

CKD Report 2024

Integrated Report



CKD Corporation

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Corporate Website



CKD

CONTENTS

01

Contents/CKD Report 2024 Structure/Editorial Policy

02

CKD Report 2024 Key Points and Positioning

03

CKD's Principles

04

CKD at a glance

05

Message from the President



09

CKD's Value Creation Story

11

CKD History

13

CKD's Corporate Value that Helps Solve Social Issues

15

Corporate Value Creation Model

17

Materiality

17

CKD's Growth Strategies

19

Medium- to Long-Term Roadmap

21

Medium-Term Management Plan

23

Segment Overview

25

Strategy by Business (Automatic Machinery Business)

27

Strategy by Business (Component Products Business)

29

DX Strategy

31

Special Feature: Global Expansion

31

CKD's Capital Strategies

33

Message from the Officer in Charge of Administration

35

Sustainability Strategy

37

Financial Capital

39

Human Capital

41

Natural Capital

43

Addressing Climate Change Risks

45

Intellectual Capital

47

Manufacturing Capital

49

Social Capital

47

Corporate Governance

49

Message from the Chairperson of the Board of Directors

51

Roundtable Discussion with the Independent Directors

53

Corporate Governance

55

Board of Directors and Audit & Supervisory Board Members

57

Compliance

59

Risk Management

61

Risks and Opportunities

65

Corporate Data

67

Financial/Non-Financial Highlights

69

11-Year Summary

71

Share Information

73

Corporate Data

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
<ul style="list-style-type: none">CKD's PrinciplesCKD at a glanceMessage from the President		<ul style="list-style-type: none">Medium- to Long-Term RoadmapMedium-Term Management PlanSegment OverviewStrategy by BusinessDX StrategySpecial Feature: Global Expansion	<ul style="list-style-type: none">Message from the Officer in Charge of AdministrationSustainability StrategyFinancial CapitalHuman CapitalNatural CapitalIntellectual CapitalManufacturing CapitalSocial Capital	<ul style="list-style-type: none">Message from the Chairperson of the Board of DirectorsRoundtable Discussion with the Independent DirectorsCorporate GovernanceBoard of Directors and Audit & Supervisory Board MembersComplianceRisk ManagementRisks and Opportunities
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

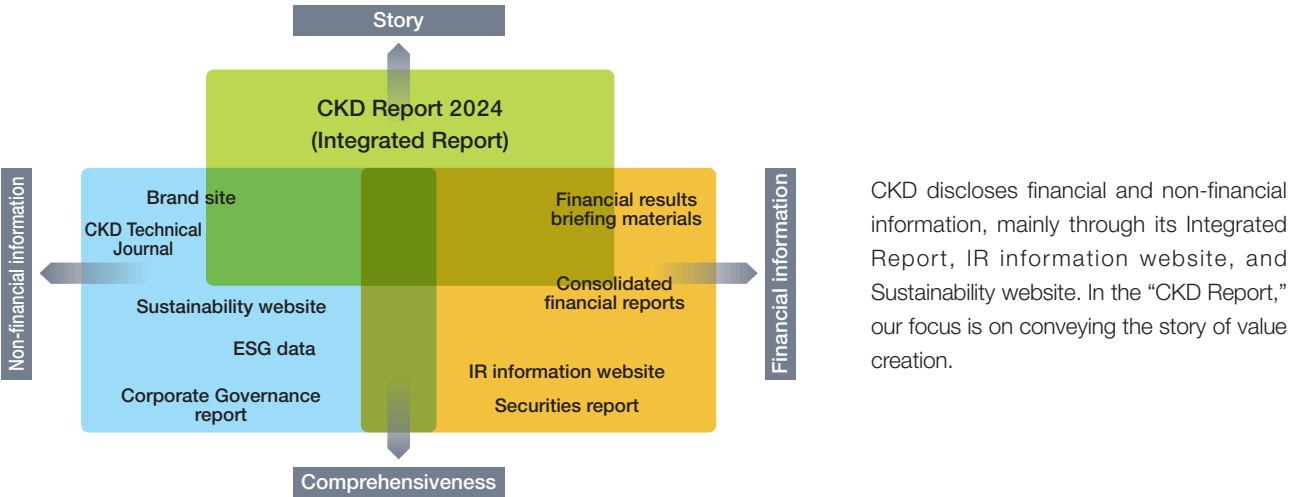
P11-12 ▶ CKD’s Corporate Value that Helps Solve Social Issues

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

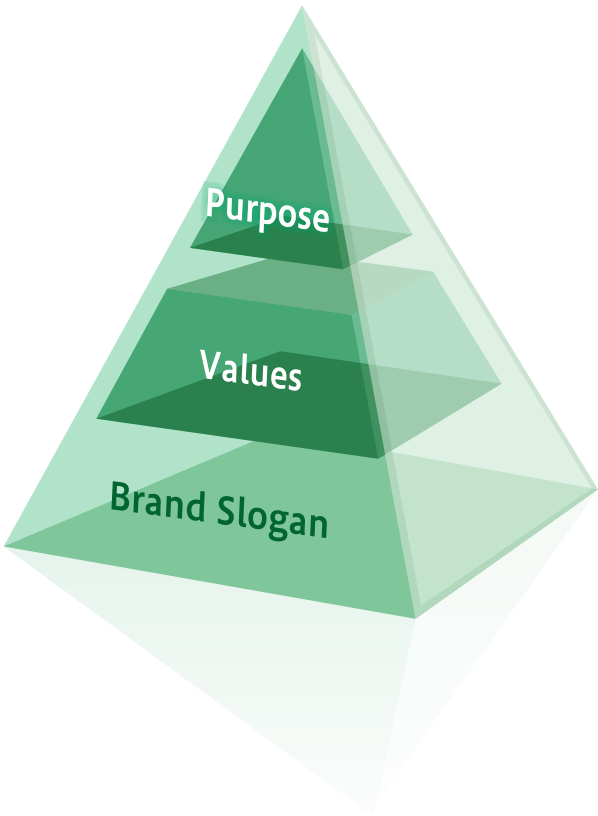
Purpose, Values, and Brand Slogan

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.

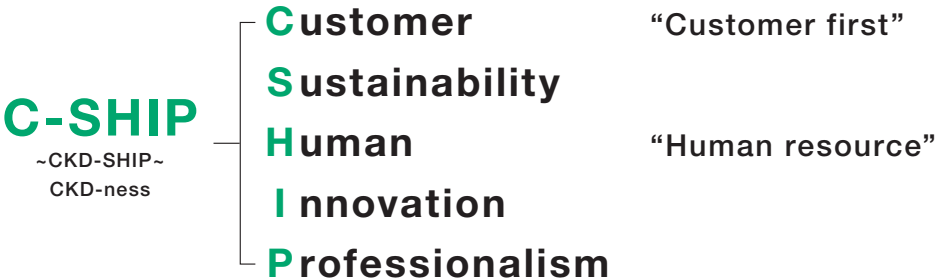
Our Brand Slogan is a concise representation of our thoughts and actions toward the future that encompasses the principles of the Purpose and Values.



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.

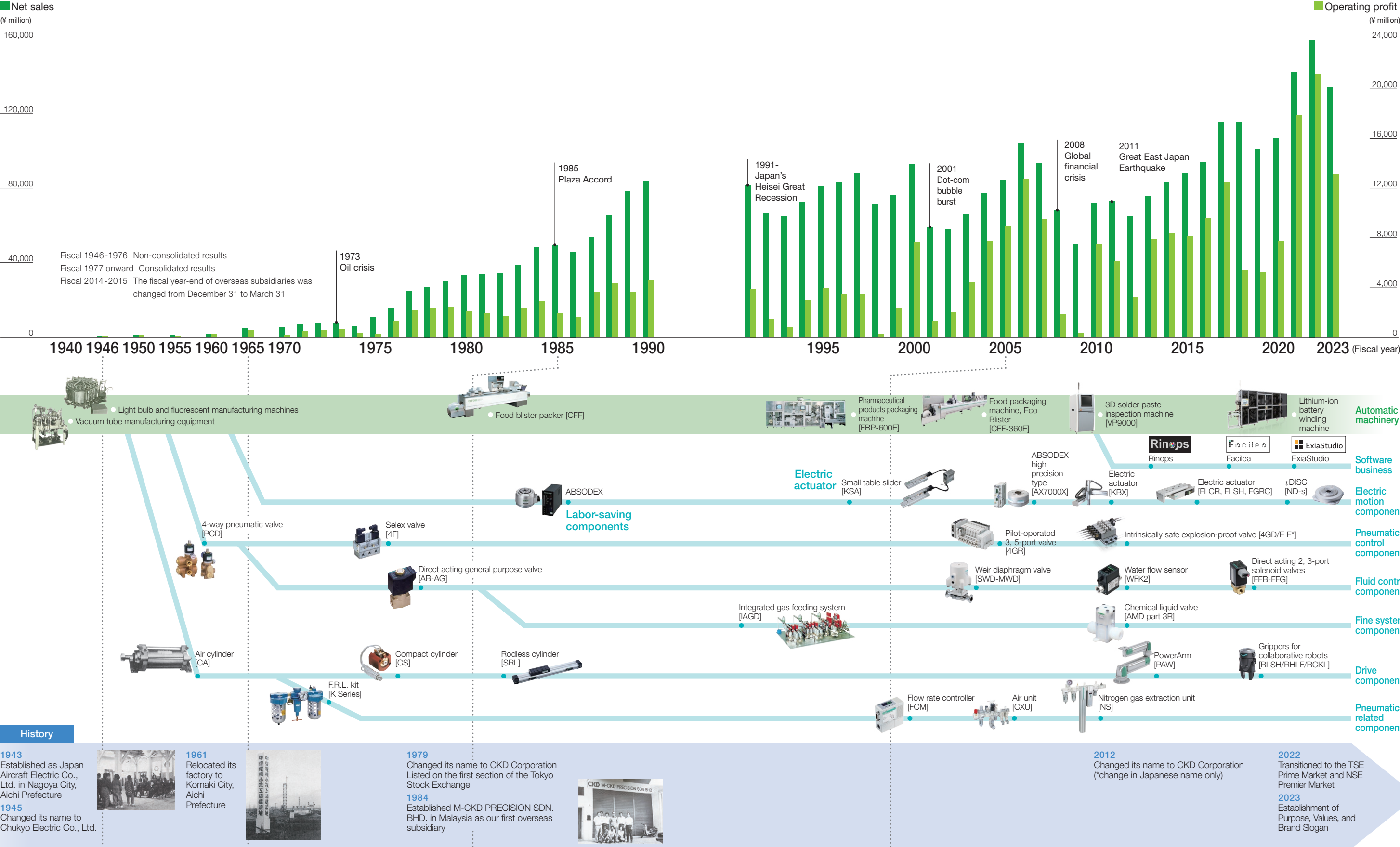
This award is a new award established in 2020 for the purpose of actively sharing IR activities to realize best practice. There is a tendency to think of IR as difficult, but by engaging in it voluntarily from the employee's perspective, we hope that this initiative will lead in turn to greater interest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



CKD's Corporate Value that Helps Solve Social Issues

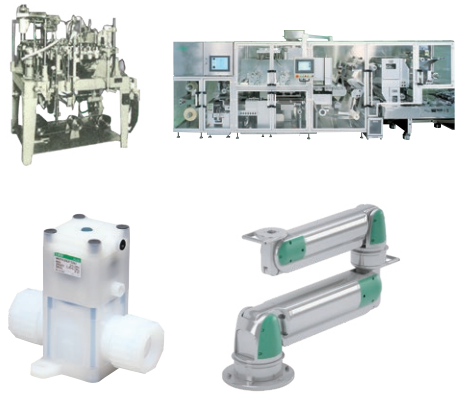
Leveraging the Company's strengths cultivated over its long history, we will strive to achieve technological innovation and value creation in order to solve various social issues, and contribute to the realization of a prosperous society and the creation of a new era through a variety of products.

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.

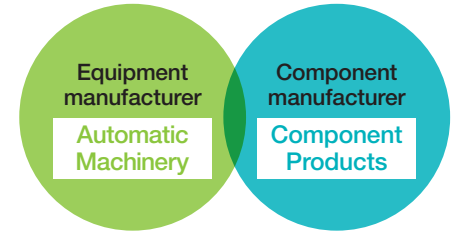


Innovation capabilities that combine technologies to generate new proposals

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.

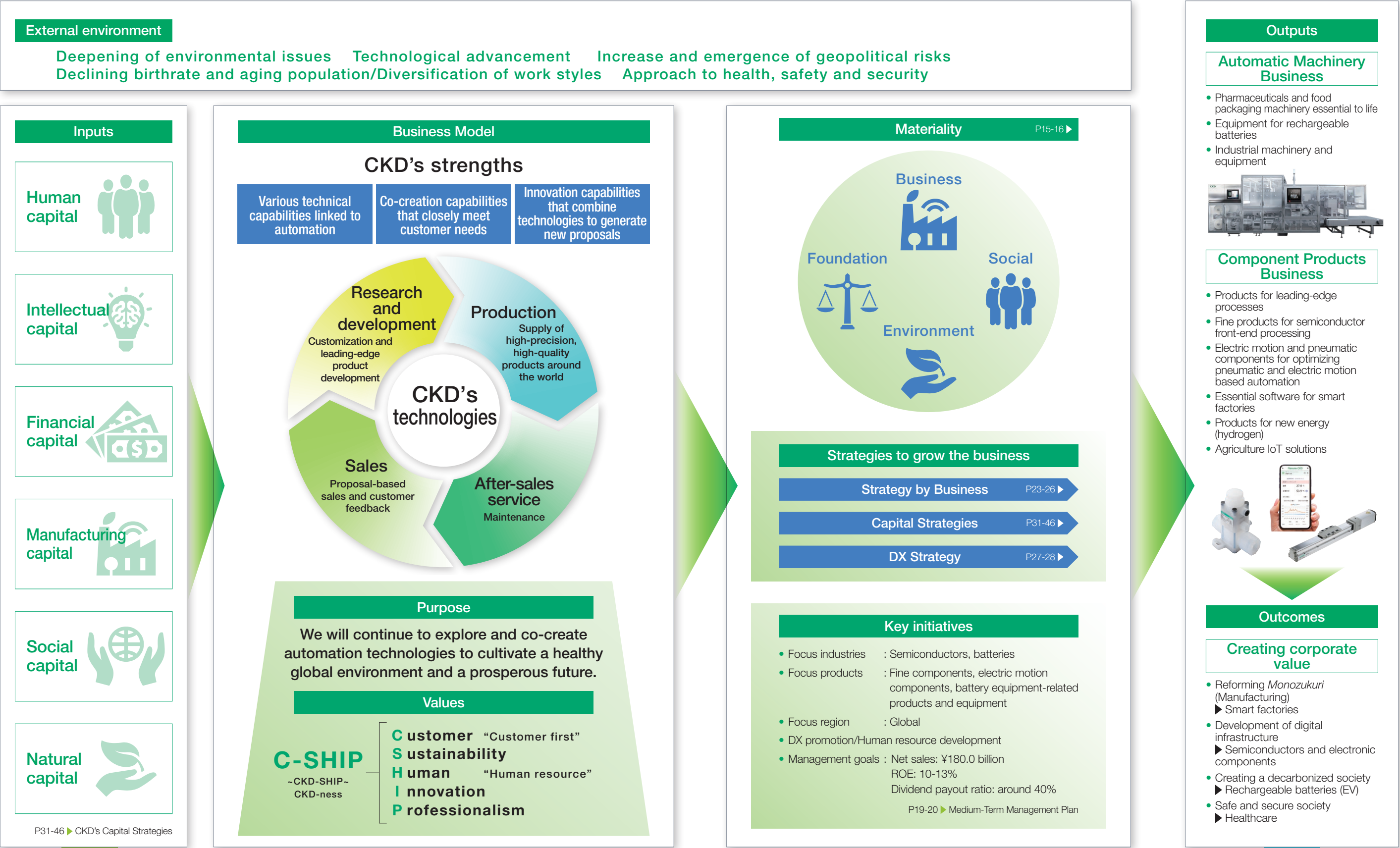
Software services and products

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.

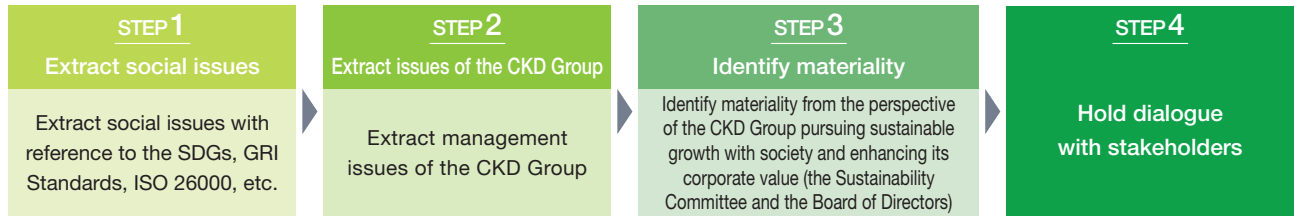
Materiality medium-term targets

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

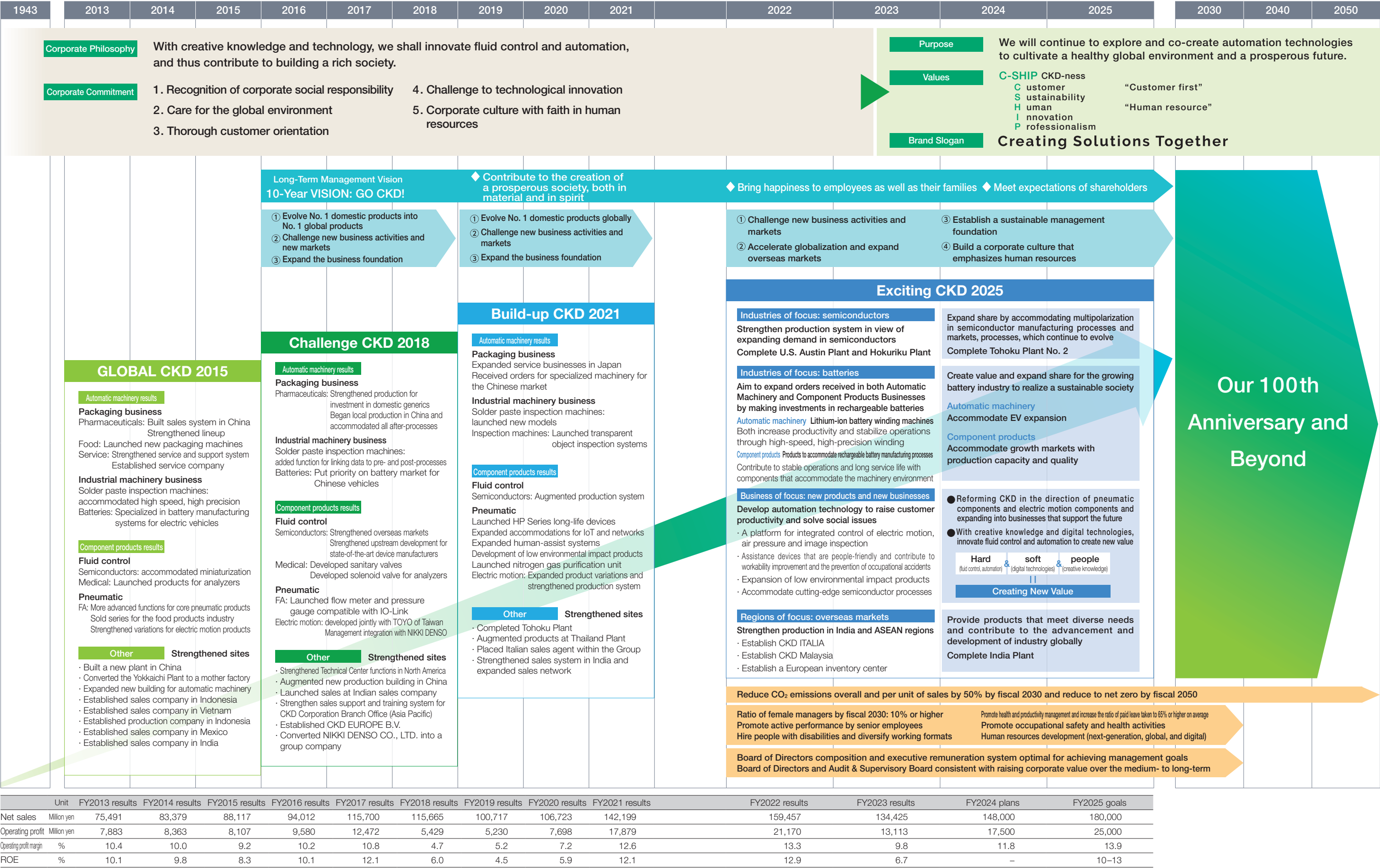
Materiality	Relevant SDGs	Targets * The target fiscal year is fiscal 2025 if no target year is stated.	Progress (Fiscal 2023)	Relevant page
① Development of low environmental impact products	  	<ul style="list-style-type: none">■ Develop machinery for plastic-free packaging■ Develop technology to reduce 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



Medium- to Long-Term Roadmap



Medium-Term Management Plan

Fiscal 2023 saw lower revenue and profits due in part to market conditions, but as the second year of our new Medium-Term Management Plan, “Exciting CKD 2025,” we worked to improve the earnings structure and strengthen our foundation. Going forward, we will continue to invest in growth and steadily promote ESG initiatives.

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

Exciting CKD 2025

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

1

Challenge new business activities and markets

2

Accelerate globalization and expand overseas markets

3

Establish a sustainable management foundation

4

Build a corporate culture with faith in human resources

Management goals

Net sales ¥180.0 billion	KPI	FY2022 results	FY2023 results	FY2024 plans	FY2025 goals
	Net sales	¥159.5 billion	¥134.4 billion	¥148.0 billion	¥180.0 billion
	Operating profit	¥21.2 billion	¥13.1 billion	¥17.5 billion	¥25.0 billion
	ROE	12.9%	6.7%	—	10.0%–13.0%
	Dividend policy	Dividend payout ratio of 40.1%	Dividend payout ratio of 40%	Dividend payout ratio of 40%	Dividend payout ratio around 40%
	Share buyback	—	—	—	Flexible share buyback considered

ROE 10%–13%

Dividend payout ratio around 40%

Key initiatives and progress

1. Evolution of profit and business strategy model

Industries of focus Semiconductors

Growth in the semiconductor market is being driven by generative AI, EVs and, autonomous driving. In 2030, the global market is expected to expand to \$1 trillion, and high growth rates are expected going forward.

Amid these developments, we will actively expand production sites to strengthen a global follow-up system for business continuity planning, and we are building a supply system to meet growing semiconductor demand. In addition, we have established Technical Centers at each site and promote product development to solve technical issues in next-generation, cutting-edge processes with the aim of further increasing our presence in the semiconductor industry.

Industries of focus Batteries

Worldwide EV production volume is expected to continue growing at an annual rate of over 20%, and the rechargeable battery market is expected to grow into a ¥26 trillion market by 2035. For rechargeable battery manufacturing processes, where demand continues to grow, our Automatic Machinery segment will supply ultra-high-speed winding machines to help customers raise their productivity.

The Component Products segment will continue to meet customer manufacturing needs with a product lineup of over 100 models for the rechargeable battery manufacturing process, contributing to stable equipment operations with a long service life.

Businesses of focus New products and new businesses

We launched the programming tool ExiaStudio as a service business utilizing DX, which allows various components to be freely controlled in a manner that is simple to use by anyone with a PC; it does not require specialized knowledge. We will continue to ramp up our efforts to actively create new services that benefit our customers through the fusion of hardware and software. In addition, the assistance device PAW is being used as a product that contributes to creating a workplace environment that is safe and easy to work at for seniors and women as well. We recently added and launched a new series of the product. With a broad lineup, PAW is helping to improve workability and prevent occupational accidents.

In the semiconductor industry, manufacturing processes are becoming miniaturized year after year, and with this, the level of precision required of manufacturing equipment and parts is also increasing. With its precision control, the Company will meet needs for technologies used in cutting-edge processes.

When customer needs are uncompromising, it is an opportunity for growth, and we are currently involved in the development of component products with higher precision and performance.

Regions of focus Overseas markets

Overseas, in high growth markets for semiconductors and batteries in particular, in the ASEAN region and in India, regions where demand growth is expected for component products, we will make proposals that meet the needs of customers and acquire new projects through this, while making maximum use of our new foundation, as we work to grow the business.



Malaysia Plant



India Plant

2. Improvement of management efficiency

Investing for growth

We secure funds generated from operating activities as investments necessary for sustainable growth, and utilize these funds to make growth investments and strengthen our foundations. In fiscal 2023 we completed the Hokuriku Plant and in fiscal 2024 completed the India Plant and launched operations at Tohoku Plant No. 2 and the Malaysia Plant. As part of efforts to achieve medium-to long-term growth and enhance corporate value, we will continue to make investments in laying a business foundation geared toward future growth.

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

3. Enhancement of management foundation

Environmental initiatives

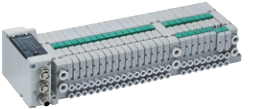
As for low environmental impact products, in the Automatic Machinery Business, we are developing PTP pharmaceutical packaging machines that use biomass plastics and reducing the amount of plastic used when producing PTP sheets.

In the Component Products Business, we launched the TVG Series, the industry's first solenoid valve compatible with IO-LINK Wireless. We made rigorous improvements down to the smallest detail, including the seal design and materials, and achieved energy-saving operations with minimal air leakage even with long-term use. This plug-in valve also uses recycled resin materials. It is the culmination of our commitment to lower environmental impact. In addition to energy- and resource-savings, the Company has considered the perspective of the life cycle, and its long-service-life products contribute to “Production equipment that never stops” and “Stable operation.”

Toward achieving a carbon-neutral society on a company-wide basis, the Group has set medium- and long-term targets of reducing CO2 emissions per unit of sales by 50% by fiscal 2030 and to net zero by fiscal 2050. It is promoting rigorous improvements to energy-saving products to this end.



Pharmaceutical packaging machines



Pilot operated 3, 5-port valve Plug-in-type block manifold [TVG Series]

Segment Overview

CKD has continued to innovate its technology based on automation and fluid control technologies, and is currently developing its business around the two linchpins of Automatic Machinery and Component Products. CKD is one of the few companies in the world that handle both. One of our strengths is that we handle both equipment and components.

	Ratio of net sales (fiscal year ended March 31, 2024)	Segment	Net sales (Unit: ¥ billion) (fiscal years ended March)	Ratio of net sales (fiscal year ended March 31, 2024)		Main products
Automatic Machinery Business	Net sales ¥17.7 billion Ratio of net sales 13%	Packaging machines	<div><div>10.3</div><div>10.9</div><div>20232024</div></div>	<div><div>Ratio of net sales</div><div>8%</div></div>		<div><div>Packaging machines (pharmaceuticals, foods)</div><div>Pharmaceutical products packaging machines: We have a broad lineup of state-of-the-art machines that automate the pharmaceutical packaging process and boast the top market share in Japan. Food packaging machines: In addition to providing high sealing properties, safety, hygiene, and operability, this machine minimizes waste of packaging resources such as top lids and container films, helping save resources.</div><div>Pharmaceutical products packaging machine, Eco Blister FBP-600E4/E4S Food packaging machine, Eco Blister CFF-360E</div></div>
		Industrial machinery	<div><div>5.3</div><div>6.8</div><div>20232024</div></div>	<div><div>Ratio of net sales</div><div>5%</div></div>		<div><div>Service businesses</div><div>CKD Field Engineering Corporation, which specializes in the maintenance of automatic machinery, supports safe and secure operations.</div></div>
						<div><div>3D solder paste inspection machines</div><div>Our proprietary 3D inspection technology and industry-leading high-speed inspections accurately measure the volume and height of solder paste, contributing to the reduction of the defect rate of printed circuit boards, which are becoming smaller and more dense.</div><div>3D solder paste inspection machine VP9000</div></div>
Component Products Business	Net sales ¥116.8 billion Ratio of net sales 87%					<div><div>Lithium-ion battery winding machines</div><div>We ensure battery quality and safety by combining servo control technology cultivated over many years with our proprietary pneumatic components and cam technology.</div><div>Lithium-ion battery winding machine</div></div>
		Fluid control components	<div><div>75.9</div><div>61.8</div><div>20232024</div></div>	<div><div>Ratio of net sales</div><div>46%</div></div>		<div><div>Fluid control components (for general industry)</div><div>Based on the concepts of high quality and wide variation, we offer a broad range of products, from a variety of valves to environmental equipment such as control systems for dust collectors and water treatment systems.</div><div>Weir diaphragm valve Medical analysis-specific valve Direct acting 2, 3-port valve Solenoid valve for automatic watering</div></div>
						<div><div>Fine system components (for semiconductors)</div><div>We realize cutting-edge process control with variations that cover everything from supply systems to exhaust systems for semiconductor and FPD manufacturing equipment. Fine system components that can be used in a clean environment support the electronic device industry.</div><div>Chemical liquid valve Vacuum components Process gas control equipment</div></div>
		Pneumatic components	<div><div>68.0</div><div>55.0</div><div>20232024</div></div>	<div><div>Ratio of net sales</div><div>41%</div></div>		<div><div>Pneumatic components (FA: automation, labor-saving)</div><div>We develop automation systems that meet the needs of a wide range of industries and propose pneumatic technologies that take into account environmental and energy saving measures.</div><div>Plug-in-type block manifold Pneumatic cylinder Nitrogen gas extraction unit F.R.L. unit Assistance device</div></div>
						<div><div>Electric motion components</div><div>In response to the growing demand for electric motion components, we are working to meet increasingly diverse needs with the optimal mix of conventional pneumatic and electric motion components.</div><div>(CKD NIKKI DENSO CO., LTD.) Direct drive motors Electric actuator</div></div>

Strategy by Business

Automatic Machinery Business

Contributing to a prosperous society and the future with automated solutions that respond to market needs such as for environmental and labor saving measures.

In response to the growing need for automation and productivity improvements due to labor shortages, as well as the high level of societal interest in reducing the environmental burden, we will translate customers' opinions into concrete form through automation technology, and contribute to a prosperous society and the future.

In both our mainstay packaging machines and industrial machinery, we are accelerating technological development to provide high-quality, highly productive automatic machinery and equipment, as well as high-quality services to solve our customers' problems. We will further promote this movement, keep taking on the challenge of transformation ourselves, and continue to meet the expectations of our customers.

Yoshiaki Kitahora

Executive Officer,
Deputy General Manager,
Automatic Machinery
Business Division



Business vision

We welcome change and endeavor to evolve automation technology along a multitude of avenues as an organization that continually offers automatic machinery that satisfies customers around the world. We have made this our 10-Year VISION through which we will differentiate ourselves from competitors. We will establish our competitive advantage by sincerely listening to our customers' opinions, bringing latent requests to light, and incorporating them into all automatic machinery, and continue to provide safe, reliable, and high-quality products.

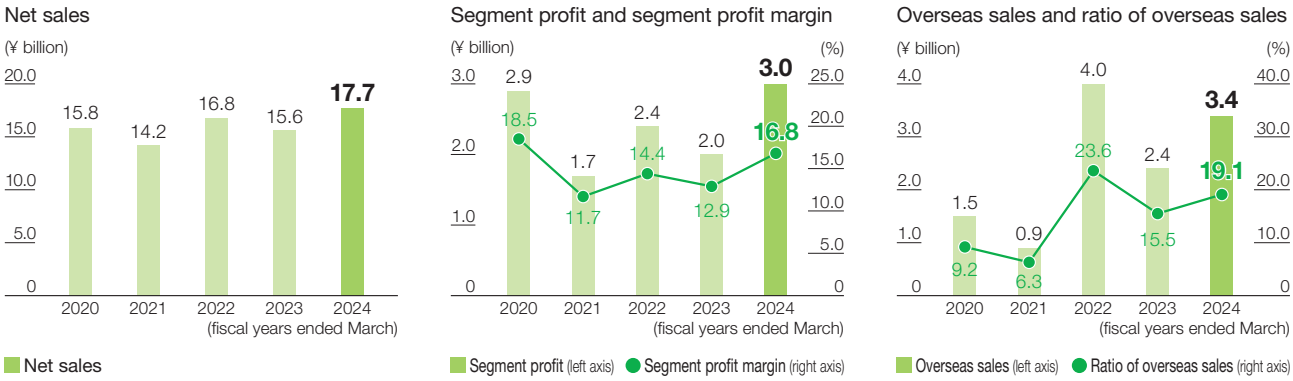
In the packaging machines field, we will work on (1) technological innovation for environmentally friendly packaging

materials, and (2) improving services that will lead to improved productivity by linking remote handling and image processing technologies.

In the industrial machinery field, we are promoting (1) technological development of lithium-ion battery winding machines that contribute to carbon neutrality and boosting our production capacity by strengthening our supply chain, (2) global expansion of 3D solder paste inspection machines, and (3) expanded sales of image processing equipment that realizes labor-saving and automation.

Target/KPI		
FY2023 goals	FY2023 results	FY2024 goals
Net sales ¥17.0 billion	Net sales ¥17.7 billion	Net sales ¥19.0 billion

Value provided through business	
Automatic packaging systems	Contributes to society by providing packaging systems to ensure a stable supply of pharmaceuticals over the long term and through the use of environmentally friendly packaging technology that reduces packaging scrap and extends the shelf life of food products
Inline medical product inspection systems	Contributes to providing safe and secure products, automating the inspection process and saving labor, and ensuring the quality of tablets and PTP sheets
3D solder paste inspection machines	Contributes to quality assurance and productivity improvement in the printed circuit board mounting process
Lithium-ion battery winding machines	Contributes to the promotion of HEV and BEV and to carbon neutrality



Report on fiscal 2023

In industrial machinery for fiscal 2023, net sales of lithium-ion battery manufacturing systems and 3D solder paste inspection machines increased. As a result of our activities to improve earnings, the Automatic Machinery Business as a whole posted year-on-year increases in both sales and profits. Orders received increased from the previous fiscal year due to growth in the industrial machinery field.



In the packaging machines field, we were able to increase net sales by swiftly responding to the vigorous investment by pharmaceutical companies aimed at ensuring a stable supply of pharmaceuticals, which is a social issue. In addition, the strengthening of our service structure to meet demands for stable facility operation and improved productivity also contributed to sales.

In the industrial machinery field, the sales volume of 3D solder paste inspection machines was steady, owing to the streamlining of production systems and the strengthening of collaboration with distributors. In lithium-ion battery winding machines, net sales increased due to growing demand in line with the electrification of automobiles.

We will grow our business into one in which every product and service is valued by our customers for its safety, quality, and productivity.

Future outlook and issues

In the packaging machines field, changes in the business environment caused by slowing growth in the domestic pharmaceutical market have increased the needs for environmental measures and productivity improvements. In order to respond to these needs, we will promote initiatives aimed at developing low environmental impact products and propose environment-friendly packaging technologies such as the reduction of plastic waste and increasing the use of mono-material packaging. In food packaging, we will work to realize a circular economy through measures such as reducing food loss. In addition, we will enhance our service structure to enable customers to make the most of their facilities by proposing solutions for automation, labor-saving, and remote support.

In the industrial machinery field, investment associated with electrification is accelerating in the global mobility market. We will strengthen our production system for high-speed, high-precision lithium-ion battery winding machines to help our customers

improve their productivity and expand their production capacity, while also responding to other rapid changes.

In the inspection equipment field, we will systematically implement area-specific sales strategies for 3D solder paste inspection machines and build a sales and production system that can provide the optimal equipment for the market.



Strategy by Business

Component Products Business

Co-create with customers and propose solutions to social issues.

In addition to expanding our business into new markets such as next-generation semiconductor packages, carbon neutrality, and new energy, we are also aiming to automate, upgrade, and conserve energy in our production processes.

Further, we also aim to achieve net sales of ¥165.0 billion in fiscal 2025 by strengthening our foundations for overseas business expansion and expanding our sales network.

In addition to existing plants, we will also make full use of the new Hokuriku Plant, the Austin Plant (USA), the India Plant, and the Malaysia Plant, and respond to customer needs in a timely manner through global production.

Katsuhiro Niidera

Managing Executive Officer,
Corporate Officer
General Manager,
Component Products
Business Division



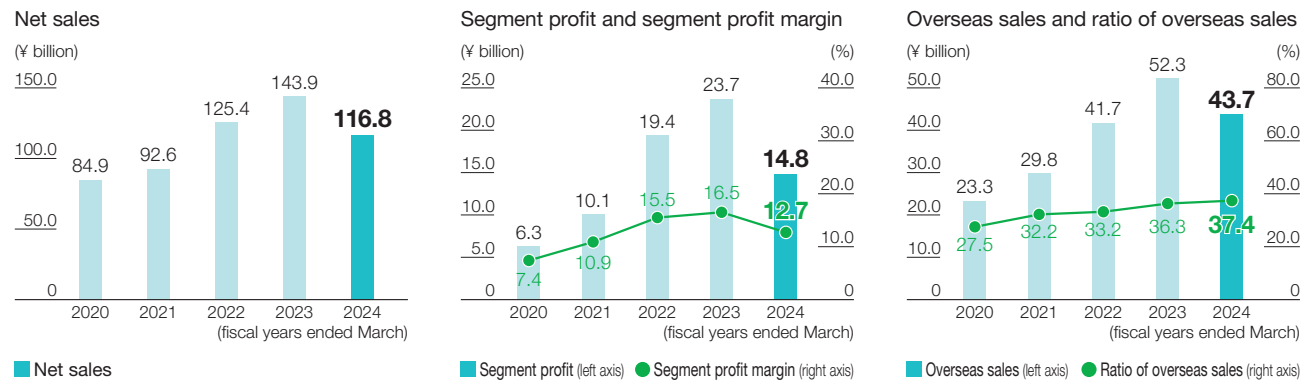
Business vision

With the aim of becoming a supplier that can contribute to the global market, we will put together a broad lineup of products that meet diversifying customer demands and problems, including high quality/high precision, small size/high speed/further miniaturization, and safety/environmental properties/digitization, etc., and continue to propose new value and creativity.

Continuing to consistently undertake the challenge of technological innovation, we will develop products, make proposals and provide services while also building a business structure that can meet the needs of customers around the world.

Target/KPI	FY2023 goals	FY2023 results	FY2024 goals
Expand sales of electric motion products business	Increase sales by 10% compared to the previous fiscal year	Sales decreased by 9% compared to the previous fiscal year	Increase sales by 10% or more compared to the previous fiscal year
Increase ratio of overseas sales	37% or more	37.4%	38% or more

Value provided through business	
Fluid control components	Based on the concept of high quality and wide variation, we use a variety of fluid control technologies to create added value by working closely with our customers in a wide range of industries such as semiconductors, mobility, pharmaceuticals, food, water treatment, and gas combustion. We are also advancing new technologies such as gas control with an eye toward new energy.
Fine system components	We offer a wide range of products that includes chemical liquid components for state-of-the-art semiconductor processes and components for high vacuum and special gases. We will support the further increase in demand for semiconductors in response to DX and automation in society, and contribute to the enrichment of people's lives.
Pneumatic components	For driving air cylinders, hands, and air operated valves, we have a wide lineup of control components that controls air flow, including air conditioning, pressure regulation, switching, and flow rate control. We are expanding our lineup of components with long service life that contributes to environmental protection, such as communication support and automation technology, and the reduction of CO ₂ emissions, and we propose pneumatic technology for use in energy-saving and environmentally-friendly applications.
Drive components and electric motion components	Our total solutions, including pneumatic, electric, and software based solutions, and a hybrid of all three, meet the diversifying needs for drive components, including in terms of carbon neutrality, durability in harsh operating environments, and μ-level precision. As part of our efforts to contribute to the creation of a comfortable workplace, we are also expanding our range of human assistance products for reducing human workload in all types of situations, including manufacturing.



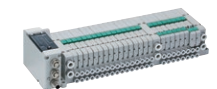
Report on fiscal 2023

Although we were able to meet the demand for automation and labor saving in the manufacturing industry, fiscal 2023 was a difficult year for both orders and sales due to prolonged restraint in semiconductor capital investment caused by global inventory adjustments and other factors. One area where there was movement was the mobility field. In fiscal 2023, global investment was primarily in EVs, with almost zero investment in gasoline-powered vehicles. Customers are also becoming more conscious in ensuring that their facilities are carbon neutral, and they are increasingly adopting CKD's contributing products, including the HP Series, Nitrogen Gas Extraction Unit, Pulsed Blow Valve, PowerArm, and ASU. Overseas, results were steady, supported by brisk demand for semiconductors in China and demand for capital investment for some advanced memory products.

In terms of capital investment for the future, we have been pushing ahead with the building of new production bases, including the Hokuriku Plant and the India Plant. In building our sales foundations, we have efficiently approached and made proposals to our customers by collecting and sharing information through MA, SFA, etc. We also renovated our showroom, through which we aim to deepen communication with visitors to the showroom by allowing them to experience

videos and demo machines, and to generate new innovation. In terms of new products, we launched the industry's first plug-in valve equipped with IO-Link Wireless and the image processing AI tool Facilea AI, which uses AI functions to expand the range of applications, and expanded our series of assistance devices that can contribute to improving work efficiency and preventing industrial accidents.

The Company also held a CKD Technology Exhibition to mark our 80th anniversary. We introduced many of our customers and partners to the various unique technologies we have developed to support automation and fluid control. We will continue to provide solutions that combine various CKD technologies to help find solutions to customers' problems.



Pilot operated 3, 5-port valve Plug-in-type block manifold [TVG Series]
<Received the 2024 Good Design Award>



Assistance Device Compact Arm [CAW Series]



Facilea AI

Future outlook and issues

In terms of semiconductor demand, signs of recovery are beginning to appear in the memory market, which had been in a prolonged slump. The driving force behind this is the rapid increase in demand for High Bandwidth Memory (HBM). HBM is an essential memory for generative AI systems such as Chat GPT, and demand for HBM is expected to grow even more rapidly in the future. The Company will also promote the development of leading-edge processes, increase the number of models that adopt the technology as standard in semiconductor equipment, and build a system that enables full operation at the Hokuriku Plant and the Malaysia Plant.

On the other hand, there is a strong societal demand for taking environmental measures, including the reduction of per- and polyfluoroalkyl substances (PFAS) and resin materials, and resin recycling throughout the industry. There is also a need to

respond to the market for hydrogen and other new energies as society moves toward the realization of carbon neutrality, as well as the need to visualize and conserve the energy used at factories.

In addition to making environmentally-conscious proposals, we will continue to explore and co-create automation technologies to cultivate a healthy global environment and a prosperous future.



Preventive maintenance unit



Hydrogen gas combustion-compatible equipment [H2 Series]

DX Strategy

DX Vision

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

Creating New Value

Hardware
Fluid Control
Automation

Software
Digital
Technology

Persons
Creative
Wisdom

We believe that the importance of digital technology as one of the “automation technologies” to be explored based on the Purpose will continue to grow in future, and we have set forth the DX Vision. By focusing on software development that utilizes digital technologies in general and by providing systems in combination with automatic machinery/components and other such hardware, which are areas of strength for CKD, we will work to realize automation technology solutions that solve the issues faced by customers and society. We aim to transform our business model from the traditional “selling products” of stand-alone hardware to “selling solutions” that solve the problems of customers and society, and to realize a recurring model in which solutions are provided as an ongoing service.

Target

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

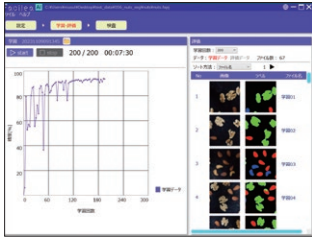
DX initiatives in business operations

Aiming to achieve operational excellence, we are leveraging digital technologies to improve productivity, QCDS, and customer experience (CX). In addition to the shift to company-wide paperless operations, we are promoting automating operations using RPA and workflow products, and introducing systems to streamline operations in line with the completion of new plants in Japan and overseas. As an ERP, the SAP program consolidates order, production, and purchasing data, and we have developed a system to utilize such data and are working on data-driven management, where everyone from

Progress in fiscal 2023

Development of Image Processing AI Tool Facilea AI

Since the launch of the image processing visual programming tool Facilea in 2020, it has become a favorite tool of many customers, being used for both automation and semi-automation in production facilities. In line with the acceleration toward automation due to the expected labor shortage in the future, we developed and began sales of the Facilea AI, a tool equipped with AI functions. Image processing AI, which requires advanced technology, can be set up and used with simple operations, allowing the detection of abnormalities that are normally difficult to detect using a rule-based system.



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

DX initiatives in business: Expanding software

We are building a solution business that helps improve the productivity of customers and solve social issues through the combination of software with hardware.

Device programming tool
ExiaStudio

This product makes it easy to build control and data collection systems by connecting multiple electrical products and other component products using a PC. Compared to conventional control systems, ExiaStudio allows users to significantly reduce the amount of wiring materials and electric motion components, making it possible to save space, reduce costs, and even build facilities that are more environmentally-friendly.

ExiaStudio

Production support system
Rinops

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

Rinops

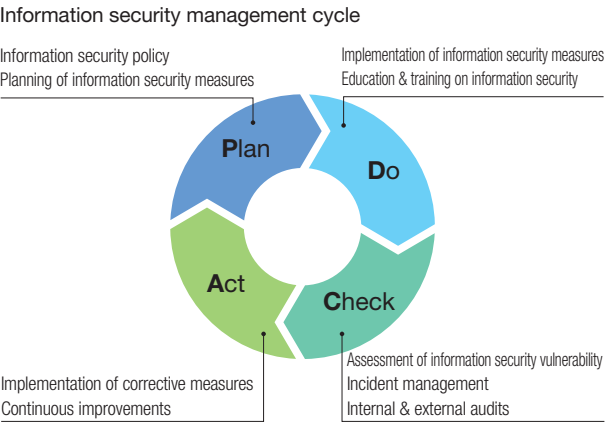
LTE
remote controllers

By combining our know-how on equipment control such as solenoid valves and sensors with new IoT/cloud technologies, we provide easy remote automatic control for the agricultural and aquaculture fields. Equipped with a scheduling function that can be operated with a smartphone, automatic operation with a sensor monitoring function, accumulation of work records, and an e-mail notification function in the event of an abnormality, the system contributes to solving labor shortages and work burdens.

Information security

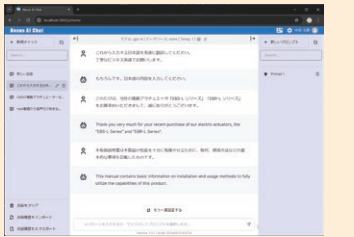
We have also worked to strengthen information security along with the promotion of DX. We clearly state the laws, regulations, and guidelines applicable to information security in relevant procedures, provide education and training to all employees, and conduct internal audits. In particular, we recognize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

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



Topics Utilization of generative AI

A Generative AI Study Task Force was established in fiscal 2023 to examine the business applications of generative AI. The task force consists of representatives selected from each business division and the Corporate staff divisions of the Company. These representatives identified use cases for the application of generative AI in various situations within the Company, calculated the effects of its introduction, created templates for its actual use, and examined in detail the possibility of applying generative AI with the aim of improving the efficiency of business processes and creating new value. Based on the results of these activities, we developed “Nexus AI Chat,” a generative AI tool for internal use. Going forward, we expect to strengthen our competitiveness and improve our business operations by deploying the tool throughout the Company.



Special Feature: Global Expansion

1 | Current Situation and Future Outlook

Accelerate globalization and expand overseas sales

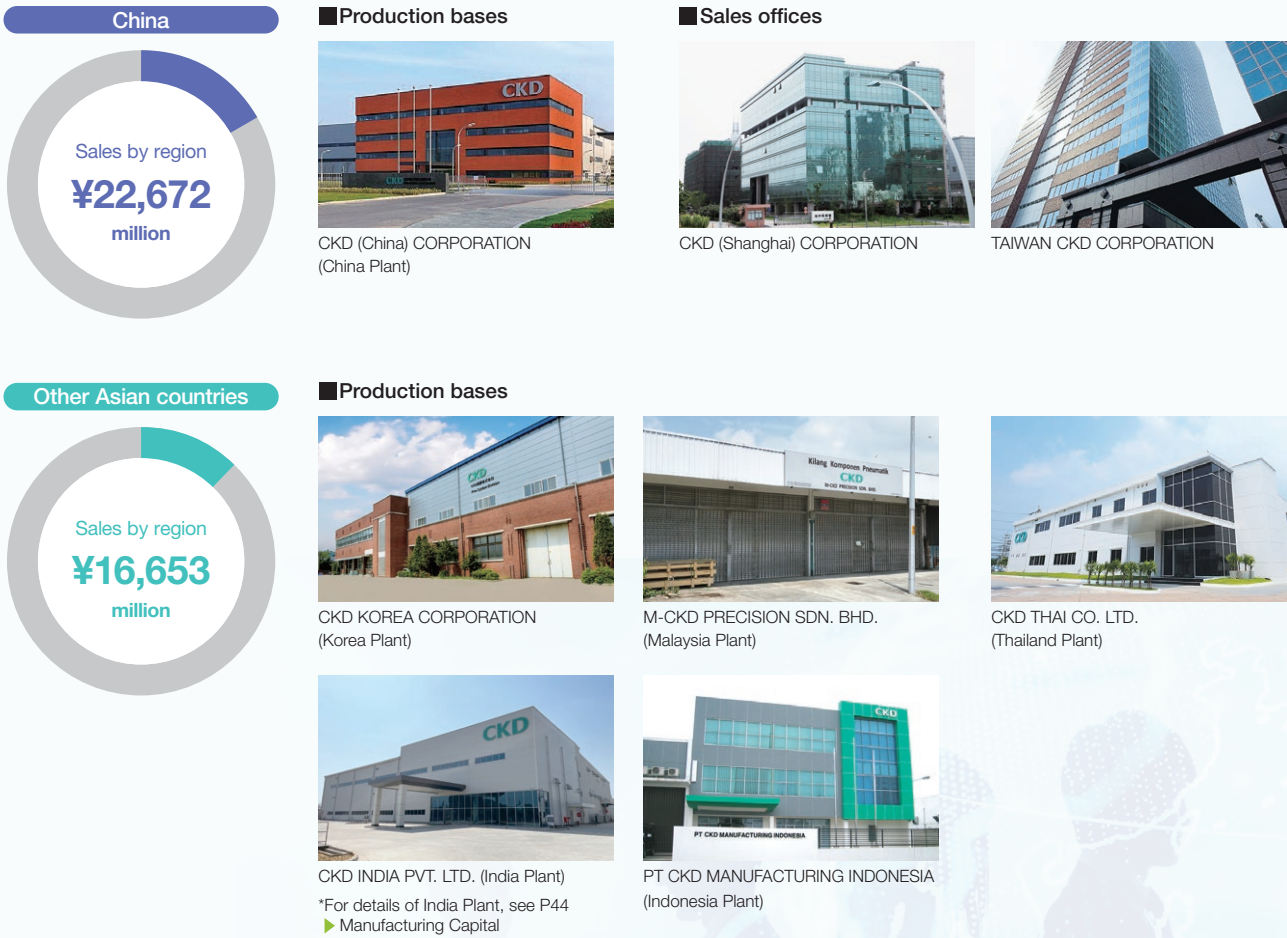
The Company aims to expand overseas sales by concentrating its management resources in growth regions and markets.

In the Automatic Machinery Business, demand is growing for lithium-ion battery manufacturing systems, mainly in North America, in tandem with the spread and expansion of electric vehicles, including hybrid vehicles. Demand for 3D solder paste inspection machines is also growing on the back of rising global production volumes of electronic components, devices, and other IT-related products. The Company will work to further improve productivity in anticipation of future market expansion.

In the Component Products Business, the Company will leverage its Tohoku Plant, which began operating in 2019, and its Hokuriku Plant, which will begin operating in fiscal 2024, to further boost its global rollout of high-performance products. In the United States, the Company will enhance the functions of the Technical Center to promote product planning and development closely attuned to its customers, and support local needs through its production base at the Austin Plant. In the European market, the Company has established an inventory center in the Netherlands and set up a sales company in Italy. Using these new foundations, the Company will proactively work to further develop the market. In this manner, the Company will develop products and business strategies tailored to each region and country of the overseas markets and enhance its local support capabilities by promoting locally based activities while incorporating each country's culture and human resources.

2 | Sales by region and bases

To ensure quick delivery of best products and services, the Company has built a global network spanning Europe, North America, Latin America, and Asia to conduct product development and provide services that focus on our customers around the world.



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.

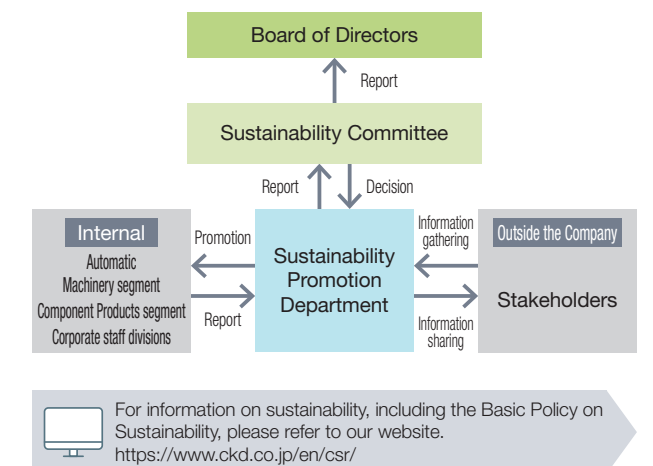
- 1 The Company helps protect the global environment and solve social issues through business activities, pursuing the quality of products and services and focusing on technological innovation.**
- 2 The Company achieves fair and highly transparent management, emphasizing dialogue and partnership with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

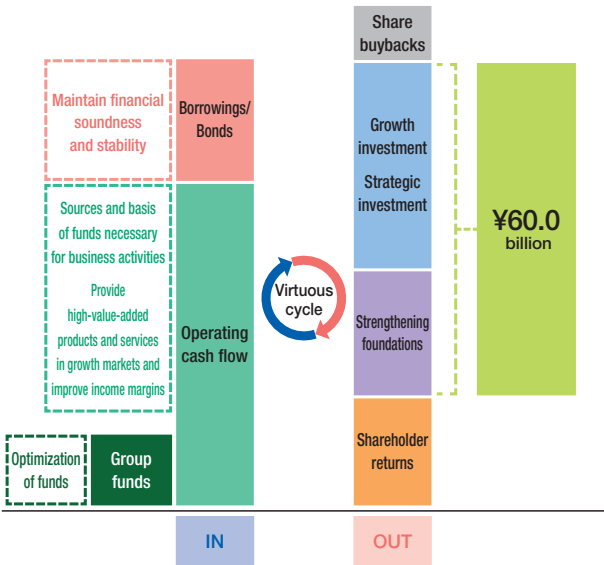
- Loan date : March 31, 2023
- Amount : ¥5.0 billion
- KPI : CO₂ emissions per unit of sales
- Contract period : 4 years
- Usage of funds : Equipment funds
- SPT : Reduce CO₂ emissions per unit of sales by 38% in fiscal 2025 (compared to fiscal 2013)

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.

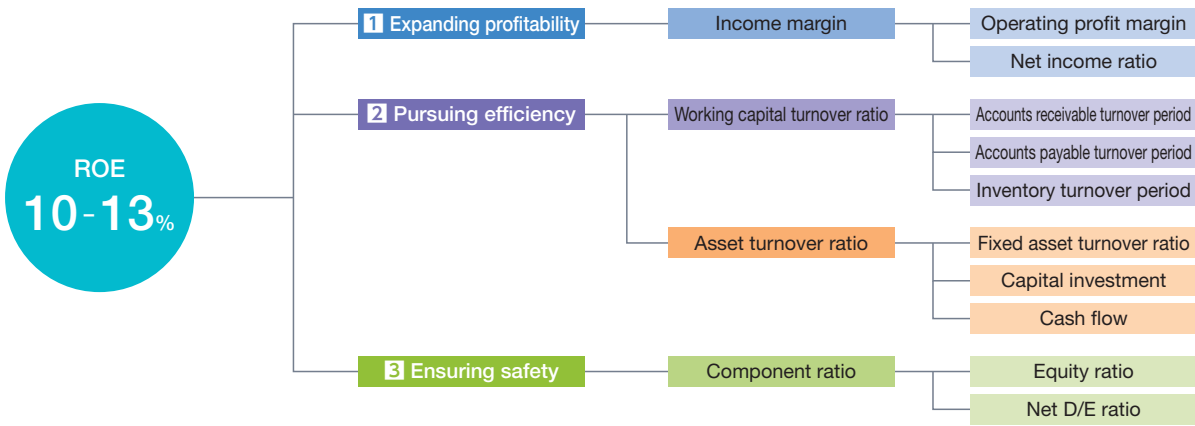
Specifically, while maintaining financial soundness over the medium to long term, we will use cash inflows from our operating cash flow and interest-bearing debt to invest in growth markets and high-value-added areas with an awareness of the cost of capital, invest in human resources and DX to strengthen 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.



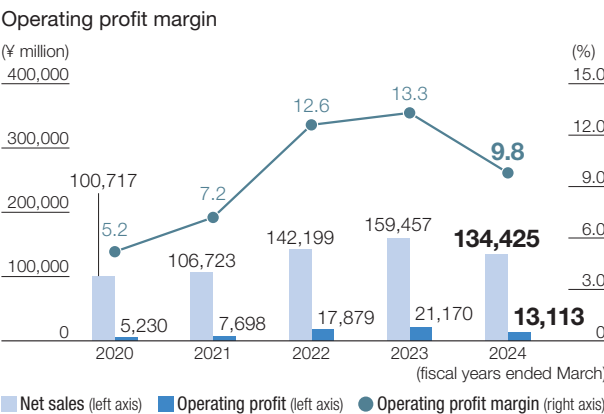
Expanding profitability

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.

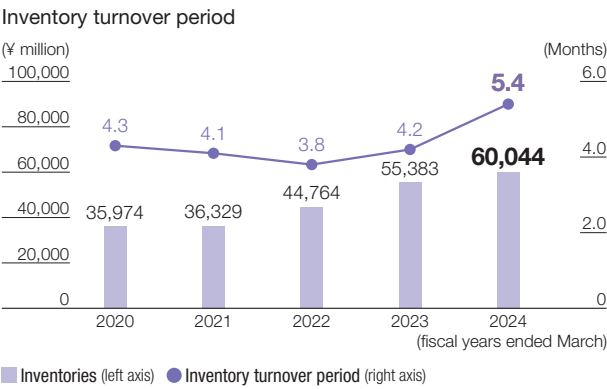


Pursuing efficiency

Inventory turnover period

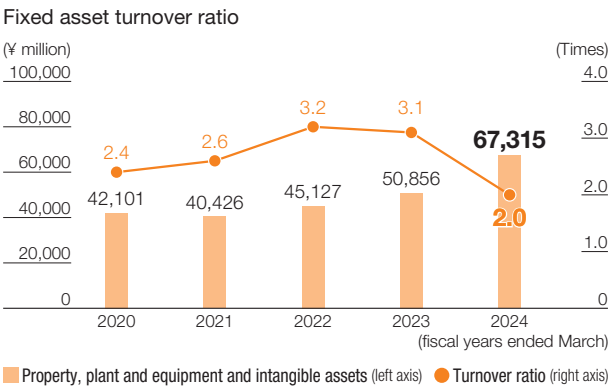
To respond quickly to customer needs, we systematically manage necessary inventories using our ERP software system. At the same time, we respond flexibly according to the volume of orders.

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



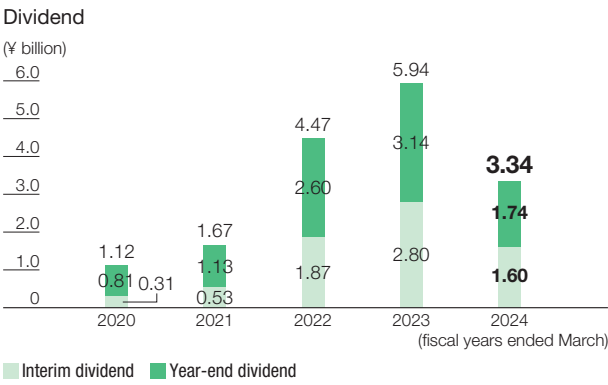
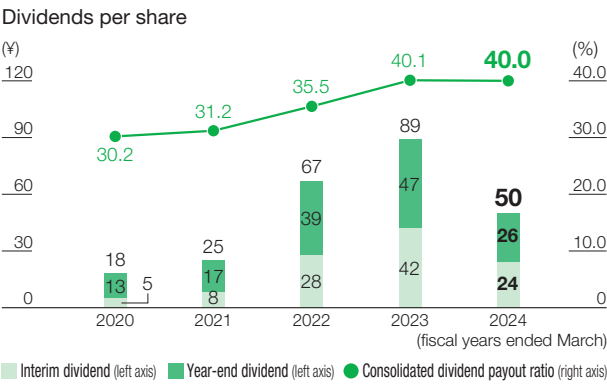
Fixed asset turnover ratio

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.

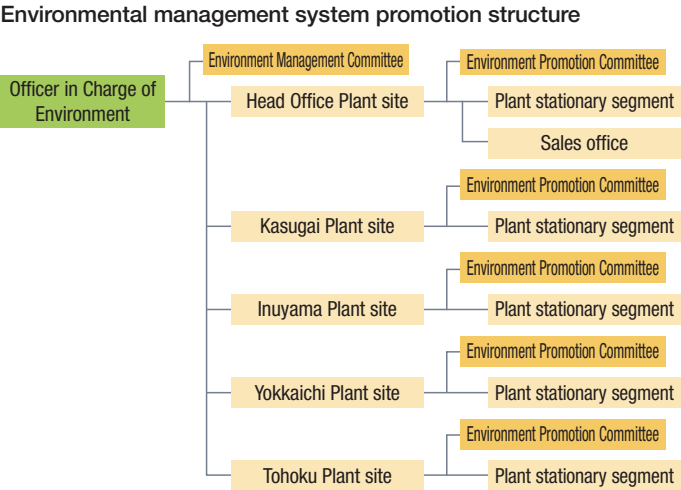
We revised the Policy in April 2022, adding a new commitment to achieving carbon neutrality. We are developing and expanding sales of low environmental impact products, focusing not only on the conservation of energy and resources, but also on the environmental impact of products throughout their life 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

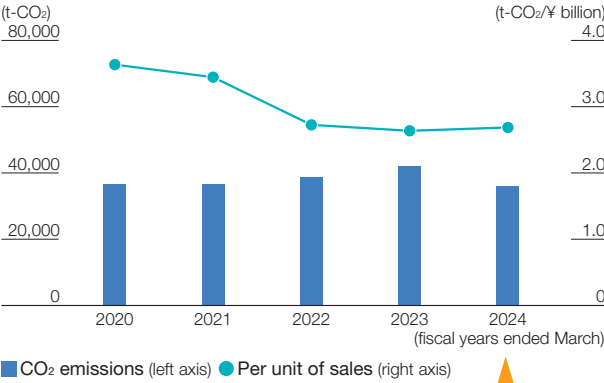
Classification	CO ₂ emissions t-CO ₂	Ratio of total emissions
Scope 1	5,494	0.4%
Scope 2	36,402	2.8%
Scope 3	1,256,033	96.8%
Ct 1 Purchased Goods and Services	297,531	22.9%
Ct 2 Capital Goods	62,000	4.8%
Ct 3 Fuel- and Energy-Related Activities Not Included in Scope 1 or Scope 2	5,016	0.4%
Ct 4 Upstream 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)

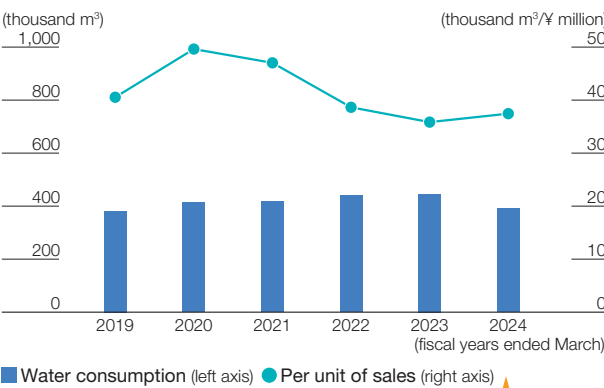
In order to reduce Scope 2 emissions, we are promoting the introduction of solar power generation and green electricity.

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

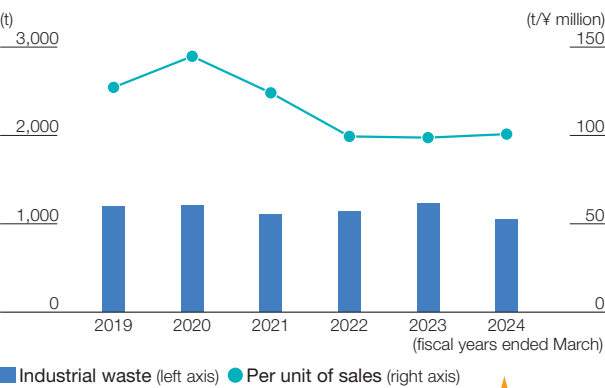
Number of low environmental impact products in FY2023	9 (Development of products with 50% reduced impact compared to FY2013)
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CKD believes that developing more eco-friendly products requires us to consciously incorporate targets for environmental burden 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 • Increased BCP costs	High	Low
			Opportunities	• Increased demand for factory automation equipment backed by capital investments in the relocation and reorganization of production sites and the promotion of manufacturing that does not depend on human resources • Expansion of maintenance business related to reconstruction from disasters		

Risks and opportunities related to climate change and our responses

Impacts of the transition to a decarbonized society	Reducing risks	• Set CO ₂ reduction targets for the entire supply chain • Install solar power generation systems • Reduce Scope 2 emissions utilizing green electricity • Carbon Offsetting through the J-Credit Scheme
	Capturing opportunities	• 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	• 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)	(Notes 1, 2, 3)	t-CO ₂	38,787
CO ₂ emissions (after offset)	(Note 4)	t-CO ₂	36,165
CO ₂ emissions (per unit of sales)	(Note 4)	t-CO ₂ /¥ billion	2.69
CO ₂ emissions reduction rate (total amount, compared to fiscal 2022)	(Note 4)	%	12.9
CO ₂ emissions reduction rate (per unit of sales, compared to fiscal 2013)	(Note 4)	%	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/>

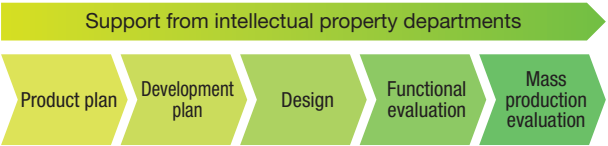
Intellectual Capital

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

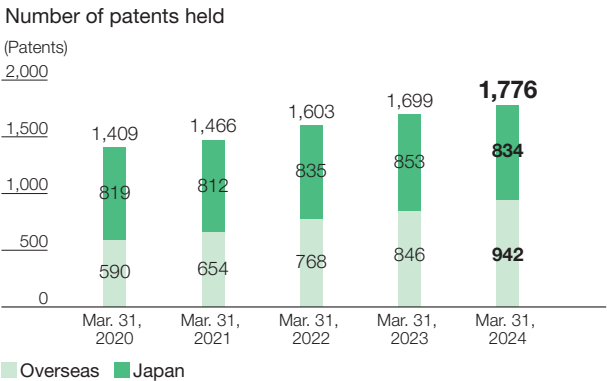
We have established a patent reward system with the aim of increasing employees' aspiration to invent and promote the creation of better inventions. The Patent Achievement Evaluation Committee selects outstanding inventions and awards employees.

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

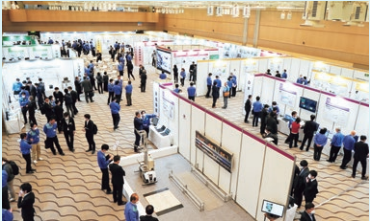
Recognizing the intellectual capital created through research and development activities as an important asset of the Company, we are actively acquiring intellectual property rights such as patents in Japan and overseas. As of the end of March 2024, we hold 1,776 patents in Japan and overseas.



Topics

Holding of technology exhibition

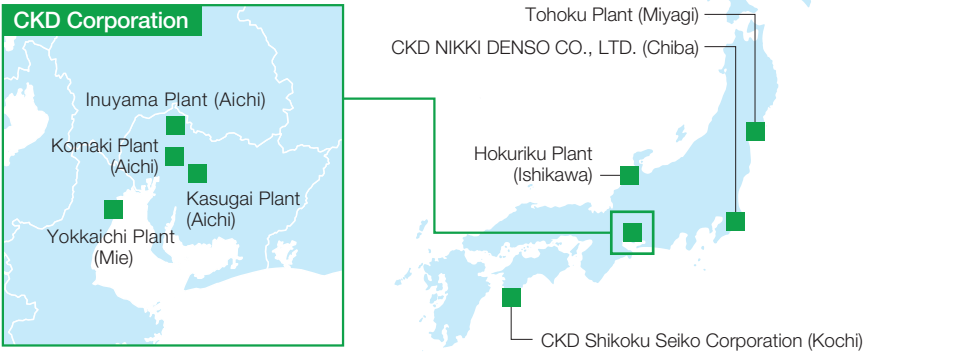
To celebrate the 80th anniversary of CKD, we held the technology exhibition “IRODORI” in February 2024. This was the first exhibition that our employees created together to demonstrate to the public the “various” and “unique” technologies that the Company has developed to support fluid control and automation. 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.



Message from the Chairperson of the Board of Directors

**Aiming to be a company
trusted by all stakeholders,
we will work to further
strengthen our governance
system**

Kazunori Kajimoto
Chairperson of the Board of Directors

We asked Chairperson Kajimoto about the characteristics of the CKD's corporate governance and his intention to further strengthen it.

**Free and open exchange of opinions without
regard for internal or external boundaries
Fair decision-making and transparent disclosures**

As resolved at the 2024 General Meeting of Shareholders, I have passed the CEO baton to President Okuoka and now serve on the Board of Directors as a chairperson without representation rights. CEO bears the responsibility for raising corporate value, and I have always felt that the process of handing over the position should ensure smooth, seamless transition of management without any stagnation in business operations.

To use a metaphor, I believe that the transition should be like runners passing the baton at top speed in a 400-meter relay, never slowing down. Since the establishment of the CEO-COO system in 2021, COO Okuoka and I have steered the management while picking up pace. Although it has only been a short time since the start of the new system, I am confident we passed the baton at the best possible time.

Forging ahead, the Company will move forward toward its next growth stage under President Okuoka's leadership. I will further focus on strengthening governance as Chairperson of the Board of Directors to support the reforms that will be implemented by the new top management.

The basis of our corporate governance is thinking in accordance with CKD's Values. We believe in the importance

of creating appropriate mechanisms and ensuring they function for the purpose of creating good relationships with stakeholders, maintaining sustained growth, and working to raise corporate value.

I became a member of the Board of Directors in 2004. After being appointed president I served as chairperson for 16 years, during which I worked to build a governance system and strengthen it.

The Corporate Governance Code, a set of basic principles, was established in 2015. Two years later, in 2017, we increased the number of Independent Directors by three and began evaluating the effectiveness of the Board of Directors through a questionnaire administrated by a third-party organization. In 2018, we established the Nomination & Remuneration Advisory Committee to discuss matters related to decisions on appointment and dismissal of executives and executive remuneration. In 2020, we established the Compliance Committee and in 2021 launched the Sustainability Committee. We steadily implemented PDCA cycles, step by step, for the issues raised and worked to ensure the effectiveness of governance.

In 2022, we established a corporate officer system. The Board of Corporate Officers, made up of corporate officers, is empowered to make resolutions internally, while the Board of Directors is for the purpose of deepening discussions on more important themes. Instituting this

system has made the Board of Directors more effective and has enabled quick management decisions and flexible business execution.

One characteristic of the Company's governance system is the free and open exchange of opinions at board meetings. This is because as an independent company without an owner-manager or parent company, we have an open and accepting corporate culture. In addition, on themes where the Independent Directors offer their objective opinions, lively debate takes place, which leads to fair decision-making and transparent disclosure, which are strengths of the Company.

The existence of Independent Directors with varied backgrounds and knowledge is what underpins the increasing effectiveness of the board. Currently, of the Company's six directors, three are independent, accounting for 50%. The makeup of the board is diverse. Along with their various different areas of specialty, there is a female member and a foreign national.

We were not necessarily deliberately aware of numbers like a female ratio. Before the word "diversity" became popular, I personally thought about building a strong management foundation to ensure the sustained growth of the company. To do this, it is important to hire diverse people and have them demonstrate their individuality. We conducted such infinitives from early on, and, as a result, it has led to strengthening our governance system.

Lively debate also takes place on the Nomination & Remuneration Advisory Committee. It currently meets five or six times a year and Independent Directors constitute a majority. Moreover, to ensure even greater objectivity, the committee is chaired by an Independent Director. Regarding the structure of officer remuneration as well, we have made many changes in line with the times, such as incorporating non-financial indicators like environment, for raising corporate value over the medium- to long-term.

With the values of society and the business environment changing to a dizzying degree, the honest opinions, observations, and information of independent directors from an outside perspective is extremely important, and functioning with a good balance between oversight and execution is also an important point.

**Instilling the importance of governance into
each and every employee to be a company
needed by society**

In order to further evolve the Company's governance system and to fulfill my duties as board chairperson, going forward, we will engage in the following two issues.

This first is strengthening global governance system, centered on internal controls. Overseas Group companies operate under different laws and regulations and different customs and ways of thinking, depending on the country. It is essential that they operate their businesses based on local conditions while also receiving oversight from Japan.

In particular, small-scale local affiliates do not have sufficient governance personnel and systems, so support from Japan is essential.

Currently, the governance mechanisms we do have include dispatching executives from the head office, risk management via management divisions and checking and follow-up for information security, etc., but with overseas business accelerating, we believe it is important to have local companies deepen their understanding of governance starting with the fundamentals.

To this end, we hold online meetings and meet face-to-face because we need to accurately convey our basic policies and thinking on corporate governance. I myself take trips and when executive-class personnel visit local sites, meetings are held on governance to keep in close communication.

The second issue is instilling the importance of governance internally. Having formed various committees, I think the governance awareness of upper management and executive-class personnel is now high. Going forward, to strengthen corporate governance in the true sense, the understanding of each and every employee working at the Company is essential.

The key to instilling this awareness within the Company is face-to-face communication. It is important to convey the message in ways that encourage all executives and employees to take ownership of governance. We are devising measures to carefully communicate the importance of governance in the form of town hall meetings at each location, breaking down issues related to risk management, information security leaks, and such into examples that are relevant to daily work. Through these steady measures, I think we will be able to grow into a company that embodies its stated Purpose.

Along with reinforcing the governance system, we are currently focused on promoting active communication with Independent Directors and training new executives. To further deepen their understanding of the Company's businesses, we are continuing measures such as taking visits to domestic or overseas plants, explaining plant functions, touring the plants, and holding board meetings at local sites.

Moreover, we plan to hold one-on-one meetings with each Independent Director to enhance communication and increase opportunities to hear their frank opinions. With various perspectives required of corporate management to align with changes in the times, including investment in human capital and sustainability considerations, for CKD to develop business globally and grow into a company that is trusted by diverse stakeholders, strengthening the governance system to conduct fair and transparent business management is essential. To this end, it is crucial that we foster a corporate culture that listens sincerely to critical and opposing opinions that sometimes come from outside and incorporates them into management decisions.

As Chairperson of the Board of Directors, I will continue to further enhance the board's deliberations, bolster the oversight function with respect to directors fulfilling their duties, and work to raise corporate value.

Roundtable Discussion with the Independent Directors

We will promote human resources who will excel globally, advance branding, and make



Hiroko Shimada
Independent Director

Stefan Sacré
Independent Director

Koichi Hayashi
Independent Director

CKD has expanded its business globally on the strength of its abundant technological capabilities and diverse product lineup to help resolve social issues in two areas, automatic machinery and component products. CKD's CEO changed in June 2024, and going forward as it enters a new phase of growth, what are CKD's strengths and how can they be enhanced? What are the challenges involved? We spoke with the three Independent Directors about these issues.

Expectations for reform for new growth and a new message from the change in CEO

— As of June 21, 2024, Chairperson Kajimoto became Chairperson of the Board with no representation rights and President Okuoka assumed the post of CEO. What are your hopes and recommendations for this new order?

Hayashi: After becoming President, Chairperson Kajimoto had led the Company's management for 16 years as CEO. He truly played a key role in building a foundation for CKD's growth. The 10-Year VISION, the Company's long-term management vision, will end next fiscal year, and under the Fifth Medium-Term Management Plan facilities have been established overseas. The Company will enter a new growth stage and the organization is at a stage where change is needed. I think it is a good time to pass the baton to the next generation.

President Okuoka is the first person who came out of the production division to lead the Company. At a company whose

strength is in technology, having a new CEO who has practical experience in manufacturing can also be expected to lead to new change and development.

Sacré: I see this change in CEO as a very important step for the Company. As Mr. Hayashi said, Chairperson Kajimoto managed the Company for a very long time and he became the face of CKD both, internally and externally.

President Okuoka is from a completely different generation and has a very different background as well as character. I will be important that he announces the future direction for CKD as well as his priorities as soon as possible. Employees and external stakeholders look forward to listen to his message as top management.

Shimada: Chairperson Kajimoto indicated that he would pass the baton at top speed as in a 400-meter relay when the CEO changed. I was impressed that the two men were planning to pick up speed, as if they were running through the finish line.

I was appointed an Independent Director in fiscal 2023 so I have only worked with President Okuoka for one year. He has a serious,

recommendations from multifaceted viewpoints to create value for the medium to long term.

straightforward personality but also a sense of humor. I have high expectations for what he will present as the new image of CKD.

Opinions are exchanged freely on the Board of Directors regardless of the area of expertise, making it highly effective

— Please give us your opinion on the effectiveness of the Board of Directors in fiscal 2023, an evaluation of its governance, and the system for promoting the board.

Hayashi: Including my time as an Audit & Supervisory Board Member, I have participated on the Board of Directors for a long time, but as business and performance have expanded, I have seen significant progress in the board's effectiveness.

The atmosphere of free and open discussion that greatly characterizes the board remains unchanged. Fairness and transparency are at extremely high levels. It is also good that for important matters, opportunities for discussions are provided prior to board meetings. It is my impression that there continues to be a growing expectation that Independent Directors vigorously voice their opinions.

Sacré: Ms. Shimada joined the board last fiscal year, and this has further improved diversity. All members get to engage on all topics and actively make recommendations regardless of their area of expertise, which is a unique feature of CKD and stimulates discussion.

Shimada: During this past year of participation in discussions, I worked to provide recommendations on the Company's social contributions and provision of social value and on training and recruiting human resources, drawing on my many years of experience in the public sector, including at government agencies, and my career in executing policies related to human resources and developing laws and regulations.

At the same time, my contact with private-sector companies was limited, so as Mr. Sacré has said, there is an open atmosphere that encourages you to actively state your opinion even if it is outside your field of expertise. There is an extremely good balance in the skills matrix of board members as well. My impression is that the Board of Directors is highly effective.

I have also visited several plants and have talked with people directly involved in manufacturing, which I refer to when making recommendations.

Technological capabilities for helping solve social issues and a competitive advantage from an extensive product lineup

— What are your opinions on CKD's strengths and issues (business, management, financial foundation, human

capital, etc.) based on its results for the fiscal year ended March 31, 2024. Also, what are your thoughts on areas that have been strengthened and improved in recent years?

Sacré: With our technological capabilities in target industries, semiconductors and rechargeable batteries, high growth is anticipated over the medium to long term. This is a competitive advantage that will not change and is a tailwind for the Company.

The business environment in fiscal 2023 continued to be highly uncertain as the semiconductor market stagnated and supply chains were disrupted. Amid such circumstances, another of CKD's strengths is its ability to make bold investments into expansion of production in Japan and overseas. Growth trends, for semiconductors in particular, will not change over the long term, and I think the Company has a major advantage in having been able to build a production foundation that will lead to future growth.

Hayashi: New discoveries were made which have potential outside of core industries like semiconductors at a technology exhibition the Company participated in in February 2024. The exhibition presented various technologies not normally made public, and the Company came away feeling that there are still possibilities for new business from a long-term perspective. The engineers actually in charge did their best to explain and I realized once again that the Company has many serious employees who really like manufacturing, which is a strong point.

Shimada: These days an issue common to Japanese companies is an increasingly acute sense for the growing severity of Japan's shrinking population. I hear daily stories of not being able to meet orders due to a lack of labor.

From this perspective, the assistance devices I saw in CKD'S showroom, which help people work, seemed promising for the future. The Company also has an extensive lineup of products that help solve social issues, and the fact that they are competitive is a competitive advantage other companies can't match. Another significant point is the fact that the Company has built trust with its customers by valuing them each day and responding to their needs, which has served as the basis for creating a variety of products that address social issues.

Vital to create human resource and promotion systems that balance the Head Office and overseas bases

Sacré: On the other hand, recruiting and promoting human resources is a long-term challenge and not an issue that can be solved in a day. The Company recognizes that it will be necessary to continue to engage in this challenge. In particular,

Roundtable Discussion with the Independent Directors

as our bases expand globally and our overseas business becomes full-fledged, focus will be placed on initiatives for the globalization of human resources taking on responsibilities and a global human resource system.

Up to now, members of the Head Office have been sent to serve as top management at overseas bases because of their expertise. However, the Company has entered a phase in which it must think about the relationship between the Head Office and overseas bases, their roles, and the promotion and balance of human resources.

If the Company is aiming to be a truly global company, I think it needs to consider the necessity of implementing a Future Human Resources Project on a global scale.

Hayashi: The Company is probably ready to consider its next strategy after this first phase of globalization in which human resources are sent from the Head Office and promoted to top or executive management at overseas bases.

If the Company is to enter the stage of directly competing against its overseas rivals, it needs to promote members well versed in local rules and negotiations. It will likely be necessary as well to accelerate the exchange of personnel.



“ I would like the Company to accelerate the promotion of women, foreign, and senior employees as members that create value together. ”

Shimada: I brought this up previously at a board meeting, but regarding the project for training future human resources internally, I feel it is an issue that the recruitment and promotion of women and foreign human resources is still stalled at the phase of “personnel that should be considered.” As noted by Mr. Sacré, in addition to overseas personnel, women and senior employees as well should be recruited and promoted equally. For the Company to move from the phase of “considering” to “creating value together” it still has some hurdles to overcome as an organization.

There used to be the view that promoting seniors would impede the promotion of young employees, but this will change going forward. The Company needs to solidify its human capital while having everyone compete regardless of age and work for rejuvenation. Also, going forward, the

Company will have to create indices related to human capital and disclose them publicly. Setting forth target values will not be enough. It will be essential to explain the thinking behind them as well to the satisfaction of employees.

Sacré: Another long-term issue is actively communicating to familiarize people with the CKD brand. Last fiscal year, the Company updated its Purpose, Values and Brand Slogan as its new principles. This may seem like I’m taking a harsh view of the decision-making process, but let me raise the issue.

The Company can be commended for the project being driven by employees and for surveying the Group as a whole, including overseas bases, before the new principles were formulated, and the fact that engagement was increased in doing so. However, I was left with the impression that the process was somewhat inwardly focused and did not involve external stakeholder. Especially, if the Company is advocating “co-creation,” it would have been a perfect opportunity to incorporate an outside perspective into the process and gather valuable feedback.

Hayashi: The Company is a B2B business, its products and components addressing needs at many production and manufacturing bases are put to use globally, and going forward, semiconductor and rechargeable battery markets, where growth is promised, are expected to expand. On this point, even if the Company does not actively engage in external branding, it may not be problematic to take the stance of “known to those in the know.”

But the problem with that is recruitment, which President Okuoka also cites as a top management issue. The Company is currently evolving into one that is thoroughly loved by its existing employees, and this is one way to strengthen referral recruiting in which employees make introductions. At any rate, familiarizing people with CKD and attracting future employees will be an issue going forward as well.



“ Technology treasures still lie dormant. I hope to see innovation created by combining diverse technologies. ”

Sacré: Along with recruiting, branding and marketing are important issues for newly expanding markets overseas. The

Company’s name recognition must be increased if it is to compete with foreign companies. From this standpoint as well, it is important that the Company recruits local talents and builds a strong global network.

Shimada: A new showroom was established at the Head Office/Komaki Plant last fiscal year. I think it is effective as a place not only for interaction and co-creation with customers but also for raising recognition for recruitment. The Company should invite local children, junior high, high school and technical college students so that they can learn about CKD’s appeal. There is no reason not to use it extensively for PR for future generations.

Hayashi: The new showroom has a cheerful atmosphere, including its design. I think it is an extremely good attempt to have people understand CKD. The next question is how to utilize it. It should be used as a place not only for showing to outside customers but as a place for people inside the Company to gather. When people chat in a place like the showroom, the conversation often turns to talk of how to pair different technologies. It would be good for the Company if more conversation like that took place.



“ Human Resources – Key to Global Expansion and Long-Term Success ”

Sacré: If it is going to be place for open innovation, dedicated effort should be made organize frequent events with customers, business partners as well as employees. The place offers a unique opportunity to experience CKD.

Shimada: New breakthroughs from foreign researchers are said to come out of talking with people of diverse backgrounds over a cup of tea in an open space like the showroom. The Company should figure out good ways to use the space.

Conveying important topics and societal needs by making use of the objective viewpoints of Independent Directors

— To solve a variety of issues, what are the roles and responsibilities of Independent Directors and what are your future expectations?

Sacré: As I go about my day-to-day work, urgent problems and topics always arise, but urgent topics and important topics are not the same. As an Independent Director not involved in daily operations, I think my role of reminding the Company of important topics has strategic importance.

A new leadership team has started, preparations are being made with a focus on the recovery in the semiconductor market, and I am very much looking forward to the future from a long-term perspective. However, when becoming busy with everyday work, important topics tend to be forgotten (laughs), so I will contribute to further raising CKD’s corporate value by playing the “reminder role.”

Shimada: One role of an Independent Director is that of an “interpreter.” With the world changing greatly, changes in the environment surrounding the Company and changes in values surprisingly tend to go unrecognized when shut up inside the Company.

So as an “interpreter,” I will communicate why new ways of thinking emerging in society are important and why certain things are being said in society. Conversely, even though CKD’s initiatives and appeal need to be communicated more to the outside, there is a chance that they are being talked about in a kind of “different language” and are not being understood.

I intend to play the role of improving the mutual understanding of society and CKD, make recommendations on revising internal company practices that have continued without a distinct reason, and at the same time, convey things that must not be overlooked. These are the areas I intend to focus on.

I think sincerity is a very valuable asset and a strong point of CKD. Based on this, we need to look up once in while from the work in front of us and think about what kind of people in society are benefiting from what we are doing. By using our imagination and adding some playfulness, I’m sure we can make the Company even more attractive.

Hayashi: When I make recommendations, I’m careful about whether the points being debated are comprehensive. I focus on providing a comprehensive, timeline-based perspective for points that tend to be overlooked even though they shouldn’t be.

As Ms. Shimada has said, having a corporate culture that faces problems sincerely and honestly is important. If everyone can “play,” meaning not only responding to customer requests but also asking oneself questions like “What would happen if we used DX?” and “What about using AI?” it will surely lead to more creative innovation.

Production bases have been established around the world and there are still technological treasures that are lying dormant. If the issues raised thus far can be solved, I firmly believe CKD is a company with high potential that can further promote its existential value to the world. For this reason as well, all board members will provide multifaceted opinions while strengthening supervision.

Corporate Governance

We strive to ensure and strengthen the feasibility of corporate governance from the perspectives of *ensuring transparent, healthy management*, and *appropriate cooperation with stakeholders* to realize a greater level of sustainable corporate value.

Approach

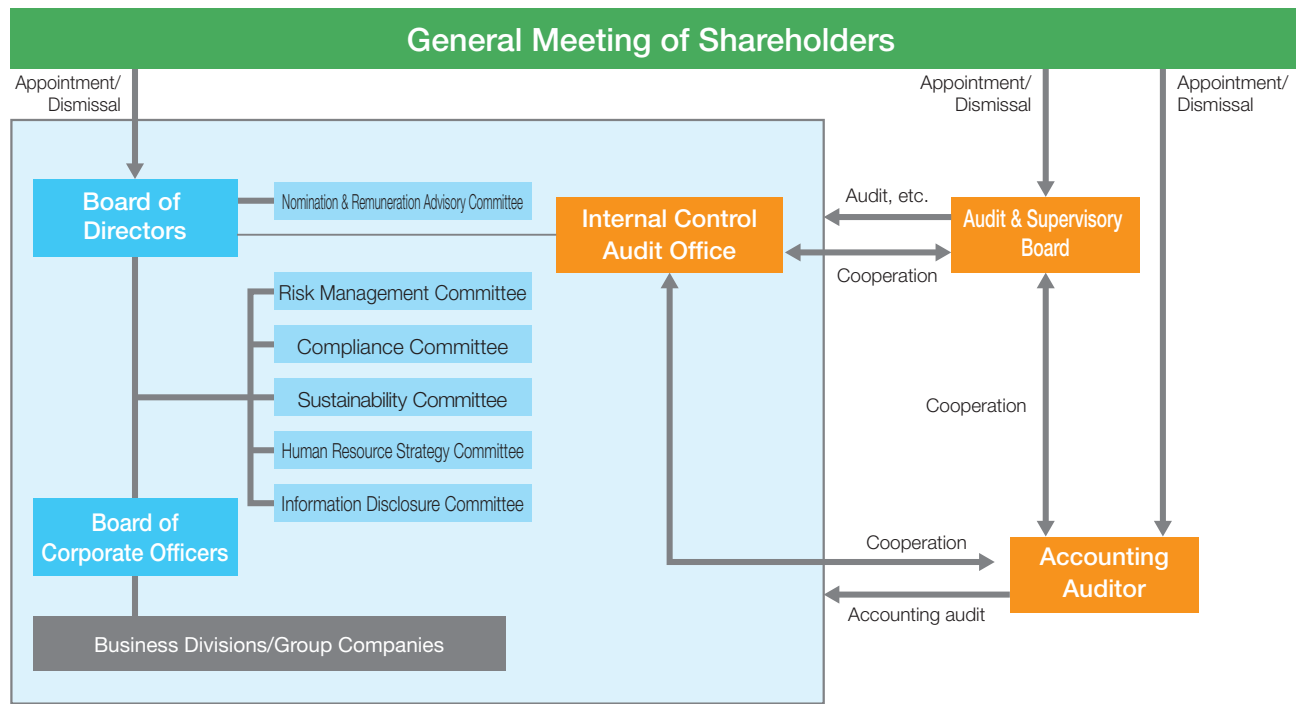
Corporate governance in the Company is based on our Values. To build good relationships with stakeholders with whom we have various interests and become a company that continues to be trusted, we believe it is essential to build a system that functions to enhance management transparency and fairness to enable prompt decision making that leads to sustainable growth and increased corporate value.

Promotion structure

The Board of Directors is positioned as an entity that determines basic policies and important matters concerning management as well as those required by laws and regulations. The Board of Corporate Officers promotes prompt management decisions and flexible business execution, and strives to achieve performance targets not only in the short term but also in the medium to long term, and further enhance

corporate value. In addition, the Company has adopted an Audit & Supervisory Board system through which the Audit & Supervisory Board, the Internal Control Audit Office, and the Accounting Auditor collaborate with each other through the exchange of information on a regular basis and whenever necessary, thereby reinforcing the auditing function.

Corporate governance structure



Boards and committees

Name	Details
Board of Directors	<p>Outline In the Regulations for the Board of Directors, it is stipulated that the matters stipulated by laws, regulations, and the Articles of Incorporation, and other matters related to important businesses shall be decided by resolution of the Board of Directors. The Board delegates decision-making authority for the execution of other businesses to the Board of Corporate Officers in accordance with internal regulations that clarify decision-making authority.</p> <p>Main activities</p> <ul style="list-style-type: none"> · The Board of Directors meetings provide a forum for more extensive discussions of important cases as matters to be discussed in addition to matters to be resolved and reported. · Conduct regular reports on the status of business execution from Executive Officers. · Exchange opinions between Independent Directors and External Audit & Supervisory Board Members.
Audit & Supervisory Board	<p>Outline Audits the execution of duties by Directors through bilateral communication with the Representative Director, by attending meetings of the Board of Directors and other important meetings, and by examining the status of operations and assets, in accordance with the audit policy and audit plan formulated by the Audit & Supervisory Board.</p> <p>Main activities</p> <ul style="list-style-type: none"> · Attend monthly meetings of the Board of Directors, Board of Corporate Officers, and subsidiary management briefings, review documents relating to decision making, etc., and audit the status of operations and assets. · Confirm the status of internal audits by the Internal Control Audit Office, the operating of the whistleblower system, and the activities, etc. of the various committees related to compliance. · Regularly hold discussions with the Accounting Auditor to confirm the audit policy and plan, report on audit results, and receive explanations regarding audit quality. · Exchange opinions with the Accounting Auditor concerning Key Audit Matters (KAM) and the effectiveness of internal controls regarding financial reporting, and consider issues related to audit activities, etc.
The Nomination & Remuneration Advisory Committee	<p>Outline The committee has been established to ensure objectivity and transparency in the decision-making process regarding the nomination of candidates for Directors and Audit & Supervisory Board Members and the remuneration system for Directors and further strengthen the corporate governance system.</p> <p>Main activities</p> <ul style="list-style-type: none"> · The committee is chaired by an Independent Director. A majority of the committee members are Independent Directors. Meetings are held about four times a year. · Appointment of candidates for Directors is determined in light of the appointment criteria. · The committee determines policies on remuneration for Directors and the amount of individual remuneration, deliberates on the establishment and revision of the remuneration system, and determines the specific details of the stock remuneration.
Board of Corporate Officers	<p>Outline The board promotes prompt management decision-making and flexible business execution to achieve company-wide management goals.</p> <p>Main activities In principle, the board meetings are held twice a month. Directors, Audit & Supervisory Board Members, and Corporate Officers attend the meetings to discuss matters to be reported and deliberated from each division, which lead to prompt management decision-making and flexible business execution.</p>
Risk Management Committee	<p>Outline As part of business management, the committee establishes basic matters necessary to identify and comprehensively manage risks surrounding the Company and conducts risk management.</p> <p>Main activities</p> <ul style="list-style-type: none"> · The committee meetings are held every three months in principle. However, they are held as needed at the chairperson's discretion for risks that need to be addressed immediately. · Individual themes are selected from key risks. The status of each activity is regularly checked with instructions. · In fiscal 2023, initiatives included strengthening the governance of Group companies, promoting human capital management, responding to requirements for ensuring economic security, promoting information security, and formulating strategies for individual businesses.
Compliance Committee	<p>Outline The committee ensures that all employees are fully aware of legal compliance and business ethics and promotes compliance with the CKD Group. It also conducts activities to prevent compliance violations within the Company, acts as a contact point in the event of compliance violations, investigate the causes and establishes measures to prevent a recurrence. The committee acts as a contact point for whistleblowing, conducts investigations in cooperation with each division within the Company, reviews necessary corrective measures, and takes immediate action.</p> <p>Main activities</p> <ul style="list-style-type: none"> · Hold the meetings every six months in principle. · Review disciplinary action proposals. · Report the results of the harassment consultation contact. · Report the results of compliance inspections (conducted in fiscal 2022). · Report the results of reporting and recommendations to internal and external reporting contact points. · Review harassment prevention measures. · Report to the Board of Directors.
Sustainability Committee	<p>Outline The committee consists of the President as chairperson and relevant officers and division heads as committee members. It deliberates on key issues to promote our ESG and SDGs initiatives, contribute to the global environment, and help enrich society through our business activities.</p> <p>Main activities</p> <ul style="list-style-type: none"> · Hold the meetings every six months in principle. · Extract key issues. · Review and deliberate on the progress of responses. · Report to the Board of Directors. · Formulate response policies and plans. · Disseminate policies and plans to related divisions and the entire Company.

Corporate Governance

Name	Details
Human Resource Strategy Committee	Outline In order to realize the Purpose and management strategies, the Company regards the acquisition, development and improvement of engagement of human resources as its most important issues, and is promoting the development of measures and systems to build the "human resources-oriented corporate culture" set forth in the 10-Year VISION.
	Main activities <ul style="list-style-type: none">· Hold the meetings every six months in principle.· Approval of response policies and plans considered in the Future Human Resources Project.· Consider and determine recruitment policies, training programs, and frameworks for enhancing engagement targeting human capital management.· Consider and determine human resources strategies based on business strategies.· Report to the Board of Directors.
Information Disclosure Committee	Outline The committee determines the materiality of information and the appropriateness of disclosure content in statutory and timely disclosure and works to establish a fair and reliable information disclosure system.
	Main activities <ul style="list-style-type: none">· The committee meetings are held every three months, after the settlement date of accounts, in principle. However, they are held as needed at the chairperson's discretion for cases that need to be addressed immediately.· Confirm the status of disclosure in IR, general meetings of shareholders, and business results. Review and determine the method of disclosure of matters to be added.· Review and respond with corrective actions when concerns are identified in disclosing information subject to the Fair Disclosure Rules.· Monitor decisions made by the Information Disclosure Committee.· Report to the Board of Directors.

Evaluating the effectiveness of the Board of Directors

To enable the Board of Directors to pursue sustainable improvement, a third-party organization is commissioned every year to evaluate the effectiveness of the Board of Directors.

The Board of Directors identifies key issues taken from the results of these evaluations, and discusses initiatives for making improvements, etc.

Main contents of the survey	
● Respondents	All members of the Board of Directors (Six Directors and Four Audit & Supervisory Board Members)
● Evaluation method	Anonymous questionnaire
● Summary of questions	Composition of the Board of Directors Management of the Board of Directors meetings Discussion at the Board of Directors meetings Monitoring function of the Board of Directors Training Dialogue with shareholders (investors) Self-improvement
● Aggregation of results	Outsourced to a third-party organization to ensure objectivity

Outline of the Evaluation of the Effectiveness of the Board of Directors for Fiscal 2023	
Initiatives in which a certain level of improvement has been made	<ul style="list-style-type: none">· Establishment of an internal control system, including for subsidiaries, and supervision and monitoring of status of operations· Reflect responses to ESG and SDGs initiatives in management strategies, including from the perspectives of risks and opportunities· Follow-up on the progress of management plans· Provide feedback to the Board of Directors regarding the status of dialogue with investors
Items for strengthening initiatives targeting identified issues	<ul style="list-style-type: none">· Adequate discussion that takes into account profitability, capital efficiency, etc., when deciding management strategies and management plans· Strengthen follow-up procedures for matters determined by a resolution of the Board of Directors, including through use of progress reports, etc.· Ensure the provision of opportunities for independent directors to exchange opinions among one another outside the Board of Directors meetings

Corporate governance evolution

	Number of Directors	Ratio of Independent Directors	
2020	7 Internal: 4 Independent: 3	43%	· Compliance Committee (renamed from the Good Value Promotion Committee) established · Restricted stock remuneration introduced for Executive Officers, etc., and employees
2021	7 Internal: 4 Independent: 3	43%	· Sustainability Committee established · Appointment of an Independent Director as Chairperson of the Nomination & Remuneration Advisory Committee

	Number of Directors	Ratio of Independent Directors	
2022	6 Internal: 3 Independent: 3	50%	· Proportion of Independent Directors: 50% · Corporate Officer System introduced
2023	6 Internal: 3 Independent: 3	50%	· Human Resource Strategy Committee established
2024	6 Internal: 3 Independent: 3	50%	

Cross-shareholdings

In principle, the Company does not hold cross-shareholdings, except in cases where the Company judges that it will contribute to the enhancement of its corporate value from the perspective of business strategies, business alliances with business partners, and the maintenance and strengthening of business relationships.

If the significance of the shares held by the Company has diminished, the Company will sell them in a phased manner, taking into account the circumstances of the company concerned. If the Company determines that it is necessary to hold shares, the Board of Directors examines the objectives and rationale for holding the shares by examining the stock every year to determine the need for business strategies, business alliances, and the maintenance and strengthening of business relationships. When exercising voting rights pertaining to these shares, the Company will consider whether or not the exercise of voting rights will lead to an increase in the corporate value of the issuing company and shareholder value, for example, by opposing any proposal in the event where the financial health of the issuing company is adversely affected or if an illegal act occurs.

In the event that a company holding shares of the Company indicates its intention to sell the shares, the Company will not prevent such sale.

Officer remuneration

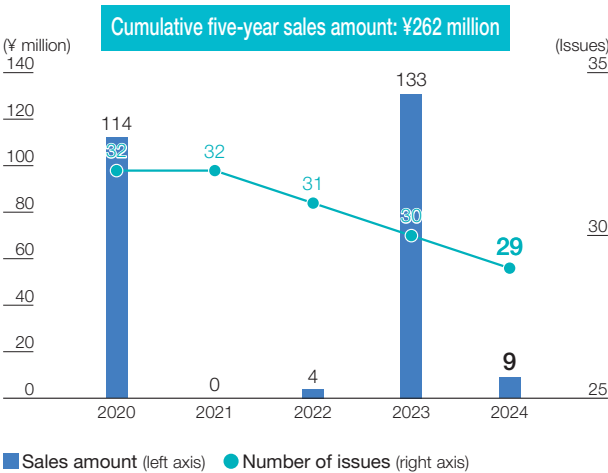
The Nomination & Remuneration Advisory Committee has been established to ensure objectivity and transparency in the decision-making process regarding the remuneration system for Directors and further strengthen the corporate governance system.

Determination process and details

Remuneration for Directors consists of basic remuneration, performance-linked remuneration, and stock remuneration. At the same time, Independent Directors, who are responsible for the oversight function, are paid only basic remuneration considering their role.

The ratio of Directors' remuneration by type is designed so that the higher a person's position, the more significant the proportion of performance-linked remuneration. The Board of Directors determines the amount of remuneration for officers based on consultation of the Nomination & Remuneration Advisory Committee, which is chaired by an Independent Director and the majority of which members are Independent Directors, within the range approved by the General Meeting of Shareholders. The Board of Directors also decides on the

Sales amount of cross-shareholdings and number of issues (fiscal years ended March)



Policy on determining the remuneration for Directors

Basic Policy

- 1 Design the system to motivate Directors to contribute to the enhancement of corporate value
- 2 Ensure the appropriateness of the method for determining the remuneration and distribution
- 3 Design the system to allow Directors to share their interests with shareholders through stock ownership

determination policy based on consultation with the Nomination & Remuneration Advisory Committee.

The achievement rate for each of the performance indicators for performance-linked remuneration ranged from 66% to 96% of the evaluation indicators, i.e. consolidated net sales, consolidated operating profit, ROE, development investment, environmental initiatives, and initiatives toward health and productivity management for the previous fiscal year, which are linked to the Medium-Term Management Plan.

Corporate Governance

Type of remuneration (composition ratio)	Remuneration details
Basic remuneration (about 30 to 70%)*	<ul style="list-style-type: none">The amount is fixed by position according to responsibilities determined upon careful consideration while referring to employees' salaries and remuneration levels at other companies.
Performance-linked remuneration (about 20 to 40%)*	<ul style="list-style-type: none">The performance-linked remuneration is paid in cash in an amount reflecting the results of the performance indicator in the previous fiscal year to raise awareness on improving performance each fiscal year.The target performance indicator and its amount are consulted with the Nomination & Remuneration Advisory Committee as necessary in accordance with environmental changes and are reviewed based on its recommendations.Officers other than those with titles are eligible for bonuses, to be paid at a specific time each year in an amount obtained reflecting the degree of targets achieved for each individual.
Restricted stock remuneration (about 5 to 20%)*	<ul style="list-style-type: none">Restricted stock remuneration consists of restricted stock intended to raise further motivation to sustainably improve corporate value and shareholder value over the medium- to long-term within the range approved at the General Meeting of Shareholders.The number of shares to be granted to Directors is resolved by the Board of DirectorsThe restrictions on shares are lifted when the Director retires.

* If there is a pronounced decline in performance, performance-linked remuneration and stock remuneration may fall below the stated range. Therefore, basic remuneration may surpass the stated range.

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

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

Remuneration for Audit & Supervisory Board Members

Remuneration for Audit & Supervisory Board Members is determined by the Audit & Supervisory Board within the range approved at the general meeting of shareholders.

The total amount of remuneration, etc., by officer category, the total amount of remuneration, etc., by type, and number of eligible officers in fiscal 2023

Category	Total amount of remuneration, etc.	Total amount of remuneration by type			Number of eligible officers (Persons)
		Basic remuneration	Performance-linked remuneration	Restricted stock remuneration	
Directors	253	138	81	33	7
Audit & Supervisory Board Members	51	51	—	—	4
Total	305	189	81	33	11

*1 Of the amount paid above, the total remuneration for four Independent Directors and three External Audit & Supervisory Board Members is ¥56 million.
*2 As of March 31, 2024, there are six Directors (including three Independent Directors) and four Audit & Supervisory Board Members (including three External Audit & Supervisory Board Members).

Criteria for judging independence

The Company deems an Independent Director or a candidate for Independent Director to be independent of the Company if the Director or the candidate is judged to have no risk of generating conflicts of interest with ordinary shareholders of the Company.

* <https://www.ckd.co.jp/en/company/govern/>

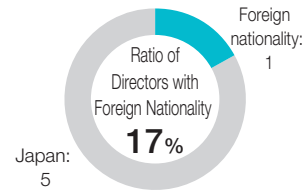
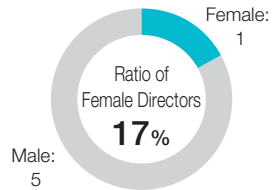
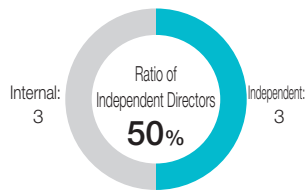
Skill set matrix

	Name	Job title	Gender	Age	Years in office	Significant concurrent positions		Committee affiliations	Expertise and experience								
						The number of companies	Of which, the number of listed companies		Corporate management	Manufacturing, technology, research and development	Quality and safety	Sales and marketing	Finance and accounting	Legal affairs and risk management	DX and IT	Sustainability and environment	International experience
Internal	Kazunori Kajimoto	Chairperson of the Board	Male	67	20												
Internal	Katsuhito Okuoka	President and Chief Executive Officer	Male	56	8												
Internal	Yoshiyuki Amano	Director Executive Officer	Male	61	(New election)												
External (Independent)	Stefan Sacré	Independent Directors	Male	61	3	1											
External (Independent)	Koichi Hayashi	Independent Directors	Male	59	2	2	1	Chair									
External (Independent)	Hiroko Shimada	Independent Directors	Female	60	1	2	1										
Internal	Toshiaki Sugiura	Standing Audit & Supervisory Board Member	Male	63	(New election)												
External (Independent)	Shuzo Hashimoto	External Audit & Supervisory Board Member	Male	68	4	1											
External (Independent)	Kiyoshi Miura	External Audit & Supervisory Board Member	Male	66	2	1											
External (Independent)	Tsuyoshi Takeuchi	External Audit & Supervisory Board Member	Male	65	2	3	1										

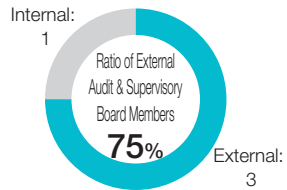
* As of June 21, 2024

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

Composition of Directors




Composition of Audit & Supervisory Board Members



Board of Directors and Audit & Supervisory Board Members

Directors



Kazunori Kajimoto
Chairperson of
the Board of Directors and
Corporate Officer


94 thousand shares

100% (12/12)

- Apr. 1980 Joined the Company
- Jun. 2004 Director & Executive Officer
General Manager, Sales, and Marketing Division
- Jun. 2005 Director & Managing Executive Officer
- Jun. 2008 President
- Jun. 2021 Representative Director, Chairperson of the Board of Directors
and Chief Executive Officer (CEO)
- Jun. 2024 Chairperson of the Board of Directors (to present)

Reason for appointment

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



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

2 thousand shares

—

- Apr. 1987 Joined Nippon Telegraph and Telephone Corporation
- Jul. 2010 Senior Vice President
General Manager, Network Business Department
General Manager, Data Center Business Department, NTT PC
Communications Incorporated
- Jul. 2015 Senior Vice President (CTO)
Senior Vice President, Service Creation Division Senior Vice
President, Technology and Operations Development Division
- Jul. 2018 Executive Counselor, Corporate Planning Department, the Company
- Jul. 2019 General Manager, Information Resource Management Department
- Jun. 2020 Executive Officer
General Manager, Information Resource Management Department
General Manager, Business Advancement Center
- Jan. 2021 Executive Officer
General Manager, Digital Strategy Department
- Jun. 2024 Director & Executive Officer, In charge of Administration (to present)

Reason for appointment

Mr. Yoshiyuki Amano has long experience in overseeing the departments for technology development and service improvement and abundant experience and broad insight as a manager. We have appointed him as we believe that he will contribute to our management by utilizing the above.



Katsuhito Okuoka
Representative Director,
President, Corporate Officer,
and Chief Executive Officer (CEO)


40 thousand shares

100% (12/12)

- Apr. 1991 Joined the Company
- Jun. 2016 Director & Executive Officer
General Manager, Components Business Division
- Jun. 2018 Director & Managing Executive Officer
- Jun. 2019 Representative Director and Senior Managing Executive Officer
- Jun. 2020 Representative Director and Senior Managing Executive Officer,
General Manager, Corporate Planning Department
- Jun. 2021 President and Chief Operating Officer (COO)
- Jun. 2022 President and Chief Operating Officer (COO)
(job title changed in Japanese only)
- Jun. 2024 President and Chief Executive Officer (CEO) (to present)

Reason for appointment

Mr. Katsuhito Okuoka has long experience in overseeing production divisions, as well as abundant experience and broad insight as a manager. We have appointed him as we believe that he will contribute to our management by utilizing the above.



Stefan Sacré
Independent Director

0 shares

100% (12/12)

- May 1991 Received Ph. D (Engineering) from the Technical University of Berlin
- Aug. 1998 Representative Director, SICK Optic-Electronic K.K. (Japan)
- Jan. 2006 President, Bosch Rexroth Corporation (Japan)
- Jan. 2011 CEO, EagleBurgmann Germany GmbH & Co. KG
- Jan. 2017 President and Representative Director, Carl ZEISS Co., Ltd. (Japan)
President and Representative Director, Carl Zeiss Meditec Co., Ltd.
- Jun. 2021 Director, the Company (to present)
- May 2024 Senior Advisor, Carl ZEISS Co., Ltd. (Japan) (to present)

Reason for appointment

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



Koichi Hayashi
Independent Director

0 shares


100% (12/12)

- Oct. 1990 Joined KPMG LLP, New York Office
- Apr. 1997 Registered as a certified public accountant
- Mar. 2008 Representative Director, Attax Co., Ltd. (to present)
- Jun. 2010 Audit & Supervisory Board Member, the Company
- Jun. 2013 External Audit & Supervisory Board Member, Plaza Create Co.,
Ltd. (currently, Plaza Holdings Co., Ltd.)
- Jun. 2018 External Director
Audit and Supervisory Committee Member, Plaza Create Co.,
Ltd. (currently, Plaza Holdings Co., Ltd.) (to present)
- Jun. 2022 Director, the Company (to present)

Reason for appointment

Mr. Koichi Hayashi appropriately performs his duties as an Independent Director by making critical managerial decisions and overseeing business execution independently and impartially. Furthermore, he has professional knowledge as a certified public accountant and abundant experience as a manager. We have appointed him as we expect that he will oversee all aspects of the Company's operations and offer advice and opinions from broad management perspectives.

Audit & Supervisory Board Members



Toshiaki Sugiura
Standing Audit & Supervisory
Board Member

11 thousand shares

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- Apr. 1985 Joined the Company
- Oct. 2000 Office Manager, Chiba Sales Office, Sales Department, CKD Tokyo Sales Co., Ltd.
- Apr. 2003 Office Manager, Tokyo Sales Office, Tokyo Sales Department No. 1,
Tokyo Branch, Sales and Marketing Division, the Company
- Mar. 2005 Group Leader, Secretary Group, General Affairs Department
- Oct. 2009 General Manager, General Affairs Department
- Apr. 2021 Representative Director, CKD Global Services Corporation
- Jun. 2024 Standing Audit & Supervisory Board Member, the Company (to present)

Reason for appointment

Mr. Toshiaki Sugiura has long experience in overseeing the departments for staff workers' affairs and abundant experience and broad insight at sales departments. We have appointed him as we believe that he will appropriately audit management based on such experience and insight.



Kiyoshi Miura
External Audit & Supervisory
Board Member

0 shares

100% (12/12)

100% (12/12)

- Apr. 1980 Joined Sumitomo Bank
- Apr. 2010 Executive Officer, General Manager, North Osaka Corporate
Banking Division, Sumitomo Mitsui Banking Corporation
- Apr. 2012 Managing Executive Officer secondarily responsible for
Corporate Divisions, In charge of Western Japan Region
- Jun. 2014 Representative Director and Executive Deputy President, Kansai Urban Banking Corporation
- Apr. 2019 Representative Director and Executive Deputy President, Kansai Mirai Bank, Limited
- Apr. 2020 Director, Chairperson of the Board of Directors, SMBC Human Career, Co., Ltd.
- Jun. 2022 Audit & Supervisory Board Member, the Company (to present)
- Oct. 2023 Adviser, SAERA Pharmacies, Inc. (to present)

Reason for appointment

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



Hiroko Shimada
Independent Director


0 shares

100% (10/10)

- Apr. 1986 Joined National Personnel Authority
- Jun. 1990 Long-term overseas researcher in the United Kingdom (University of Oxford)
- Apr. 2000 First Secretary, The Permanent Mission of Japan in Geneva, Ministry of Foreign Affairs of Japan
- Apr. 2017 First Deputy Director General, Remuneration Bureau, National Personnel Authority
- Apr. 2018 Deputy Director General, Human Resources Bureau, National Personnel Authority
- Apr. 2019 Professor, School of Government, Kyoto University (to present)
- Mar. 2023 External Director, SPACE CO., LTD. (to present)
- Jun. 2023 Director, the Company (to present)

Reason for appointment

Ms. Hiroko Shimada appropriately performs her duties as an Independent Director by making critical managerial decisions and overseeing business execution independently and impartially. Furthermore, she has abundant domestic and international experience in human resources policies, laws and regulations, mainly in recruitment and development, diversity, work style reform, and labor-related matters at the National Personnel Authority and the Ministry of Foreign Affairs of Japan. We have appointed her as we expect that she will oversee all aspects of the Company's operations and offer advice and opinions from broad perspectives.



Shuzo Hashimoto
External Audit & Supervisory
Board Member

0 shares


100% (12/12)

100% (12/12)

- Apr. 1987 Registered as attorney-at-law, Joined Oguri Law Office
- Apr. 1992 Director, Hashimoto Law Firm (to present)
- Apr. 2004 Vice Chairman, Nagoya Bar Association (currently Aichi Bar
Association)
- Jun. 2020 Audit & Supervisory Board Member, the Company (to present)

Reason for appointment

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



Tsuyoshi Takeuchi
External Audit & Supervisory
Board Member

0 shares




100% (12/12)

100% (12/12)

- Oct. 1983 Joined Peat Marwick Mitchell, Osaka Office (currently KPMG)
- Apr. 1988 Registered as a certified public accountant
- Sept. 1993 Head of ASEAN Japan Center, KPMG Singapore Office
- Jun. 1999 Representative Partner, Century Audit Corporation
- Jun. 2003 Representative Partner, Azsa Audit Corporation (currently
KPMG AZSA LLC)
- Jul. 2021 Representative Director, PM Business Solutions Inc. (to present)
- Jun. 2022 Audit & Supervisory Board Member, the Company (to present)
- Dec. 2022 Principal, Takeuchi Tsuyoshi Certified Public Accountant Office (to present)
- Jun. 2023 Outside Auditor, Chugai Ro Co., Ltd. (to present)

Reason for appointment

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

 Number of shares of the Company held
 Status of attendance at Board of Directors meetings (Fiscal 2023)
 Status of attendance at Audit & Supervisory Board meetings (Fiscal 2023)

Compliance

In our compliance regulations and Standards of Conduct, we make our legal compliance approach clear. We are pursuing a variety of initiatives with the aim of raising awareness of compliance throughout the entire group, including overseas.

Approach

We will fulfill our social responsibilities by ensuring every employee adheres to laws, regulations, and business ethics.

Thoroughly enforcing Standards of Conduct

Our Standards of Conduct clearly outline our thorough policy regarding legal compliance and business ethics, comprehensively covering topics including fair transactions, preventing harassment, bribery and illicit benefit sharing, and other dishonest and corrupt acts. Additionally, in order to communicate this policy widely throughout the Company, we provide all employees, including those overseas, with a CKD Standards of Conduct Manual, implement internal level-specific compliance training, share legal compliance information with overseas bases, have new employees (including employees hired on part-time basis) submit a written pledge on service

rules, and provide all employees with a confidential information management training and have them submit a written pledge.



Handling risk of compliance violations

The status of handling matters related to legal compliance as stipulated in the Standards of Conduct is covered under risk assessments of business operations carried out by the Risk Management Committee under the supervision of the Board of Directors. Procedures for handling these matters are considered in accordance with the importance and priority of the risk involved. When dealing with customers and suppliers who may become business partners, we carry out due diligence as necessary, including screening before any transaction is carried out and confirming whether there have been any instances of inappropriate transactions, fraud or corruption.

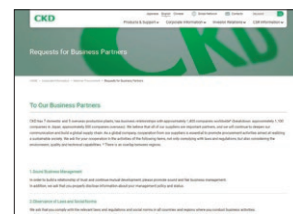
Furthermore, our approach to compliance is clearly stated through means such as the Requests for Business Partners posted on our corporate website, and business partners are

informed of this approach. In fiscal 2023, there were no cases of disciplinary action taken for reasons such as bribery or corruption, nor any instances of expenses occurred, such as fines or settlement payments, in relation to such acts.



Standards of Conduct

<https://www.ckd.co.jp/en/company/mission/>



Requests for Business Partners

<https://www.ckd.co.jp/en/company/sizai/onegai/>

Whistleblower system

We have established a whistleblower helpline as a mechanism through which employees and others who work in the CKD Group can make reports. In addition to the internal whistleblower hotline, we have established an external helpline staffed by an independent lawyer to ensure anonymity and confidentiality of whistleblowers and to protect them as well as to detect and correct compliance violations as early as possible. Reports can be made regarding a wide range of compliance violations, including violations of the Antimonopoly Act, such as cartels, and violations of criminal laws, such as bribery, corruption, and embezzlement. In fiscal 2023, 12 whistle-blowing cases were reported.

We continuously work to make employees aware of this whistleblower system, and we are making progress on creating a structure which enables reports to be made by overseas-based employees by developing our ability to handle reports in English and other multiple languages. The details of reports are presented to Representative Director (or External Audit & Supervisory Board Members, depending on the nature of the case) without delay, and matters are investigated and deliberated on by the Compliance Committee. We take action to correct any problems and ensure that they do not reoccur.

Risk Management

CKD considers risk management as an important operational activity to be a company that continues to earn the trust of society and develops a structure to that end. At the same time, the Company strives to mitigate material risks and minimize loss that results from risk.

Approach

CKD identifies various risks ancillary to business activities so as to ensure business continuity and to raise corporate value, and based upon the proper assessment of such risks, undertakes efficient and effective management activities.

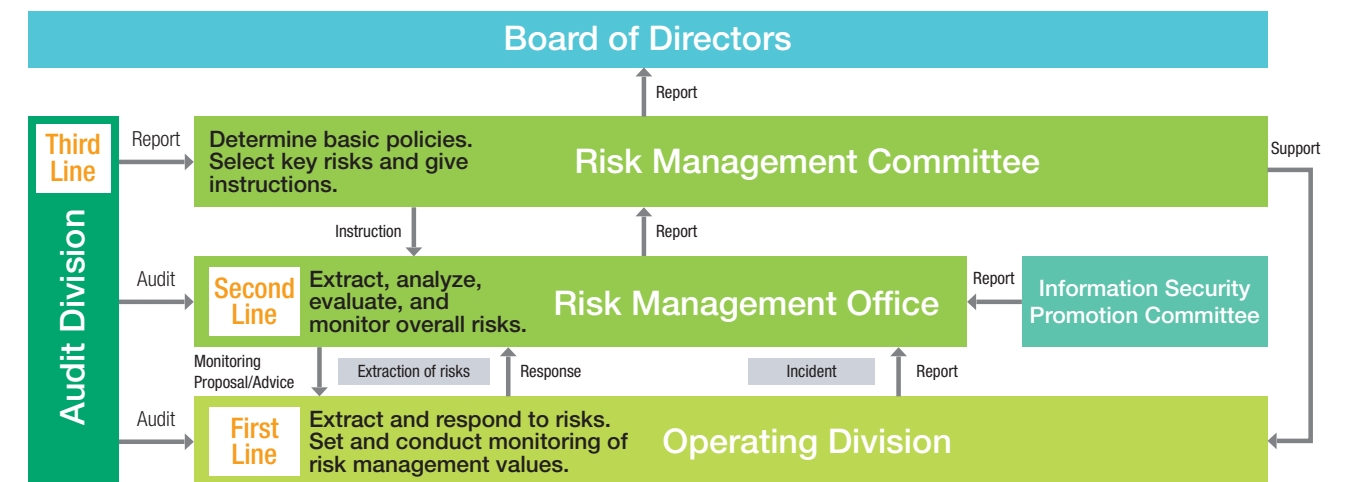
Risk management system

The Risk Management Committee has been established as an organization under the direct control of the Board of Directors. It reports the progress and results of its activities to the Board of Directors regularly to promote risk management.

We established a Risk Management Office as a subordinate organization of the Risk Management Committee and a monitoring system by the Audit Division to strengthen our risk management system.

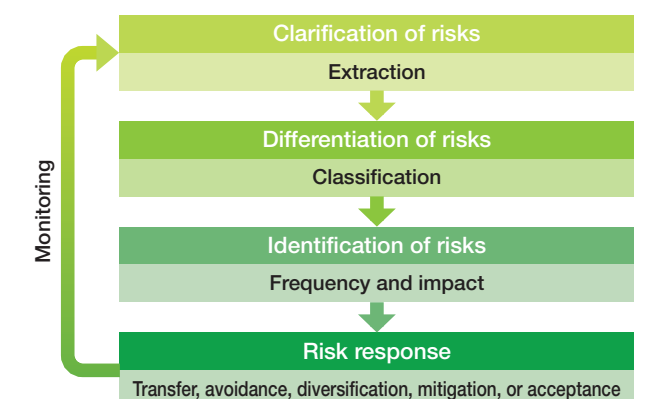
Specifically, the Risk Management Office comprehensively identifies and analyzes the risks for CKD as a whole, checks the status of the Operating Division's efforts to address each risk, and encourages improvements as necessary. It regularly reports to the Risk Management Committee.

The Audit Division, the third line of risk management, monitors the appropriateness of functions of the Operating Division, the first line of risk management, and the Risk Management Office, the second line.



Risk identification process

Each of the business divisions, Group companies, and the Head Office administration divisions identifies risks that may hinder the improvement of corporate value and the achievement of management goals and their countermeasures. Risks are differentiated, and then evaluated and identified based on the frequency and degree of impact when they occur. Identified risks are reported to and shared at the Board of Directors.



Risks and Opportunities

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

Approach to risk

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

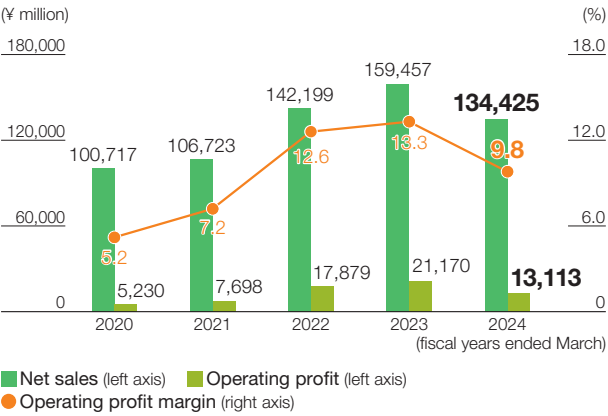
Risk factors	Risks	Responses and opportunities	Corresponding materiality P15-16 ► Materiality
Society/ Economy	• Stagnation of business conditions in key customers' industries due to the prolonged economic downturn, affecting business performance	Responses • Prompt action to address changes in the market environment	12 Risk management
Natural hazards	• Impact on production activities due to the suspension of operations at production plants and supply chain disruptions caused by natural disasters such as heavy rain and flooding • Impact on production activities of earthquakes in the Tokai, Tonankai, and Nankai regions	Responses • Establishment of a system enabling local procurement at each production base and decentralization of production bases • Strengthening of response capabilities through our business continuity plans (BCP) and new regulations	12 Risk management
Politics	• Impact on the Company's business through semiconductor-related customers in the Component Products Business in the event of restrictions on imports/exports and semiconductor-related transactions due to political factors, such as trade frictions • Impact on production activities due to government regulations and import/export restrictions resulting from heightened geopolitical risks	Responses • Promotion of local procurement of products manufactured overseas, production at multiple bases, and placement of inventory centers in various locations by taking into consideration geopolitical risks Opportunities • Increased demand for new capital investment due to the decentralized siting of customers' semiconductor production bases	12 Risk management 5 Supply chain management
Management and internal controls	• Impact on business performance from unexpected changes in the business environment • Unexpected losses that can arise from inadequacy of management at bases with short history or small-scale locations	Responses • Continuous review of management strategies and the management of annual policies • Support for overseas Group Companies to strengthen governance • Human resource strategy incorporating strengthened in-house education, including implementation of a global-based human resource development plan	4 Challenge to new businesses and markets 10 Corporate governance 16 Development of human resources and future generations
Legal issues related to business transactions	• Impact of the security export control system • Financial disruption caused by the non-collection of accounts receivable • Impact on production activities stemming from shortages in the supply of materials from suppliers due to business succession issues, etc.	Responses • Thorough company-wide training and rigorous export control • Securing multiple suppliers and conducting evaluation tests of alternative materials • Conducting regular credit checks	5 Supply chain management
Products/ Technologies/ Services	• Burden of compensation for damages and loss of customer trust in the event that a product causes personal injury or property damage • Intensified price competition with competitors due to the commodification of some products	Responses • Reinforcement of the quality assurance structure from raw materials to shipping inspections • Development of IoT-related components, preventive maintenance, and long service life products • Development of high-value-added products and launch of price-competitive products Opportunities • Increased demand for high-value-added products due to an increase in customers who place emphasis on quality	1 Development of low environmental impact products 2 Products that emphasize safety and quality 3 Challenge to technological innovation

Risk factors	Risks	Responses and opportunities	Corresponding materiality P15-16 ► Materiality
Employment	• Impact on production activities due to the difficulty of securing labor in Japan under a declining birthrate • Impact on new businesses and global activities due to shortages of global-based human resources and human resources capable of project planning	Responses • Advanced automation in domestic plants and establishment of production systems that do not rely on human labor • Human resource strategy incorporating strengthened in-house education, including implementation of a global-based human resource development plan Opportunities • Increased demand for automation and labor-saving on production lines due to the difficulty of securing labor in Japan	16 Development of human resources and future generations 17 Respect for human rights 19 Promotion of diversity and inclusion
Information security	• Dysfunction in internal systems or information leaks due to computer viruses or cyberattacks and associated loss of social credibility • Impact on deliveries to business partners caused by a suspension of production lines and distribution systems • Stagnation in procurement, production, and distribution due to the shutdown of the ERP software system, and the resulting negative impact on business activities • Impact of computer virus infection on important business partners	Responses • Development of information security management policies and other regulations and implementation of employee training and internal audits • Installment and updating of the latest information security equipment and software • Investigation and remediation of information security management at our significant business partners Opportunities • Increased opportunities for dealings with customers by improving social credibility through strengthening information security systems	5 Supply chain management 12 Risk management
Environmental issues	• Impact on business performance due to delays in the development of businesses and products that contribute to the realization of a decarbonized society by the Group • Impact on business activities from tighter regulations on the use and emission of greenhouse gases and under the energy-conservation laws due to worsening global environmental issues • Impact on business activities of stricter regulations on chemical substances in use • Impact on the continuity of the Company's packaging machinery business in the event of delayed response in the packaging business to the global trend toward de-plasticization	Responses • Development of low environmental impact products • Prompt switch away from materials containing regulated substances • Development of packaging machinery adapted to plastic-free packaging materials Opportunities • Sales expansion of low environmental impact products • Expansion of business in packaging machinery adapted to plastic-free packaging materials	1 Development of low environmental impact products 6 Reduction of CO ₂ emissions 7 Reduction of water consumption 8 Prevention and reduction of waste 9 Reduction of chemical substances impacting the environment
Occupational safety and health	• Impact on business operations from employees being overworked or stressed • Impact on production activities from industrial accidents • Impact on deliveries to business partners caused by a suspension of operations at domestic and overseas plants or at key supplier plants due to the pandemic	Responses • Implementation of regular surveys in the form of mental health checks • Carrying out occupational safety and health training • Strengthening of non-contact support including remote sales and services • Strengthening of development of sensors and image processing technology for remote control and labor-saving Opportunities • Increased demand for automation and labor-saving such as production equipment that does not rely on humans and remote diagnosis and operation of equipment as measures against infectious diseases and other threats	15 Promotion of occupational safety and health 18 Health and productivity management
Facilities/ Equipment	• Impact on production activities from malfunctioning or damaged production equipment	Responses • Keeping equipment running through regular upgrades and maintenance	12 Risk management

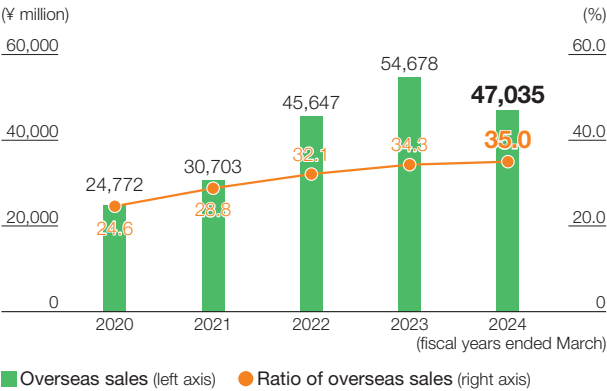
Financial/Non-Financial Highlights

Financial highlights

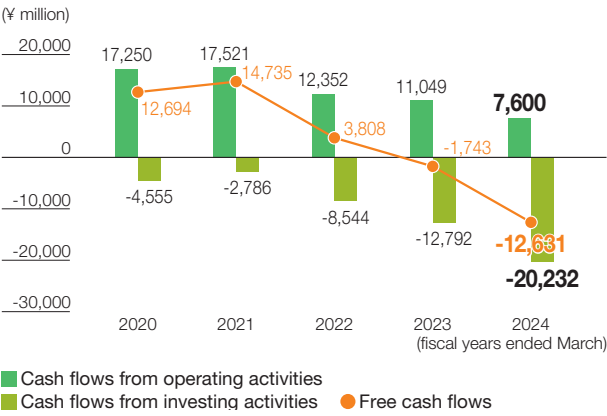
Net sales **¥134,425 million**
Operating profit **¥13,113 million**



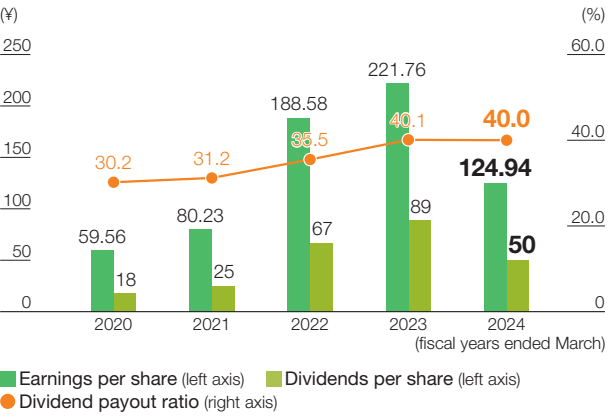
Overseas sales **¥47,035 million**
Ratio of overseas sales **35.0%**



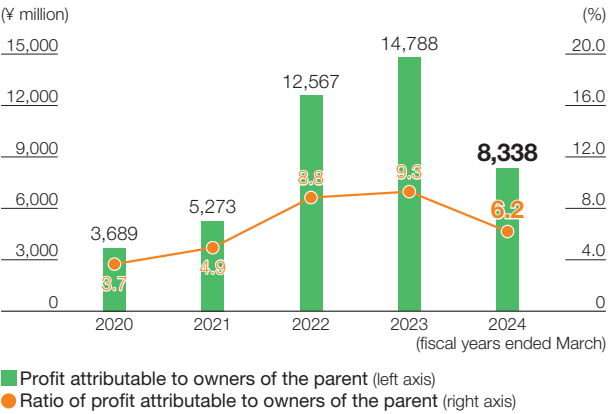
Free cash flows **¥-12,631 million**



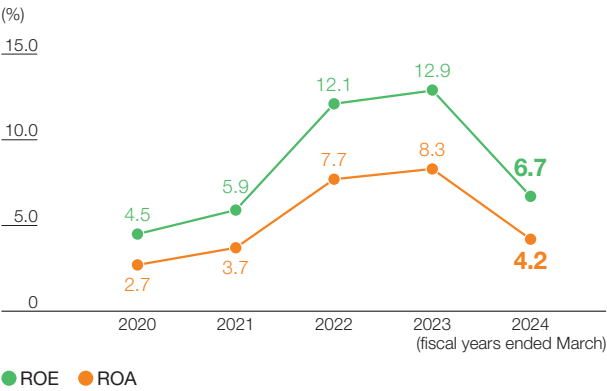
Earnings per share (EPS) **¥124.94**
Dividends per share **¥50**



Profit attributable to owners of the parent **¥8,338 million**

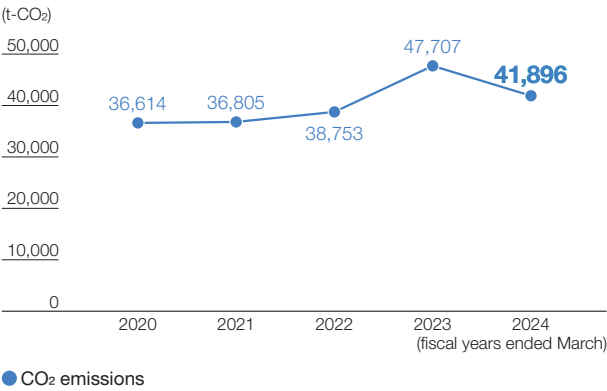


ROE **6.7%** ROA **4.2%**



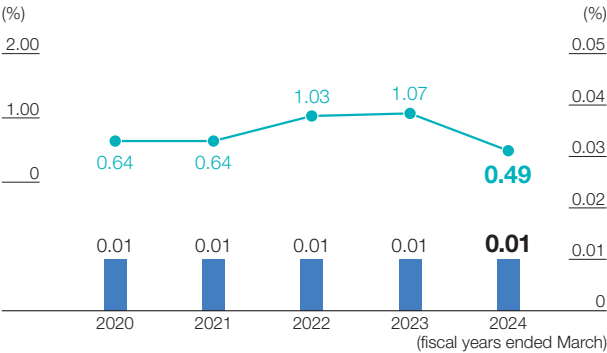
Non-financial highlights

CO₂ emissions (Scope 1 and 2) **41,896 t-CO₂**



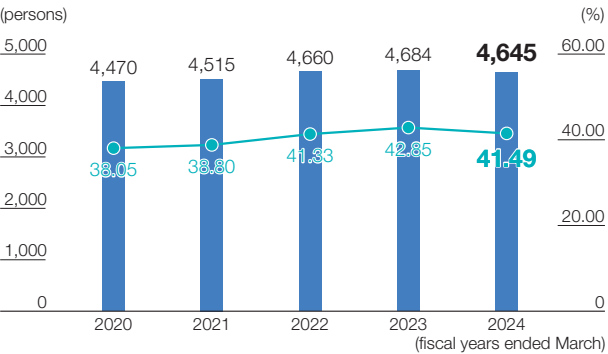
* Scope of aggregation: Total of domestic plants (excluding those of domestic Group companies) and overseas plants (using domestic emission factors) for the fiscal years ended March 31, 2020 through March 31, 2022. The Group companies and energy (excluding overseas sales companies) included in the scope were expanded from the fiscal year ended March 31, 2023.
* Emission factors: From the fiscal year ended March 31, 2023, 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.

Occupational accident frequency rate¹ **0.49%**
Severity rate² **0.01%**

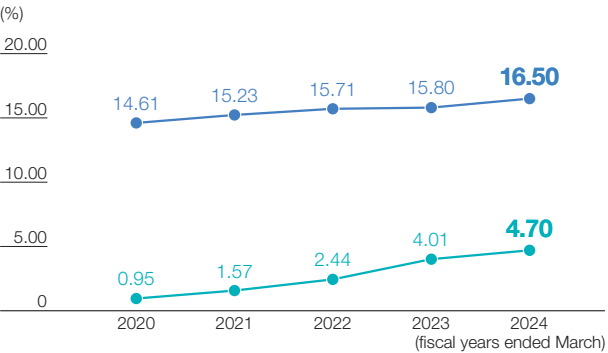


¹ Occupational accident frequency rate: The frequency with which accidents occurred, indicated by the number of casualties through industrial accidents per one million hours worked.
² Severity rate: The severity of accidents, indicated by the total number of working days lost per one thousand hours worked.
* Scope of aggregation: Total of domestic (excluding domestic Group companies)

Number of employees **4,645**
Ratio of overseas employees **41.49%**



Ratio of female employees **16.50%**
Ratio of female managers **4.70%**



* Scope of aggregation: Total of domestic (excluding domestic Group companies)

11-Year Summary

10-Year VISION
GO CKD!

Medium-Term Management Plan GLOBAL CKD 2015

Challenge CKD 2018

Build-up CKD 2021

Exciting CKD 2025

(fiscal years ended March)												
	(Unit)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Financial summary												
Business results												
Net sales	¥ million	75,491	83,379	88,117	94,012	115,700	115,665	100,717	106,723	142,199	159,457	134,425
Operating profit	¥ million	7,883	8,363	8,107	9,580	12,472	5,429	5,230	7,698	17,879	21,170	13,113
Ordinary profit	¥ million	8,136	8,735	8,094	9,771	12,469	5,425	5,374	7,823	18,043	21,181	13,048
Profit attributable to owners of the parent	¥ million	5,456	6,010	5,459	6,958	9,142	4,793	3,689	5,273	12,567	14,788	8,338
Cash flow												
Cash flows from operating activities	¥ million	9,754	6,226	8,027	10,163	5,542	(2,254)	17,250	17,521	12,352	11,049	7,600
Cash flows from investing activities	¥ million	(6,224)	(4,755)	(6,183)	(4,081)	(7,273)	(14,867)	(4,555)	(2,786)	(8,544)	(12,792)	(20,232)
Cash flows from financing activities	¥ million	(2,330)	618	(3,329)	(2,505)	2,559	14,374	(6,022)	2,423	(6,264)	(5,743)	13,055
Free cash flows	¥ million	3,530	1,471	1,844	6,081	(1,730)	(17,121)	12,694	14,735	3,808	(1,743)	(12,631)
Financial position												
Total assets	¥ million	86,711	96,018	96,412	106,361	130,887	136,961	136,059	152,726	172,514	185,626	208,285
Net assets	¥ million	57,712	65,555	66,419	70,957	80,058	80,444	82,465	97,617	109,571	119,730	129,098
Cash and cash equivalents	¥ million	9,831	12,290	10,342	13,905	14,799	12,028	18,409	35,913	34,027	26,654	27,740
Interest-bearing debt	¥ million	3,446	5,411	4,391	3,602	11,684	28,627	23,512	20,412	17,894	18,627	37,532
Investment												
Depreciation	¥ million	2,485	3,188	4,060	3,964	4,230	5,173	5,822	5,507	5,910	6,626	6,815
Capital investment	¥ million	5,800	5,454	7,801	4,864	9,422	14,843	3,060	3,620	9,596	11,447	22,128
Research and development expenses	¥ million	2,709	2,927	2,857	3,348	4,330	3,637	3,383	3,578	3,639	3,808	3,554
Per share information												
Earnings per share (EPS)	¥	87.36	96.25	87.99	112.38	147.65	77.42	59.56	80.23	188.58	221.76	124.94
Dividends per share	¥	18	24	26	30	37	28	18	25	67	89	50
Book-value (net assets) per share (BPS)	¥	924.09	1,049.70	1,072.72	1,146.02	1,291.26	1,296.94	1,321.28	1,463.15	1,643.36	1,794.44	1,933.58
Key performance indicators												
ROE	%	10.1	9.8	8.3	10.1	12.1	6.0	4.5	5.9	12.1	12.9	6.7
ROA	%	6.9	6.6	5.7	6.9	7.6	3.6	2.7	3.7	7.7	8.3	4.2
Equity ratio	%	66.6	68.3	68.9	66.7	61.1	58.6	60.5	63.8	63.5	64.5	62.0
Non-financial summary												
Governance												
Number of directors	Persons	7	7	6	6	7	7	8	7	7	6	6
Number of independent directors	Persons	2	2	2	2	3	3	3	3	3	3	3
Ratio of independent directors	%	29	29	33	33	43	43	38	43	43	50	50
Society												
Number of employees	Persons	3,170	3,294	3,594	3,719	4,284	4,582	4,470	4,515	4,660	4,684	4,645
Number of female employees	Persons	773	821	897	939	1,090	1,197	1,183	1,232	1,313	1,332	1,311
Ratio of female employees	%	24.38	24.92	24.96	25.25	25.44	26.12	26.47	27.29	28.18	28.44	28.22
Number of overseas employees	Persons	1,111	1,182	1,456	1,525	1,771	1,842	1,701	1,752	1,926	2,007	1,927
Ratio of overseas employees	%	35.05	35.88	40.51	40.01	41.34	40.20	38.05	38.80	41.33	42.85	41.49
Environment												
CO ₂ emissions: Scope 1 and 2★	t-CO ₂	24,597	25,295	24,147	40,123	39,345	39,421	36,614	36,805	38,753	47,707	41,896
CO ₂ emissions: Scope 3	t-CO ₂	—	—	—	—	—	—	—	—	—	1,509,335	1,256,033
Water consumption	1,000 m³	338	309	336	392	413	464	479	496	535	542	464
Industrial waste	t	951	1,077	1,015	1,243	1,341	1,455	1,453	1,353	1,566	1,638	1,357

*1 Figures have been revised for the fiscal year ended March 31, 2018 to reflect changes in accounting policies from April 1, 2018.

*2 Figures for CO₂ emissions, water consumption, and industrial waste for the fiscal years ended March 31, 2014 through March 31, 2016 do not include the figures of overseas bases.

*3 With regard to CO₂ emissions (Scope 1 and 2), the Group companies and energy (excluding overseas sales companies) included in the scope were expanded from the fiscal year ended March 31, 2023. Emission factors were calculated from the fiscal year ended March 31, 2023 in accordance with the GHG Protocol with market-based emission factors (adjusted emission factors) used in Japan, and location-based emission factors used overseas. Scope 3 CO₂ emissions applies to CKD Corporation (domestic, non-consolidated).

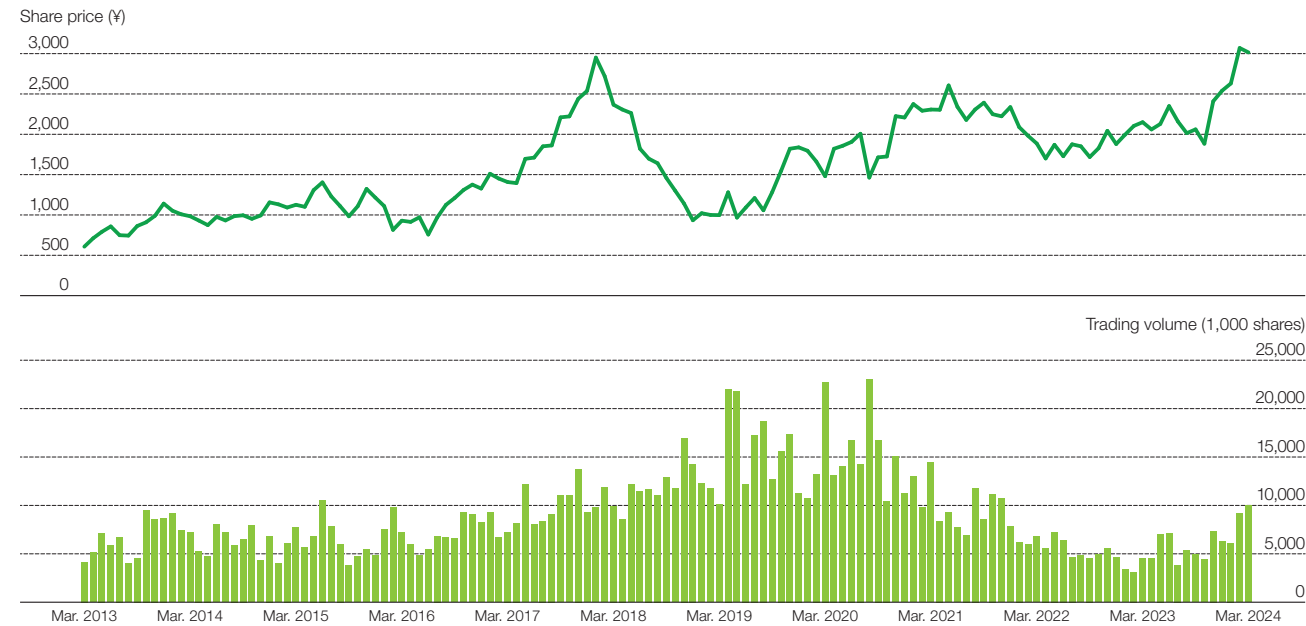
*4 Water consumption is the total of domestic plants (excluding domestic Group companies) and overseas plants.

*5 Waste emissions are the total of industrial waste from domestic plants (excluding domestic Group companies) and overseas plants (excluding the U.S. Austin Plant).

*6 Data for the fiscal year ended March 31, 2024 for items marked with ★ has 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)

Share Information

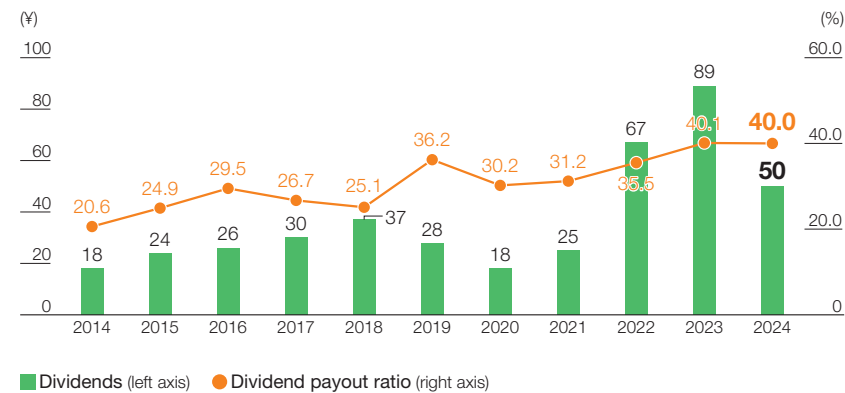
Share price trend



Stock status (As of March 31, 2024)

Total number of authorized shares	233,000,000 shares
Total number of issued shares	67,909,449 shares
Number of shareholders	10,483 persons

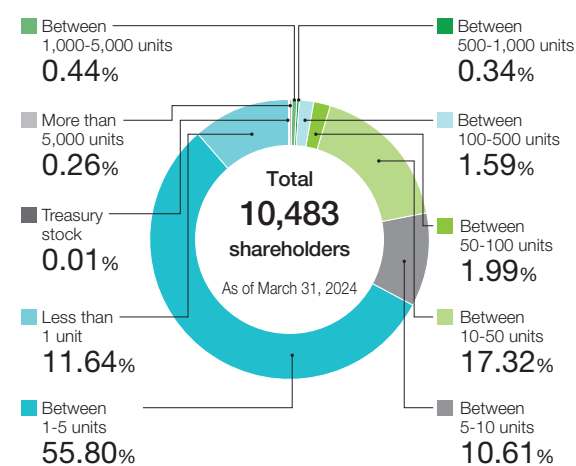
Dividends and dividend payout ratio (fiscal years ended March)



Shareholder status (As of March 31)



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



Corporate Data

Corporate profile

Company name	CKD Corporation
Establishment	April 2, 1943
Paid-in capital	¥11,016 million
Net sales	¥134.4 billion (Fiscal year ended March 31, 2024)
Listed on	Tokyo Stock Exchange (Prime Market), Nagoya Stock Exchange (Premier Market)
Securities code	6407

Lines of business	Development, manufacturing, sales, and export of functional equipment such as automatic machinery, and components such as drive units, pneumatic control, pneumatic related and fluid control
Head office	250 Uji 2-chome, Komaki, Aichi, 485-8551, Japan Phone: +81-568-77-1111

List of external ratings and awards



FTSE Blossom Japan Sector Relative Index

FTSE Russell confirms that CKD has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Sector Relative Index. The FTSE Blossom Japan Sector Relative Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.



CDP
Climate Change Score of "B"
Water Security Score of "B"



Recognized as an
Outstanding Organization
for Health & Productivity
Management in 2024



Awarded a
Kurumin
certification



Certified as an
Aichi Josei
Kagayaki Company



Registered as an Aichi
Prefecture Family
Friendly Company



Received "Most Liked!"
IR Award

This report contains carefully selected information that is highly important for improving our corporate value. For further information, please refer to our website.

Stock Information & Ratings

<https://www.ckd.co.jp/en/ir/holdersinfo/>

Sustainability Information

- ESG Data <https://www.ckd.co.jp/en/csr/esg/>
- GRI Standard Reference Table <https://www.ckd.co.jp/en/csr/gri/>
- Approaches to SDGs <https://www.ckd.co.jp/en/csr/sdgs/>
- Social Contribution Activities <https://www.ckd.co.jp/en/csr/contribution/>

Report

- Securities Report (Japanese version only) <https://www.ckd.co.jp/ir/finance/yuka/>
- Corporate Governance Report https://www.ckd.co.jp/en/assets/images/company/govern/en_govern.pdf
- CKD Technical Journal <https://www.ckd.co.jp/company/giho/>