

Message from the Officer in Charge of Administration

To achieve our Purpose, we will link sustainability strategy, financial strategy and human capital, work to raise corporate value, and aim to surpass the expectations of stakeholders.

Yoshiyuki Amano
Director, Executive Officer,
Corporate Officer, in charge of
Administration



The roles of the officer in charge of administration span a wide range and include corporate planning, finance, sustainability, human resources, DX, new business, and risk management. In order to achieve the Medium-Term Management Plan to raise corporate value, we are focused on linking sustainability strategy, financial strategy, and human capital strategy.

Sustainability strategy linked to growth strategy

Sustainability strategy, in keeping with the Purpose, is aiming to contribute to the creation of a sustainable society and thereby enhance corporate value. In particular, we recognize global environment problems, including climate change, as crises, and will engage in environmental problems down the supply chain. In addition, we do not approach social issues, including environmental problems, in a passive manner; rather, we see such issues as business opportunities that will be linked to our growth strategy. We will utilize the automation technologies we possess, and through co-creation with various parties outside the Company, we will provide product and services that help solve social issues.

P32 ▶ Sustainability Strategy P38-40 ▶ Natural Capital

Financial strategy with emphasis on growth and raising profitability

To raise corporate value, we put the most emphasis on growth and profitability. Based on the technological capabilities possessed by CKD, we will provide high value-added products and services in growth markets, as we work to raise profitability. In order to conduct business management that is aware of capital costs, we have made ROE a management indicator and will pursue capital

efficiency to thereby secure stable free cash flow. Under the Medium-Term Management Plan, we are allocating ¥60.0 billion to growth strategy investment to this end. In fiscal 2023, we made investments to build the Hokuriku Plant and purchase real estate for the new Malaysia Plant. In fiscal 2024, we will continue to invest in Tohoku Plant No. 2.

P33-34 ▶ Financial Capital

Human capital receives the most emphasis

It is people who consider and execute all our strategies, and out of all forms of capital we are putting the most emphasis on human capital. Through the activities of the Human Resource Strategy Committee and the Future Human Resources Project, from the standpoint of management, we are developing human resources to achieve the Purpose and management strategy, and from the standpoint of employees we are reforming our personnel systems to increase engagement through dialogues with employees.

In developing human resources, we redefined our shared human resource ideals for each role and level to achieve the Purpose and embody the Values, worked to train human resources through on-the-job training under a target management system, and strengthened off-the-job training for each level. In addition, under the Medium-Term Management Plan, we are working to strengthen human resources development for the next generation, for internationals, and for people with digital expertise. In particular, digital technology, which is a type of automation technology, which appears in our Purpose, will be increasingly important going forward, so we are focused on training people with digital expertise to carry out our DX strategy.

P35-37 ▶ Human Capital P27-28 ▶ DX Strategy

Sustainability Strategy



Basic Policy

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

Basic Policy on Sustainability

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

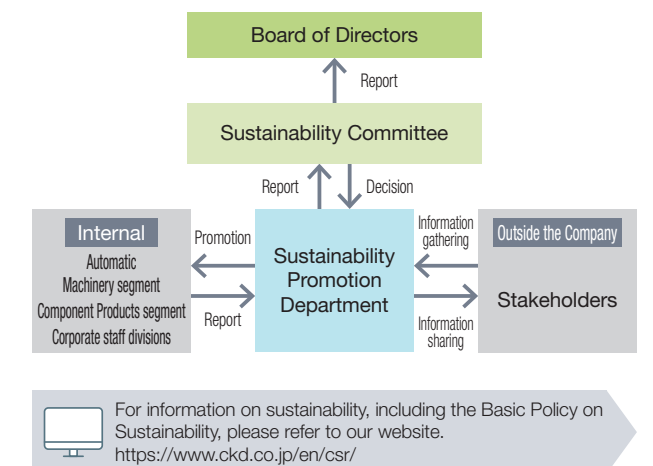
- 1 The Company helps protect the global environment and solve social issues through business activities, pursuing the quality of products and services and focusing on technological innovation.**
- 2 The Company achieves fair and highly transparent management, emphasizing dialogue and partnership with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

Sustainability promotion structure

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

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

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



Topics

Financing through sustainability-linked loans

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

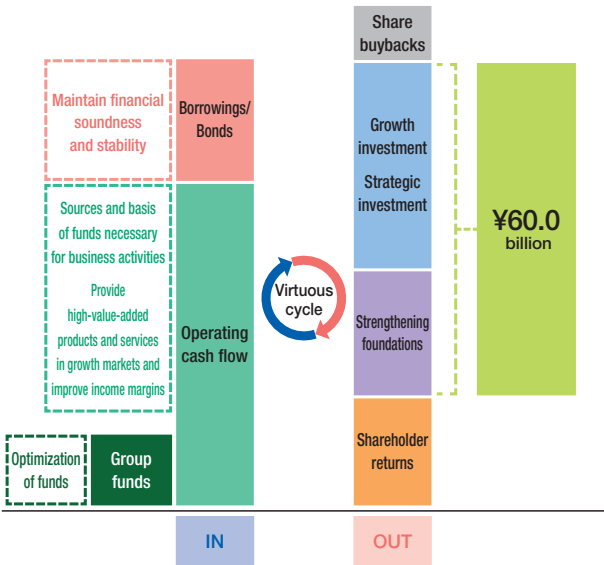
- Loan date : March 31, 2023
- Amount : ¥5.0 billion
- KPI : CO₂ emissions per unit of sales
- Contract period : 4 years
- Usage of funds : Equipment funds
- SPT : Reduce CO₂ emissions per unit of sales by 38% in fiscal 2025 (compared to fiscal 2013)

Financial Capital

Approach to capital allocation

Our basic approach is to create a virtuous cycle by allocating management resources and maintaining an optimal capital structure while ensuring a balance between growth and strategic investments, strengthening our foundations, shareholder returns, and a sound financial position. Through this, we strive to continuously enhance the Group's corporate value.

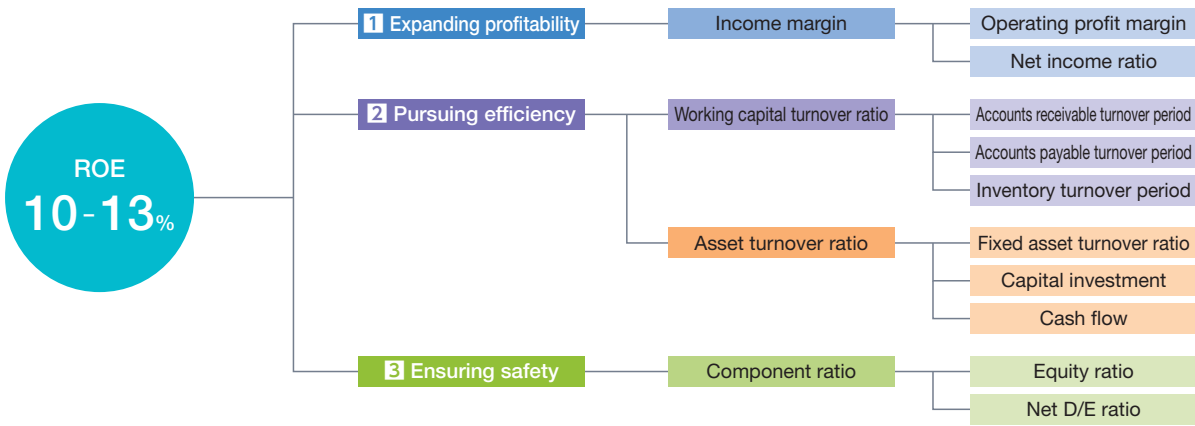
Specifically, while maintaining financial soundness over the medium to long term, we will use cash inflows from our operating cash flow and interest-bearing debt to invest in growth markets and high-value-added areas with an awareness of the cost of capital, invest in human resources and DX to strengthen our business foundations, invest in the environment as a matter of social responsibility, and invest in productivity improvements primarily at production plants. Through this, the Company will improve capital efficiency and return profits to shareholders by increasing the asset turnover ratio.



Maximizing our corporate value

With a view toward management that is conscious of cost of capital and stock price, we are monitoring and improving our efforts to expand profitability, pursue efficiency, and ensure safety, with a target ROE of 10% to 13%.

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



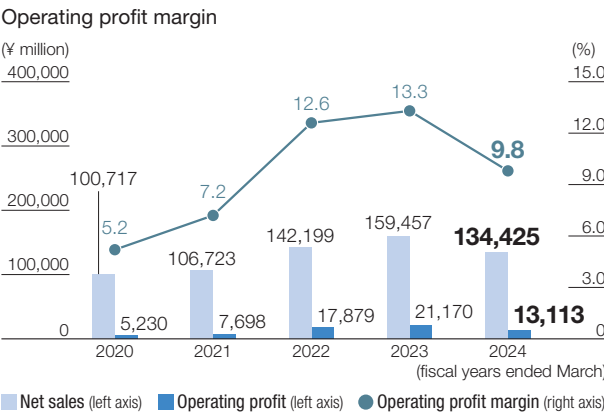
Expanding profitability

To expand profitability, we focus on the operating profit margin.

Using CKD's technological capabilities as the base, we will provide high-value-added products and services in growth markets to improve income margins.

Furthermore, as a manufacturer, we are also making efforts to reduce manufacturing costs. We use our ERP software system to assign appropriate personnel and reduce manufacturing overhead according to production volume.

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

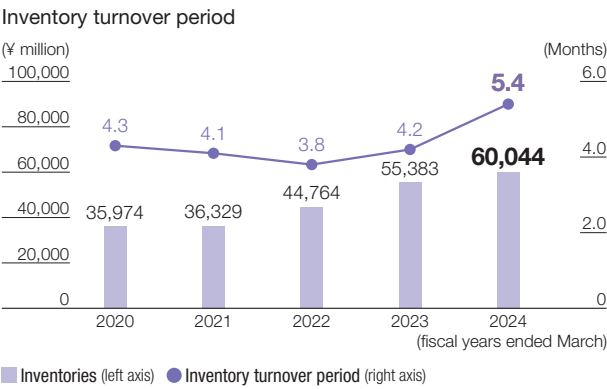


Pursuing efficiency

Inventory turnover period

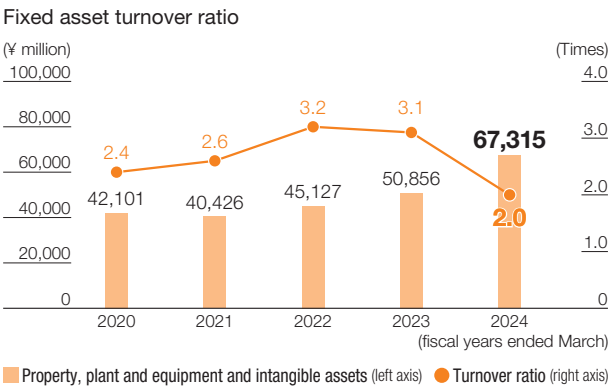
To respond quickly to customer needs, we systematically manage necessary inventories using our ERP software system. At the same time, we respond flexibly according to the volume of orders.

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



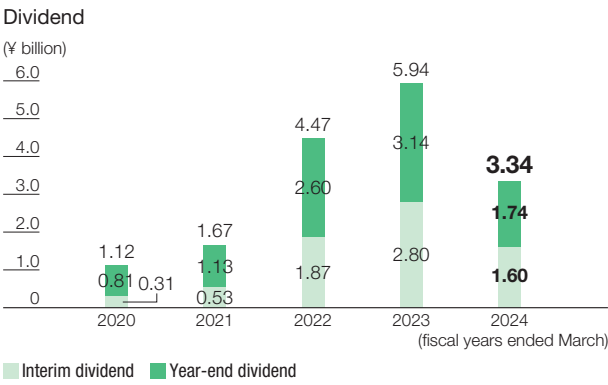
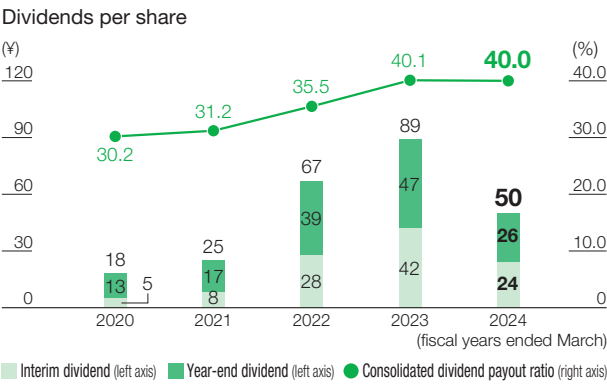
Fixed asset turnover ratio

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



Shareholder returns

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



Treasury stock

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

Ensuring safety



Taking into consideration the cost of funds procurement for equity capital and interest-bearing debt, we strive to ensure optimal financing, aiming for a balanced capital and debt structure with an awareness of improving capital efficiency.

Human Capital

To realize our Purpose, we are working to improve our corporate value by linking our financial strategy, sustainability strategy, and human capital. In particular, the Company recognizes that, in order to “build a corporate culture with faith in human resources” as set forth in the 10-Year VISION, its greatest challenge is to value employees and enhance engagement, and is therefore focusing on human capital investment.

Policies, key performance indicators and targets

Human resource development policy

The CKD Group will build a “corporate culture with faith in human resources” by creating a highly engaging and fulfilling workplace, systematically developing future human resources, and promoting diversity and inclusion.

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

Priority measure 1	<Establishing internal environments>	Priority measure 2	<Human resource development>	Priority measure 3	<Promotion of diversity>
Creating a highly engaging and fulfilling workplace		Systematic development of future human resources		Diversity and inclusion	
(1) Promoting growth and challenge (2) Workstyle reforms and working environment improvement (3) Building trust with management		(1) Recruitment of human resources (2) Human resource development		(1) Promotion of career advancement of diverse human resources (2) Work-life balance	

Key performance indicators and targets for priority measures

Priority measures	Key performance indicators	FY2025 goals	FY2023 results
Creating a highly engaging and fulfilling workplace	Work engagement*1	52	48.4
	Certified Health & Productivity Management Organization Recognition Program	Recognition as a White 500 enterprise	Outstanding Organization 2024
Systematic development of future human resources	Developing next-generation leaders*2	Cumulative total 81 persons	Cumulative total 48 persons
	Developing global human resources*3	Cumulative total 65 persons	Cumulative total 52 persons
	Digital human resource development*4	Cumulative total 1,000 persons	Cumulative total 696 persons
Diversity and inclusion	Trainees from overseas to Japan*5	Cumulative total 23 persons	Cumulative total 19 persons
	Ratio of employees who took childcare leave by gender	Male 70.0%	Male 57.4%
		Female 100.0%	Female 100.0%
	Ratio of female managers	10.0% (FY2030 goal)	4.7%

*1. Deviation value based on external survey results

*2. Number of training participants introduced from FY2017

*3. Number of training participants introduced from FY2012

*4. Number of training participants introduced from FY2022

*5. Number of training participants introduced from FY2014

Promotion structure

With “Human resources” as one of our Values, we launched the Human Resources Strategy Committee as part of our aim to be “management that makes the most of people” where everyone can play an active role. In order to create a company and workplace where all employees can work vigorously, we have launched the Future Human Resources Project as a subordinate organization of the Human Resources Strategy Committee with the aim of outlining the type of human resources we aim for and for promoting a human resources strategy geared toward the realization of this.

Major initiatives

Priority measure 1 Creating a highly engaging and fulfilling workplace

(1) Promoting growth and challenge

In order to demonstrate our Values and promote growth and challenge toward the realization of our Purpose, we have been hosting the GO CKD! Awards to evaluate employees’ activities, and have introduced an internal job posting system to support career planning.

Introduction of the Innovator Challenge System

In response to the “Innovation” in our Values, we introduced the innovator challenge system in which employees propose compelling themes for launching new businesses. There were many proposals based on new ideas, such as proposals that utilize the Company’s core technologies and proposals that help respond to social issues. We are currently developing specific plans for commercialization of the selected themes.

(2) Workstyle reforms and working environment improvement

Health and productivity management

CKD Health and Productivity Management Declaration

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

Key initiatives	
1	Work-life balance (workstyle reforms, management of time spent working)
2	Prevention of lifestyle-related diseases (promoting improvement of diet, sleep, and exercise habits, prevention of passive smoking, and smoking cessation)
3	Creating a comfortable working environment (promoting mental health, improving the working environment, and supporting employees with balancing medical treatment and work)

KPI (health and productivity management strategy map)

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

*1 Absenteeism: The average number of days taken by all employees to be absent from work or leave due to personal injury or illness.

*2 Presenteeism: Percentage of productivity loss due to health problems (calculated by WHO-HPQ)

*3 Work engagement: Awareness and behavior toward work (deviation value based on external survey results)

KPI	FY2021	FY2022	FY2023
Absenteeism	1.54 days	1.22 days	1.36 days
Presenteeism	–	37.3%	23.6%
Work engagement	48	47.9	48.4

Priority measure 2 Systematic development of future human resources

(1) Recruitment of human resources

Strengthening of recruitment

In order to maintain our human resources foundation and to respond to our flexible business development, we are implementing recruitment activities for new graduates, including international students, and experienced (mid-career) hires. We are also implementing measures to raise recognition, including branding activities and anime collaborations.

(2) Human resource development

External training for systematic development of next-generation leaders

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

Implementation of stress check and engagement survey

We conduct an annual engagement survey of all employees in conjunction with stress checks in order to ascertain the status of “work comfort” and “job satisfaction” and any organizational issues. The survey results are fed back to each division and used to drive improvements.

Implementation of Production and Sales Mutual Trainee Program

Since 2023, we have been holding the Production and Sales Trainee Program as an opportunity for both production and sales staff to gain an understanding of both teams’ respective roles and workflow through hands-on experience of each other’s work, and to work toward improving issues. In fiscal 2023, a total of 20 employees, mainly young production and sales employees, participated in the program, working to enhance co-creation and engagement from the customer’s perspective.

(3) Building trust with management

Holding of roundtable discussions

With the aim of enhancing engagement, we held small-scale round-table discussions as a platform for the President to hear opinions directly from employees. By visiting plants and sales offices around the country and listening carefully to each person’s story, we created a platform for employees to air their questions, opinions, and wishes regarding the Company.

Holding of town hall meetings and internal IR

As an opportunity to familiarize employees with the direction of the Company and its financial situation, we held a “town hall meeting,” where the President himself gave a talk, as well as an “internal IR” during which the Investor Relations Office of the Corporate Planning Department gave the talk.

Developing global human resources

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

P29-30 ▶ Special Feature: Global Expansion

Digital human resource development

Since fiscal 2022, we have been conducting training for division managers to help them recognize the need for digitalization and training to develop leaders to promote DX. In fiscal 2023, we held Digital Technology Training (known as the D-Academy) and RPA Hands-on Training, both of which focus on practical skills. 696 people participated in the D-Academy’s

Human Capital

introduction to artificial intelligence, and we also conducted hands-on training in machine learning using open source software to enhance practical skills. Also, we gathered employees from throughout the Company and launched a project to respond to generative AI.

P27-28 ▶ DX Strategy

■ Level-specific education and specialized education for engineers and technicians

We define our common human resource images for realizing our Purpose and Values by role and grade, and conduct

Priority measure 3 Diversity and inclusion

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

(1) Promotion of career advancement of diverse human resources

■ Initiatives for promoting women's career advancement
We are working on various measures to increase the ratio of female managers to 10% by fiscal 2030.

- 1 In order to increase the ratio of female employees, we set a target value for the ratio of female new graduates hired in the action plan and carry out recruitment activities
- 2 Implement systematic promotions and promote appointment to managerial positions, etc., to achieve the Company's target for ratio of female workers in managerial positions
- 3 Implement career development training aimed at cultivating a mindset toward promotion and entering into management, primarily targeting female employees

■ Enhancement of re-employment schemes
In order to give employees more options for life after retirement at age 60, we have established a lifetime employment program that allows employees to play an even

training to allow employees to acquire the necessary skills and knowledge as part of our level-specific education.

We also offer a full menu of training programs to help employees in our business divisions acquire technical skills as engineers. In addition, the Company has established a "skill training *dojo* (workshop)," where senior employees act as instructors, passing on their skills to the next generation and engaging in the training of young people, all of which is done with great motivation.

more active role within the Company, while also maintaining our current re-employment schemes. This system has been utilized by 55 employees over the age of 65.

■ Workplace development for people with disabilities
In October 2022, we hired six people with disabilities at the Social Farm Waku Happiness Farm. We will continue to promote the creation of workplaces where people with disabilities can play active roles and strive to expand employment.

(2) Improvement of work-life balance and working environment

We are striving to create a working environment that enables employees to balance work and child-rearing.

- 1 Establishment of an in-house day-care center and systems such as shorter working hours and exemption from overtime work for employees with children up to the sixth grade of elementary school
- 2 Training for managers and introduction of case studies of male employees who have taken childcare leave through in-house newsletters in order to increase the ratio of male employees taking childcare leave
- 3 Introduced a tele-working system to increase flexibility in work styles and to improve operational efficiency

Occupational Health and Safety

The Occupational Health and Safety Center was established in July 2021 to promote company-wide occupational health and safety activities, including those of our overseas subsidiaries. Specific activities include (1) promoting Company-wide risk assessments, (2) developing Company-wide *Poketenashi* (five rules for safety improvement) activities, and (3) holding Company-wide occupational health and safety conferences.

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

Basic Philosophy

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

Policy

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

Natural Capital

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

Environmental Policy

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

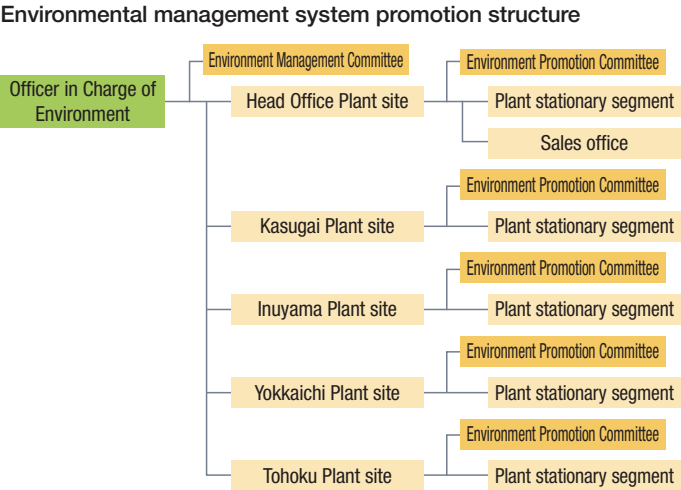
We revised the Policy in April 2022, adding a new commitment to achieving carbon neutrality. We are developing and expanding sales of low environmental impact products, focusing not only on the conservation of energy and resources, but also on the environmental impact of products throughout their life cycles. While maintaining compliance with all environmental laws and regulations, we have been also working to reduce our environmental burdens as much as possible by conducting our business with our social responsibilities in mind and continually striving to reduce CO₂ emissions and to prevent pollution.

- 1 Promote development and sales of low environmental impact products.
- 2 Identify and comply with environmental regulations and their requirements, and promote the realization of carbon neutrality and the prevention of environmental pollution.
 - a) Reduce CO₂ emissions b) Promote resource conservation c) Reduce waste d) Reduce environmental polluting materials

ISO acquisition

The Company acquired the ISO14001 certification in 2000, and conducts environmentally-friendly business activities and complies with environmental laws and regulations. The Company identifies risks and opportunities from environmental aspects, internal and external issues, etc., and carries out activities based on environmental goals or operational management for the matters we have decided to address. Each activity is reported to the Environmental Promotion Committee at each factory site, and overall, to the officer in charge of environment at the Environmental Management Committee. In addition, regarding operational management and compliance with environmental laws and regulations (Water Pollution Prevention Act, Air Pollution Control Act, Act on Rational Use and Appropriate Management of Fluorocarbons, etc.), the status of management and compliance is confirmed through internal audits and compliance evaluations, and reported to the officer in charge of environment through management reviews.

Acquisition target	Acquired certification
CKD Corporation	ISO9001
	ISO14001
CKD THAI CO. LTD.	ISO9001
	ISO14001
CKD (CHINA) CORPORATION	ISO9001
	ISO14001
CKD NIKKI DENSO CO., LTD.	ISO9001
	ISO14001



Natural Capital

Reduce CO₂ emissions

Medium- to long-term targets

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

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

Fiscal 2030

Total emissions ^(*)50% reduction
(compared to fiscal 2022)

Per unit of sales50% reduction
(compared to fiscal 2013)

Fiscal 2050

CO₂ emissions

Achieve virtually zero

*Total emissions were set from FY2023

We will promote the following initiatives as specific reduction measures:

Promote thorough improvements in energy conservation

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

Note: CO₂ emissions reduction targets are the total of Scope 1 and 2.

FY2023 supply chain emissions

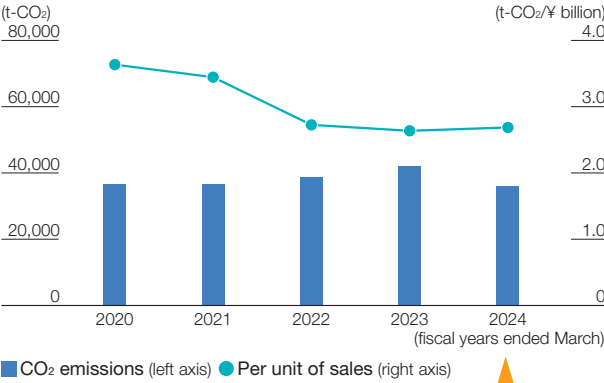
Classification	CO ₂ emissions t-CO ₂	Ratio of total emissions
Scope 1	5,494	0.4%
Scope 2	36,402	2.8%
Scope 3	1,256,033	96.8%
Ct 1 Purchased Goods and Services	297,531	22.9%
Ct 2 Capital Goods	62,000	4.8%
Ct 3 Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2	5,016	0.4%
Ct 4 Upstream Transportation and Distribution	16,183	1.2%
Ct 5 Waste Generated in Operations	1,161	0.1%
Ct 6 Business Travel	599	0.05%
Ct 7 Employee Commuting	1,900	0.1%
Ct 8 Upstream Leased Assets	-	-
Ct 9 Downstream Transportation and Distribution	-	-
Ct 10 Processing of Sold Products	-	-
Ct 11 Use of Sold Products	870,959	67.1%
Ct 12 End-of-Life Treatment of Sold Products	686	0.05%
Ct 13 Downstream Leased Assets	-	-
Ct 14 Franchises	-	-
Ct 15 Investments	-	-
Total	1,297,929	100.0%

Notes: 1. Figures for Scope 1 and 2 are the total of major emissions from CKD Corporation, domestic subsidiaries, and overseas subsidiaries (plants only). Calculated in accordance with the GHG Protocol with market-based emission factors (adjusted emission factors) used in Japan, and location-based emission factors used overseas.
2. Scope 3 applies to CKD Corporation (domestic, non-consolidated).

*GHG emissions data (Scope 1 and 2) have been certified by an independent third-party organization.
Third-party warranty certificate (https://www.ckd.co.jp/en/assets/images/csr/esg/ghg_emissions_en.pdf)

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

*Since fiscal 2022, CO₂ emissions from the energy and company car gasoline of domestic group companies and the Austin Plant (USA) are added, and offset with green power certificates and J-credits.



FY2023 results
Total emissions 12.9% reduction (compared to FY2022)
Per unit of sales 34.5% reduction (compared to FY2013)

We promote reduction activities by setting internal activity targets for each department and adding points to bonus evaluations according to the degree of target achievement.
Main reduction activities include improving plant air leaks, introducing energy-saving products when replacing equipment, and introducing solar power generation systems.

FY2023 renewable energy ratio (electric power)

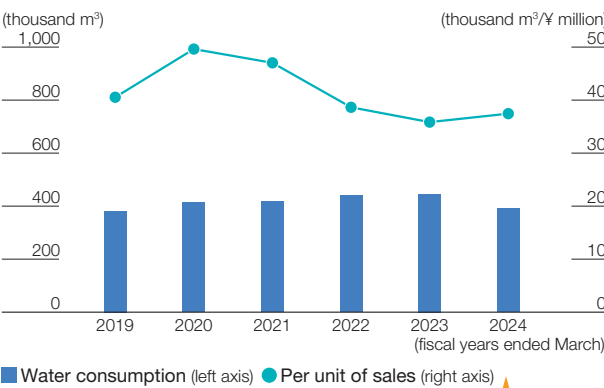
In order to reduce Scope 2 emissions, we are promoting the introduction of solar power generation and green electricity.

Solar power generation output	5,661 MWh
Green power certificates (Inuyama Plant, Yokkaichi Plant)	4,850 MWh
Total power consumption	82,073 MWh
Ratio of renewable energy in total power consumption	12.8%



Reduction of water consumption

Water consumption reduction results
(Target: CKD domestic plants)



FY2023 target: 2.0% reduction
FY2023 result: 4.6% increase
(Per unit of sales, compared to the previous fiscal year)

CDP evaluation

The Group's efforts to protect the environment have received the following recognition from the CDP, an international environmental NGO.

Climate Change 2023	B
Water Security 2023	B



Development of low environmental impact products

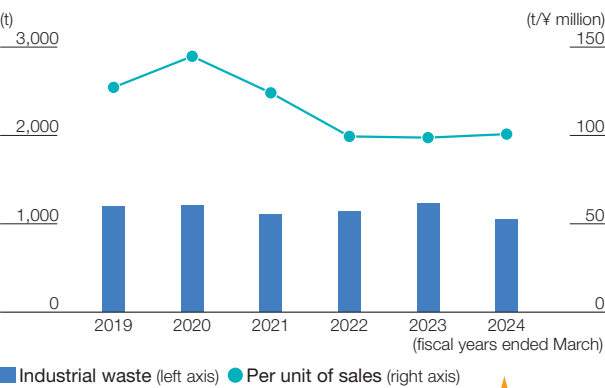
Number of low environmental impact products in FY2023	9 (Development of products with 50% reduced impact compared to FY2013)
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CKD believes that developing more eco-friendly products requires us to consciously incorporate targets for environmental burden levels from the planning and development stages. With this in mind, we have been developing low environmental impact products by using our unique Environmental Acceptability Assessment Form*.

*Environmental Acceptability Assessment Form: Evaluates environmental burden levels in four areas—energy conservation, resource conservation, waste, and environmental pollution both in terms of customer and internal environments.

Reduction of industrial waste

Industrial waste reduction results
(Target: CKD domestic plants)



FY2023 target: 2.0% reduction
FY2023 result: 2.0% increase
(Per unit of sales, compared to the previous fiscal year)

* Amount of plastic industrial waste discharged in FY2023: 233 tons

Biodiversity initiatives

The Group's Purpose includes "creating a healthy global environment," toward which a reduction in CO₂ emissions, water use and waste have been included as Materiality. In addition to reducing the negative impact of its business activities on the global environment, the Group is also working on initiatives relating to biodiversity through its product development and environmental protection activities.

Products that contribute to biodiversity

Automatic watering device

Automatic watering devices that are installed in parks and orchards.



Remote control and monitoring systems for smart agriculture

Allows watering, ventilation, and other such greenhouse operations to be controlled and monitored remotely.



Environmental protection activities

Every year, the Company works together with local communities and employees' families on environmental protection activities, including forestation activities in the "Kaisho Forest" in Seto, Aichi, and clean-up activities for the Oyama River, which flows through Komaki, Aichi.



Addressing Climate Change Risks

Damage caused by extreme weather events such as storms, floods, and droughts is increasing in many parts of the world. In addition, regulations and markets are likely to undergo major changes in the course of the transition to a decarbonized society in the future. Recognizing that the social and economic impacts of climate change are an important management issue that must be addressed in the context of sustainability, we announced our support for the Task Force on Climate-related Financial Disclosures (TCFD) in June 2022. In accordance with the TCFD recommendations, we will strive to proactively disclose information.

* Although the TCFD was disbanded in October 2023 and the function for monitoring progress of recommendations was transferred to the IFRS Foundation (a private non-profit organization that formulates International Financial Reporting Standards), the TCFD recommendations remain valid.

Governance structure – Sustainability promotion structure

We have established the Sustainability Committee as an advisory body to the Board of Directors in order to address environmental issues, including climate change, as one of the most important management issues, and to promote our response to these issues in an integrated manner with our management strategy. (P32 ▶ Sustainability Strategy)

Strategy

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

4°C Scenario

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

Below 1.5°C Scenario

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

Analysis results

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

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

List of risks and opportunities related to climate change

Impacts of climate-related issues	Timeline	Risks and opportunities (possible events)			Degree of impact	
					4°C	1.5°C
Impacts of the transition to a decarbonized society	Medium- to long-term	Introduction of carbon tax and emissions trading	Risks	• Increase in business costs	Low	High
			Opportunities	• Increase in sales of products that contribute to the environment, such as CO ₂ reduction		
	Medium- to long-term	Compliance with GHG emissions regulations	Risks	• Increased costs for the replacement of energy-saving equipment	Low	High
			Opportunities	• Increase in sales of products that emit limited CO ₂		
	Medium- to long-term	Renewable Energy Policy/Energy Saving Policy	Risks	• Increase in business costs due to higher renewable energy prices, and increased costs for the replacement of equipment to energy-saving models	Low	High
			Opportunities	• Increase in demand for services that lead to energy savings for customers, and increased new business opportunities in solar, hydro, and biomass power generation		
	Short- to long-term	Advancement of low-carbon technologies	Risks	• Decrease in sales when the Company is unable to respond to rapid demand shifts from pneumatic components to motion components	Low	High
			Opportunities	• Increase in R&D costs for developing decarbonization technologies		
				• Increase in sales of products for rechargeable battery manufacturing processes, products for hydrogen-related businesses, IoT-related components for production facilities, semiconductor-related components, etc.		

Impacts of climate-related issues	Timeline	Risks and opportunities (possible events)			Degree of impact	
					4°C	1.5°C
Physical impacts of climate change	Short- to long-term	Intensification of extreme weather events	Risks	• Production stoppages and impact on business continuity due to damages to production sites and the disruption of supply chains in the wake of disasters	High	Low
			Opportunities	• Increased BCP costs		
				• Increased demand for factory automation equipment backed by capital investments in the relocation and reorganization of production sites and the promotion of manufacturing that does not depend on human resources		
				• Expansion of maintenance business related to reconstruction from disasters		

Risks and opportunities related to climate change and our responses

Impacts of the transition to a decarbonized society	Reducing risks	<ul style="list-style-type: none"> Set CO₂ reduction targets for the entire supply chain Install solar power generation systems Reduce Scope 2 emissions utilizing green electricity Carbon Offsetting through the J-Credit Scheme
	Capturing opportunities	<ul style="list-style-type: none"> Enhance sales of pharmaceutical products packaging machines which limit packaging loss Strengthen sales of machinery and components for rechargeable batteries Strengthen electric motion products business Strengthen the development of low environmental impact products Actively disclose information on our contribution to the environment
Physical impacts of climate change	Reducing risks	<ul style="list-style-type: none"> Establish disaster prevention management/BCP regulations in preparation for disasters Placement of production bases in various locations Accelerate the replacement of air conditioners to energy-saving models Establish measures against infectious diseases

Risk management

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

assessed based on the frequency of occurrence and the magnitude of impact when they occur.

Countermeasures are discussed for the risks and opportunities identified, and then reported to and shared with the Board of Directors.

This way, we comprehensively manage and evaluate risks, including climate change related risks.

P62 ▶ Risk Management

Indicators and targets

(1) Key performance indicators

To contribute to the realization of a decarbonized society, the CKD Group is working to reduce CO₂ emissions by setting medium- to long-term reduction targets. From fiscal 2022, we have started calculating Scope 3 CO₂ emissions in addition to Scope 1 and 2.

Key performance indicators	Unit	FY2023 results
CO ₂ emissions (before offset) <small>(Notes 1, 2, 3)</small>	t-CO ₂	38,787
CO ₂ emissions (after offset) <small>(Note 4)</small>	t-CO ₂	36,165
CO ₂ emissions (per unit of sales) <small>(Note 4)</small>	t-CO ₂ /¥ billion	2.69
CO ₂ emissions reduction rate (total amount, compared to fiscal 2022) <small>(Note 4)</small>	%	12.9
CO ₂ emissions reduction rate (per unit of sales, compared to fiscal 2013) <small>(Note 4)</small>	%	34.5

(2) Target

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

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

Notes:

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

For details of our Addressing Climate Change Response Risks, please refer to our corporate website. <https://www.ckd.co.jp/en/csr/tcfd/>

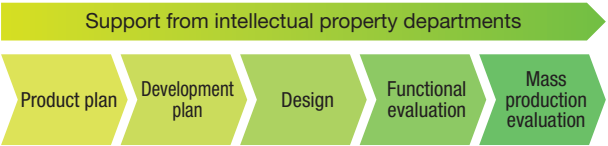
Intellectual Capital

We have established departments that specialize in intellectual property and work to further improve corporate value by managing intellectual property for all CKD Group companies and executing intellectual property strategies. Our intellectual property strategies involve implementing detailed measures that reflect CKD business strategies based on close collaboration between intellectual property departments and development and technology departments.

System

We carry out new product development by gathering specialists from various departments to form a product development team under our development project system. By dedicating a small but elite group to the task, we enhance development quality.

Development process



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



Major initiatives

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

Excellent Patent Award

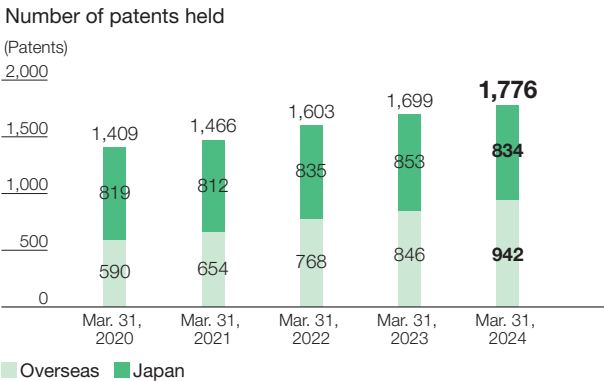
We have established a patent reward system with the aim of increasing employees' aspiration to invent and promote the creation of better inventions. The Patent Achievement Evaluation Committee selects outstanding inventions and awards employees.

In fiscal 2023, we selected one patent from control components for an excellent patent award, two from automatic machinery for outstanding patent awards, and one each from pneumatic components, vacuum components, and assistance devices.



Number of patents held

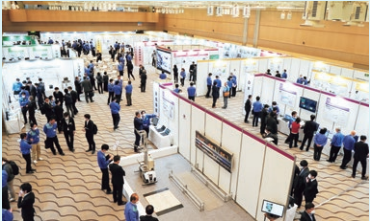
Recognizing the intellectual capital created through research and development activities as an important asset of the Company, we are actively acquiring intellectual property rights such as patents in Japan and overseas. As of the end of March 2024, we hold 1,776 patents in Japan and overseas.



Topics

Holding of technology exhibition

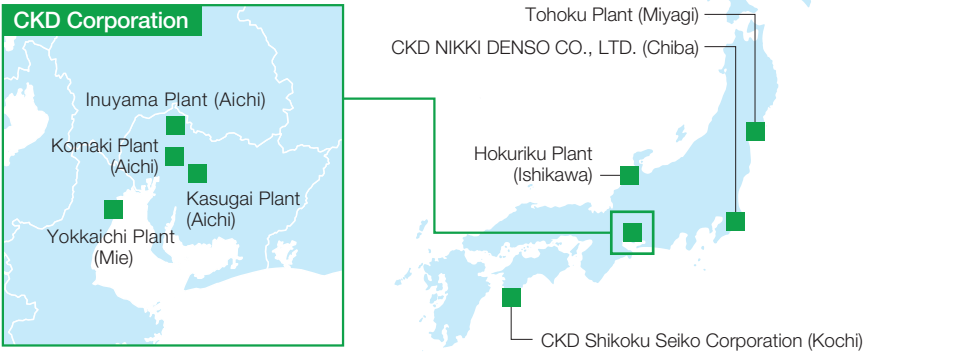
To celebrate the 80th anniversary of CKD, we held the technology exhibition "IRODORI" in February 2024. This was the first exhibition that our employees created together to demonstrate to the public the "various" and "unique" technologies that the Company has developed to support fluid control and automation. During the two-day event, 1,040 customers and business partners attended. The engineers themselves promoted their products and technological capabilities, and visitors were highly satisfied with the content of their presentations.



Manufacturing Capital

Capital investments were ¥22.1 billion in fiscal 2023. In fiscal 2024 and beyond, the Company will continue to increase production capacity with a view toward business expansion and to invest in automation. (Number of production bases - Japan: 8, Overseas: 7) P29-30 ▶ Special Feature: Global Expansion

Production bases in Japan



Completion of new plants

As part of efforts to achieve medium- to long-term growth and enhance corporate value, we continue to make investments in laying a business foundation geared toward future growth. The Company completed construction of the Hokuriku Plant in March 2024 and the India Plant in May 2024. We are working to strengthen our production system toward achieving net sales of ¥180.0 billion as set out in the Medium-Term Management Plan.

Hokuriku Plant completed in March 2024

Goals In anticipation of further expansion of demand in the semiconductor-related component field in the future, we are working to strengthen the production system at our Hokuriku Plant. Further, by dispersing these operations to production bases in the Tohoku and Tokai regions, we aim to respond to BCP. The concept of the plant is "harmonizing with an environment and embracing people." Women and people with disabilities play an active role in this plant, and natural energy is actively utilized.



<Plant overview>

Name	Hokuriku Plant	Site area	Approx. 70,000 m ²
Location	1-1, Seitani, Shorenji-machi, Komatsu, Ishikawa	Total floor area	Approx. 22,000 m ²
Completion date	March 25, 2024	Structure	Steel construction, 2 floors
Main products	Component products for semiconductor manufacturing equipment	Total investment	Approx. ¥16.0 billion (land, buildings, facilities)

Points

Facilities

Automation of logistics and production processes centered on multi-story warehouses

Environment

Introduction of solar power generation and energy-saving systems for clean rooms, as well as recycling systems for water resources

India Plant completed in May 2024

Goals With this plant, CKD INDIA PVT. LTD. will establish a production system in India and strengthen sales to meet the growing demand for pneumatic components, fluid control components, and other component products required for production lines in the manufacturing industry, including the automotive industry.



<Plant overview>

Name	CKD INDIA NEEMRANA MANUFACTURING PLANT	Total floor area	Approx. 8,600 m ²
Location	Neemrana Industrial Park, Rajasthan, India	Completion date	May 22, 2024
Products	Pneumatic components, fluid control components	Scheduled operation	May 2024
Site area	Approx. 14,600 m ²	Investment	Approx. ¥1.8 billion

Points

Environment

This plant installed facilities to reuse plant wastewater, resulting in zero wastewater and the protection of valuable water resources

Topics

Opened new showroom "ulu Creative Base" at Komaki Head Office

In January 2024, we opened the "ulu Creative Base" showroom at our Head Office/Komaki Plant. This is a space where visitors can experience products and technologies through various contents including demo machines and videos using LED signage.

In addition, there are spaces for seminars and meetings, as well as a studio for recording and streaming, with the aim of generating new innovation through communication with visitors.



Social Capital

Human Rights

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

For the full text of our Human Rights Policy and a list of human rights risks, please refer to "Respect for Human Rights" on our website.
<https://www.ckd.co.jp/en/sustainability/human-rights/>

CKD Group Human Rights Policy

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

CKD Group Human Rights Policy

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

System

The Sustainability Committee, chaired by the President, reports on and discusses the status of efforts to respect human rights.
P32 ▶ Sustainability Strategy

Human rights due diligence

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



Major initiatives relating to human rights

Employee education on human rights

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

Dissemination of Purchasing Principles and Fundamental Policy

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

Establishment of a whistleblower contact point (whistleblower system)

We have established a whistleblower helpline as a mechanism through which employees and others who work in the CKD Group can make reports. P61 ▶ Compliance

Establishment of a harassment consultation contact

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

Supply Chain Management

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

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

For details of this page, please refer to "Material Procurement" on our website.
<https://www.ckd.co.jp/en/company/sizai/>

Purchasing Principles

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

Fundamental Policy

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

Requests for Business Partners

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

Risk assessment for CSR and ESG procurement

In order to contribute to mutual development with our suppliers and the realization of a sustainable society, we regularly conduct questionnaire surveys on the promotion of CSR/ESG procurement and related initiatives at our suppliers. From fiscal 2023 onwards, in addition to existing initiatives geared toward environment and quality issues, we have also been addressing new areas such as labor, health and safety, and human rights. In addition, based on the results of the questionnaire, we engage in close communication with our suppliers as we seek avenues to drive improvement.

Green procurement

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

Holding briefings

We regularly hold briefings on production trends and purchasing policy, quality briefings, exhibitions, and technical exchange meetings, inviting all of our suppliers to participate.



Partnership Building Declaration

In March 2024, we announced our "Partnership Building Declaration" through which we expressed the Company's approach for the purpose of coexistence and co-prosperity throughout the supply chain and compliance with desirable business practices between parent companies and subcontractors. We will continue to build better relationships with our business partners based on the content of this declaration.

