style-type: none">Launched an image inspection machine that can even be applied to transparent objects that could not previously be inspected, contributing to improvements in product safety and quality for our customersImplemented evaluation and management using quality analysis methods in all processes of new product development and manufacturing	
③ Challenge to technological innovation		<ul style="list-style-type: none">■ Develop elemental technologies to improve environment conservation efforts, customer safety, and product quality■ Accumulate core technologies through technological innovation to contribute to society	<ul style="list-style-type: none">Promoted the circular economy, including mono-material packaging that aims for horizontal recycling and long-life packaging that aims to reduce food lossAccumulated 40 new core technologies	
④ Challenge to new businesses and markets		<ul style="list-style-type: none">■ Expand service businesses■ Develop new businesses	<ul style="list-style-type: none">Expanded subscription-based services that can be used on an ongoing basis, including for visualization of production and remote supportLaunched IoT devices for primary industries using remote control technology	P27-28 ▶
⑤ Supply chain management		<ul style="list-style-type: none">■ 100% compliance rate of CKD Green Procurement Guide by major suppliers	<ul style="list-style-type: none">Exchanged documents with 20 major First Step suppliers regarding awareness of and compliance with the CKD Green Procurement Guide	P46 ▶
⑥ Reduction of CO ₂ emissions	 	<ul style="list-style-type: none">■ CO₂ emissions reduction: 50% reduction in total volume by fiscal 2030 (compared to fiscal 2022)■ CO₂ emissions reduction: 50% reduction per unit of sales by fiscal 2030 (compared to fiscal 2013)■ Promote environmental investments (systematic introduction of solar power generation and energy-saving equipment)	<ul style="list-style-type: none">Fiscal 2023 result: 12.9% reduction (compared to fiscal 2022)Fiscal 2023 result: 34.5% reduction (compared to fiscal 2013)· Newly installed solar power generation systems at 5 plants (in fiscal 2023) (Komaki Plant, Tohoku Plant, Hokuriku Plant, CKD Shikoku Seiko Corporation, Thailand Plant)· Introduction of energy-saving equipment (currently undergoing planned replacement with high-efficiency equipment such as chillers for air conditioning, LED lighting, compressors, etc.)	P38-42 ▶
⑦ Reduction of water consumption		<ul style="list-style-type: none">■ 2% reduction compared to the previous fiscal year (per unit of sales, CKD (non-consolidated))	<ul style="list-style-type: none">Fiscal 2023 result: Increased by 4.6% (compared to the previous fiscal year)	
⑧ Prevention and reduction of waste	  	<ul style="list-style-type: none">■ 2% reduction compared to the previous fiscal year (per unit of sales, CKD (non-consolidated))	<ul style="list-style-type: none">Fiscal 2023 result: Increased by 2.0% (compared to the previous fiscal year)	
⑨ Reduction of chemical substances impacting the environment	  	<ul style="list-style-type: none">■ 100% of applicable products are RoHS Directive compliant	<ul style="list-style-type: none">100%	
⑩ Corporate governance		<ul style="list-style-type: none">■ Implementation of PDCA cycle for evaluation of the effectiveness of the Board of Directors (sufficient discussion before deciding on management strategies and plans, strengthening of progress reporting after resolutions of the Board of Directors)	<ul style="list-style-type: none">The evaluation of the effectiveness of the Board of Directors was conducted by a third-party organization, and the evaluation showed that the results were generally improved compared to the previous evaluation result	P53-58 ▶
⑪ Compliance	 	<ul style="list-style-type: none">■ Promote compliance throughout the entire Group, including overseas bases	<ul style="list-style-type: none">Implemented confidential information management training at all Japanese and overseas bases	P61 ▶
⑫ Risk management		<ul style="list-style-type: none">■ Strengthen the risk management system of the entire Group, including overseas bases	<ul style="list-style-type: none">· Established local internal control systems at some overseas subsidiaries· Identified risks for the entire Group, including overseas subsidiaries· Established a two-line type of organization for risk management of overseas subsidiaries in the business divisions	P62 ▶
⑬ Stakeholder engagement		<ul style="list-style-type: none">■ Disclose ample information to stakeholders■ Deviation value of 52 based on external work engagement survey results	<ul style="list-style-type: none">Shareholders: Established a special website for Newsletter to Our Shareholders on the Company's website and held 3 SR meetingsInvestors: 275 individual responsesEmployees: investor relations (IR) introductory workshops (Received "Most Liked" IR Award from Japan Investor Relations Association), town hall meetingSuppliers: Responded individuallyFiscal 2023 survey: 48.4	P35-37 ▶
⑭ Contribution to local communities		<ul style="list-style-type: none">■ Support the development of the future generation, carry out environmental protection activities for rivers and forests	<ul style="list-style-type: none">Sponsored various competitions for students, conducted forestation activities and river-cleaning activities	P40 ▶
⑮ Promotion of occupational safety and health	 	<ul style="list-style-type: none">■ Creation of a safe and secure workplace environment and improving safety awareness among all employees	<ul style="list-style-type: none">· Company-wide focus on priority accident prevention activities· Number of industrial accidents: Decreased by 12% from the previous fiscal year	P35-37 ▶
⑯ Development of human resources and future generations		<ul style="list-style-type: none">■ 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)	<ul style="list-style-type: none">Cumulative total 48 employeesCumulative total 52 employeesCumulative total 696 employees	P35-37 ▶
⑰ Respect for human rights	  	<ul style="list-style-type: none">■ Conduct human rights due diligence once a year	<ul style="list-style-type: none">Conducted surveys of 87 major suppliers and all subsidiaries	P45 ▶
⑱ Health and productivity management	 	<ul style="list-style-type: none">■ Recognition as a White 500 enterprise■ Average paid leave usage rate of at least 65%	<ul style="list-style-type: none">Recognized as an Outstanding Organization for Health & Productivity Management in 202472.6%	P35-37 ▶
⑲ Promotion of diversity and inclusion		<ul style="list-style-type: none">■ 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)	<ul style="list-style-type: none">Cumulative total 19 traineesMale: 57.4% Female: 100%4.7%	

Materiality identification process

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. P32 ▶ Sustainability Strategy

