

# Message from the Officer in Charge of Administration

To realize our Purpose, we will maximally link our sustainability strategy, financial capital, and human capital.

**Yoshiyuki Amano**

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



The environment surrounding companies is undergoing major changes, including further escalation of environmental issues, rapid development of technologies such as semiconductors and AI, the state of economic security between the U.S. and China, and declining birthrates and aging populations.

In order to achieve sustained growth within such environment into the future, we aim to realize a healthy global environment and a prosperous future as stated in our Purpose, and to exceed the expectations of our stakeholders by linking our sustainability strategy, financial capital, and human capital.



## 1. Sustainability strategy linked to growth

We have established a Basic Policy on Sustainability, based on our Purpose, to enhance our corporate value by contributing to the realization of a sustainable society.

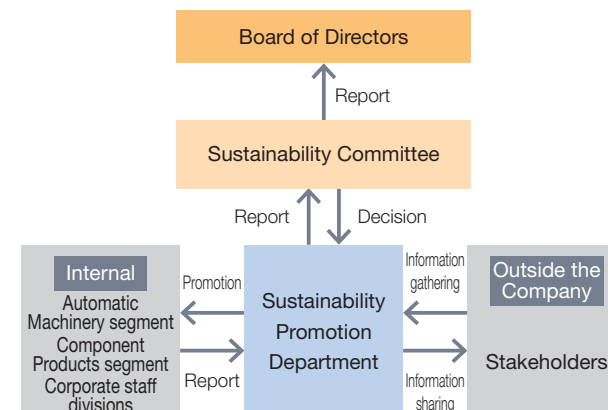
### Basic Policy on Sustainability

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.

Based on this basic policy, the Sustainability Committee, chaired by the President, is playing a central role in implementing initiatives throughout the Company to ensure our sustained growth, such as reducing CO<sub>2</sub> emissions, expanding sales of low environmental impact products, and addressing human rights issues.

### Sustainability promotion structure



In particular, we recognize that the situation is critical with regard to climate change issues, and believe that efforts to realize a carbon neutral society will become even more necessary in the future. Rather than passively responding to this change, we see it as a business opportunity and link it to our growth strategy by expanding sales of low environmental impact products.

We are developing products and services that contribute to solving social issues, such as products that save energy and which are designed for long life, assistance devices to support job sites where heavy loads are handled, and IoT solutions for agriculture and other primary industries. Through this, we are solving our customers' issues and in turn are helping to

protect the global environment and improve productivity as well as safety.

In recognition of our sustainability efforts, in June 2025, we were selected for the first time as a constituent of the FTSE Blossom Japan Index as a company with outstanding ESG activities.

## 2. Financial capital strategy with emphasis on growth and capital efficiency

To raise corporate value, the primary focus of our financial capital strategy is business growth and capital efficiency. Using CKD's technological capabilities as the base, we will provide high-value-added products and services in growth markets to improve income margins. To implement management that is conscious of cost of capital and stock price, we have established a target ROE of 10% to 13%. In addition, the Medium-Term Management Plan calls for ¥60.0 billion in capital investment to invest in future growth, including human capital, and to strengthen our foundation, and we have invested in the construction of the Hokuriku Plant, the India Plant, and the Malaysia Plant. This will provide capacity to support immediate growth and improve capital efficiency by increasing the asset turnover ratio.

For our business portfolio management, we emphasize allocating management resources to industries, businesses, and regions of focus, and conduct fixed-point ROIC evaluation for each business unit as well as ROIC tree-based KPI management.

Our basic policy is to maintain a balanced capital allocation between growth investments, shareholder returns, and financial soundness. With respect to shareholder returns, the Company aims for a dividend payout ratio of 40% and to return profits to shareholders through flexible share buybacks while taking into consideration stock price and liquidity on hand.

We have also introduced a restricted stock (RS) plan for management-level employees. Under this plan, shares of Company stock are granted for the purpose of contributing to medium- to long-term improvement of corporate value and the retention of human resources. The plan encourages managers responsible for implementing management strategies to hold the same perspective as shareholders and work to increase corporate value, leading to the achievement of results and the strengthening of organizational capabilities.

## 3. Placing the utmost emphasis on human capital management

It is people who consider and execute all our strategies, and people are the source of new value creation. Therefore, out of all forms of capital we are putting the most emphasis on human capital.

In 2023, we launched the Human Resource Strategy Committee headed by the President, as well as a subordinate organization—the Future Human Resources Project—in which the Human Resources Department and business divisions collaborate to implement human resource reforms. Through

these, we are engaging in human capital management. Centering on our Purpose and Values, we have defined “autonomous co-creative human resources” as our vision for our human resources, and are focusing on developing human resources who are autonomous professionals capable of creating new value through co-creation with others both inside and outside the Company.

To realize this vision, we have revamped our role qualification standards to correspond to our Purpose and Values, and defined the common roles, business skills, and conduct required for each qualification level. Although we have long focused on developing technical capabilities, we have expanded our training system to support our new role and conduct standards in order to strengthen the business skills that our human resources have been lacking. Further, we are working to develop the global and digital human resources and next-generation leaders needed to execute our management strategies.

In addition, from the perspective of acquiring and retaining excellent human resources, we are strengthening our mid-career recruitment in addition to the hiring of new graduates. We are also focusing on improving employee engagement and aim to sustainably increase corporate value through the implementation of human capital management.

Although we possess a number of competitive core technologies, they have so far been used only for specific products on an individual basis. We believe that promoting co-creation through the combination of these technologies within the Company will enable us to create products and services with higher added value.

Further, by promoting technological collaboration with partners outside the Company, we will further expand the potential for new value creation. Co-creation with external parties is also essential to promote our sustainability strategy, and based on this belief, we are working to foster a “culture of co-creation (creating together).”

Internally, we provide spaces and opportunities for various employees to come together and interact. In addition, we established a new showroom in 2024 as a place for external co-creation. Based on the recognition that diversity, rather than uniformity, is the key to new value, we are working to create an environment and systems that enable diverse human resources to maximize their abilities and co-create.



New showroom ulu Creative Base

Co-creation is an important keyword in our Purpose, and our belief in this concept is also reflected in our Brand Slogan, Creating Solutions Together.

Under this slogan, we are developing multifaceted co-creation with diverse stakeholders, including building a collaborative framework involving our entire supply chain, as well as promoting industry-academia collaboration and open innovation. We will continue working to enhance corporate value by creating new value through even stronger internal and external cooperation.

# Financial Capital



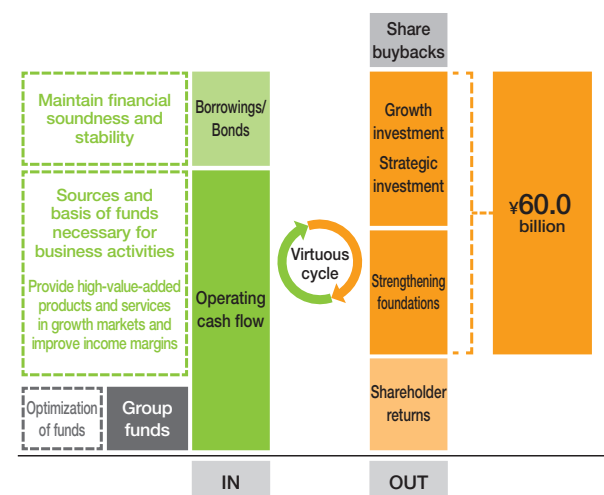
In order to achieve management that is conscious of cost of capital and stock price, CKD secures the investments necessary for sustained growth and engages in stable shareholder returns.

Specifically, we use cash flows from operating activities as the primary source of funds to ensure liquidity on hand while maintaining financial soundness. We also aim to maximize corporate value through ROE-oriented financial management and by improving capital efficiency by raising the turnover ratio of invested assets.

## 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.

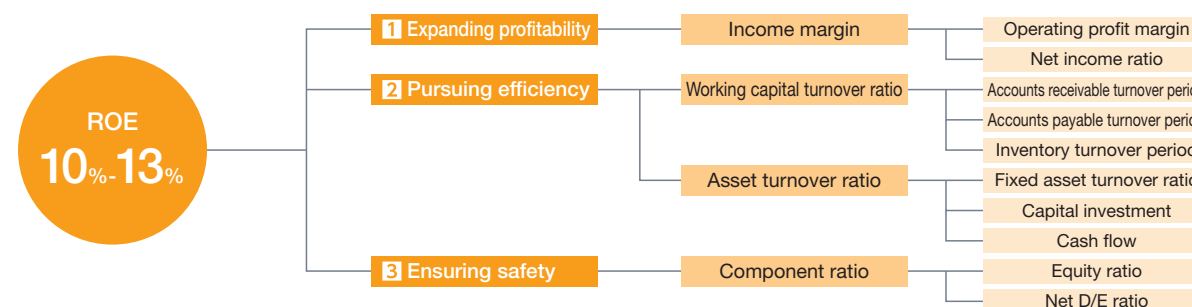
Specifically, while maintaining financial soundness over the medium to long term, we will use cash inflows from our operating cash flow and interest-bearing debt to invest in growth markets and high-value-added areas with an awareness of the cost of capital, invest in human resources and DX to strengthen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



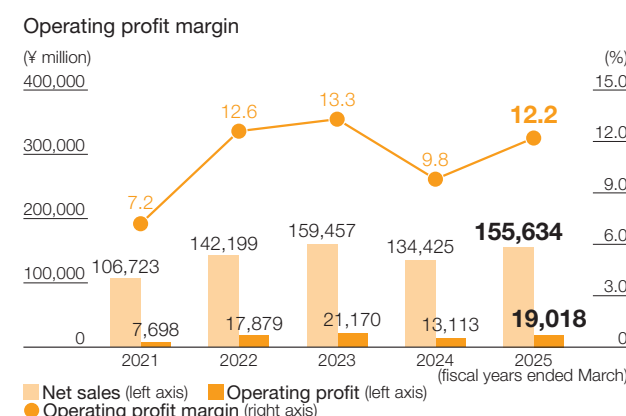
## Expanding profitability

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.

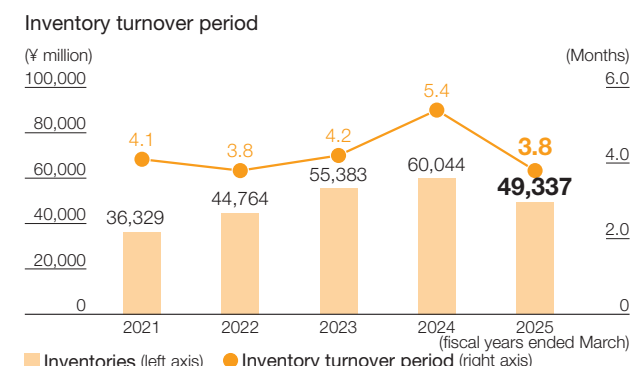


## Pursuing efficiency

### Inventory turnover period

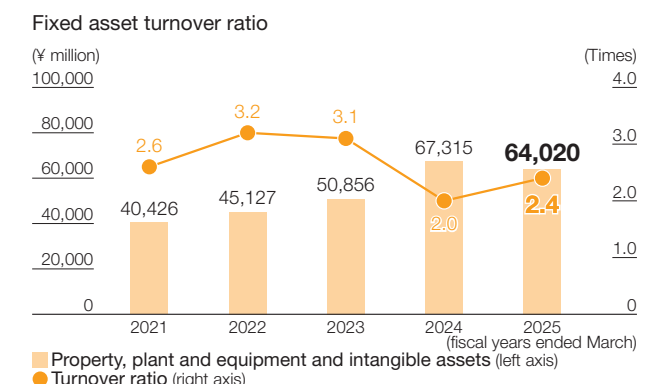
To respond quickly to customer needs, we systematically manage necessary inventories using our ERP software system. At the same time, we respond flexibly according to the volume of orders.

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



### Fixed asset turnover ratio

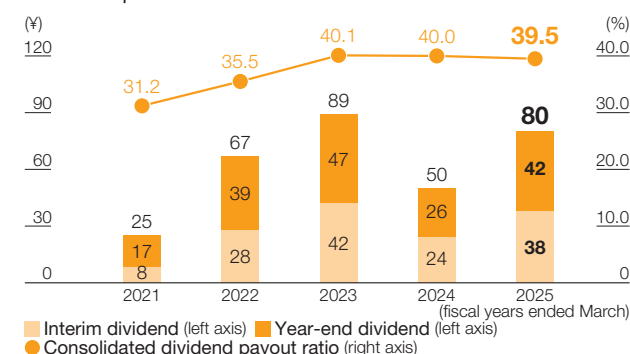
We will make efficient and effective use of existing assets, and implement capital investment necessary for the sustained growth of the Company to improve corporate value after considering the optimal financing methods.



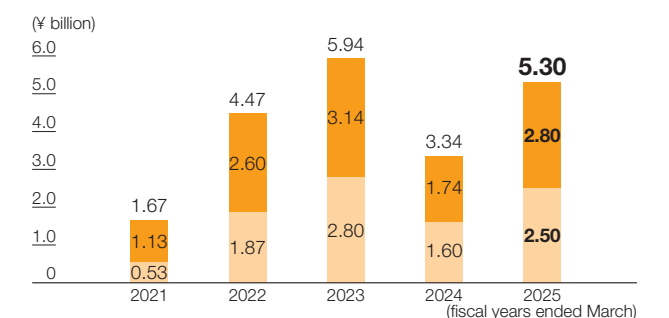
## Shareholder returns

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

### Dividends per share



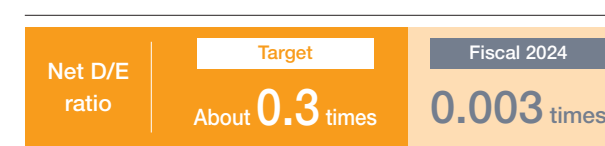
### Dividend



## 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



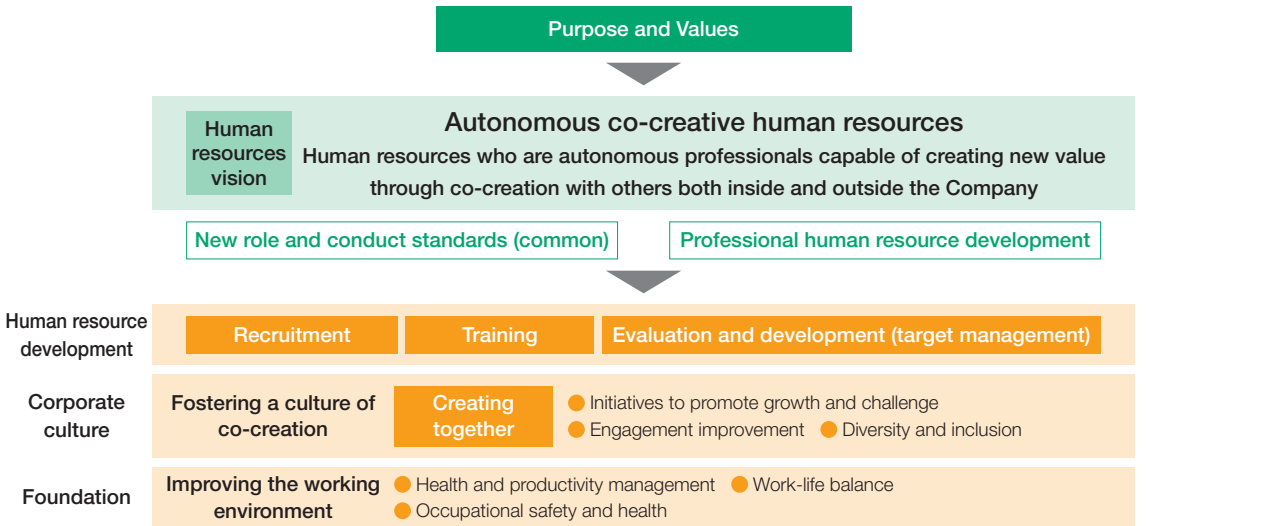
To realize our Purpose and Values, we are working to improve our corporate value by linking our management strategies and human capital. To this end, we have established a new vision for our human resources which we aim for, and, based on three specific priority measures, we are promoting this vision via the two pillars of investing in people and creating an environment in which our human resources can flourish.

Human resources vision

In order to achieve our 10-Year VISION, we have established a new vision for our human resources, which we define as “autonomous co-creative human resources.” Autonomous co-creative human resources means professionals who are autonomous and capable of creating new value through co-creation with others both inside and outside the Company. To this end, we have revamped our role and conduct standards; clearly defined the roles, abilities, and conduct required for each qualification level; and are working to improve the specialized skills of each as part of our professional human resource development efforts.

Overview of human resources strategy

In order to realize our human resources vision, we have defined three priority measures: ① systematic development of human resources, ② fostering a culture of co-creation, and ③ improving the working environment. We are also promoting effective measures, system development, and awareness-raising.

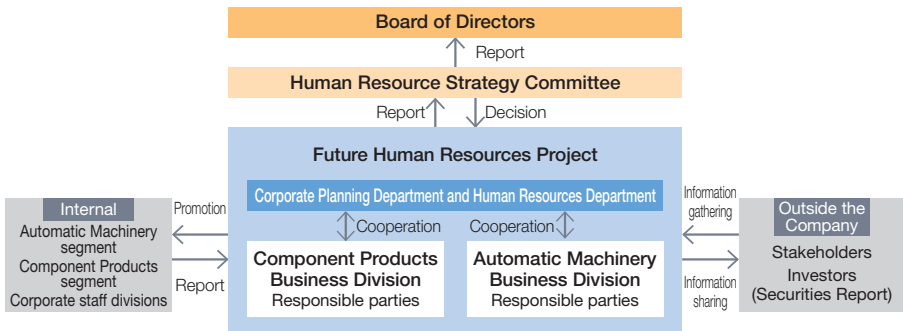


Priority measures

① Systematic development of human resources	② Fostering a culture of co-creation	③ Improving the working environment
(1) Recruitment (2) Training (3) Evaluation and development (target management)	(1) Initiatives to promote growth and challenge (2) Engagement improvement (3) Diversity and inclusion	(1) Health and productivity management (2) Work-life balance (3) Occupational safety and health

Promotion structure

The Company has established the Human Resource Strategy Committee, headed by management, as well as the Future Human Resources Project, a subordinate organization which includes business divisions, specifically to serve as the promotion structure.



Main initiatives for priority measures

Priority measures	Main human resources initiatives
① Systematic development of human resources	(1) Recruitment <ul style="list-style-type: none"><li>Recruitment of human resources linked to management strategies</li><li>Strengthening recruitment of new graduates (expansion of internships; advertisements in collaboration with popular anime; promotion of increased recognition through SNS utilization, etc.)</li><li>Strengthening mid-career recruitment activities (alumni, referrals, etc.)</li></ul>
	(2) Training <ul style="list-style-type: none"><li>Developing next-generation leaders</li><li>Dispatching employees to a management of technology (MOT) graduate school and various external training programs to study MBA and MOT fields</li><li>Developing global human resources</li><li>Implementing the overseas trainee system and the overseas subsidiary trainee system</li><li>Introducing practical foreign language skills enhancement programs</li><li>Establishing educational programs to train representatives and managers of overseas subsidiaries</li><li>Developing digital human resources</li><li>Launching D-Academy, a digital technology training program that emphasizes practical skills</li><li>Developing DX promotion leaders</li></ul>
	(3) Evaluation and development (target management) <ul style="list-style-type: none"><li>Creating a system for target management in line with our role and conduct standards</li><li>Conducting one-on-one meetings with supervisors</li><li>Supporting autonomous career development (internal job posting system, transfers based on career plan sheets)</li></ul>
② Fostering a culture of co-creation	(1) Initiatives to promote growth and challenge <ul style="list-style-type: none"><li>Introducing the Innovator Challenge System, which aims for employees to launch new businesses, and conducting a future predictions questionnaire survey</li><li>Holding the GO CKD! Award to recognize Purpose-based activities</li></ul>
	(2) Engagement improvement <ul style="list-style-type: none"><li>Implementing workplace improvement activities based on stress checks and engagement surveys</li><li>Building trust with management (holding town hall meetings as a forum for dialogue between the President and employees, etc.)</li><li>Implementing a production and sales mutual trainee program to deepen mutual understanding between divisions</li></ul>
	(3) Diversity and inclusion <ul style="list-style-type: none"><li>Promoting women's career advancement (career development training, exchange meetings with female employees from other companies, etc.)</li><li>Expanding the lifetime employment program (conducting interviews with senior employees)</li><li>Employing people with disabilities at Social Farm Waku Happiness Farm</li></ul>
③ Improving the working environment	(1) Health and productivity management <ul style="list-style-type: none"><li>Engaging in initiatives to raise employee health awareness</li><li>Creating a workplace where employees can work vigorously and in good health, both mentally and physically (CKD Health and Productivity Management Declaration)</li></ul>
	(2) Work-life balance <ul style="list-style-type: none"><li>Establishing an in-house day-care center</li><li>Enhancing systems for balancing work and childcare (systems for shortened working hours and exemption from overtime work for employees with children up to the sixth grade of elementary school)</li><li>Conducting awareness-raising activities to increase the ratio of male employees taking childcare leave (training for managers, introduction of case studies of male employees who have taken childcare leave, etc.)</li><li>Increasing work style flexibility and improving operational efficiency (tele-working system)</li></ul>
	(3) Occupational safety and health <ul style="list-style-type: none"><li>Promoting the “Poketenashi” (five rules for safety improvement) campaign to raise safety awareness</li><li>Introducing equipment to give hands-on experience with hidden hazards in manufacturing sites as part of employee safety education</li></ul>

Key performance indicators, targets, and results for priority measures

Priority measures	Key performance indicators	FY2025 targets	FY2024 results
① Systematic development of human resources	Developing next-generation leaders*1	Cumulative total 81 persons	Cumulative total 59 persons
	Developing global human resources*2	Cumulative total 65 persons	Cumulative total 57 persons
	Trainees from overseas to Japan*5	Cumulative total 23 persons	Cumulative total 19 persons
	Developing digital human resources*3	Cumulative total 1,000 persons	Cumulative total 868 persons
② Fostering a culture of co-creation	Work engagement*4	52	48.6
	Ratio of female managers	10% (FY2030 target)	5.2%
③ Improving the working environment	Certified Health & Productivity Management Organization Recognition Program	Recognition as a White 500 enterprise	Outstanding Organization 2025
	Ratio of employees who took childcare leave by gender	Male: 70% Female: 100%	Male: 60.3% Female: 100%

\*1. Number of training participants introduced from FY2017  
\*2. Number of training participants introduced from FY2012

\*3. Number of training participants introduced from FY2022  
\*4. Deviation value based on external survey results

\*5. Number of training participants introduced from FY2014



Human Capital

Priority measure 1 Systematic development of human resources

Training

In conjunction with our Medium-Term Management Plan, we are focusing on the development of next-generation, global, and digital human resources to strengthen our foundation. Our training system is based on the new role and conduct standards for each qualification level. We have enhanced our educational system and training programs to strengthen necessary business skills, and we also provide learning opportunities such as e-learning and voluntary curricula for interested employees. To improve specialized skills, we will work to develop professional human resources by establishing a human resource portfolio linked to management strategies.

Developing next-generation leaders

In order for the Company to achieve sustainable growth, we are systematically 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. Our aim is to develop leaders who can flexibly respond to change by learning practical knowledge about innovation management.

Developing digital human resources

We are systematically developing human resources with the aim of improving our employees' ability to utilize digital technology and to foster human resources capable of promoting business operation reforms on their own. D-Academy, CKD's own training program for developing digital skills, offers a wide range of courses, from AI basics to data analysis methods. By fiscal 2024, 868 employees had participated in the program and are now leveraging what they have learned in their work.

Priority measure 2 Fostering a culture of co-creation

As technological innovation and social issues become increasingly complex, we believe that fostering a culture of co-creation is essential for sustained growth. Through efforts to align management and employees as well as inter-department and inter-organizational collaboration, we will create innovation, increase employee engagement, and deliver social value. We are working to ensure that all employees share the spirit of co-creation and that these efforts are firmly established as part of our corporate culture.

Initiatives to promote growth and challenge

As initiatives to enable employees to experience the joy of growth, we have introduced the GO CKD! Award to recognize employee activities, and the Innovator Challenge System to launch new businesses. In addition, as part of efforts to improve engagement, the President himself has been visiting each location to hold dialogue meetings, and we have begun reviewing the personnel system and updating uniforms to reflect the opinions expressed at these meetings.

	Level-specific	Job-specific	Selected personnel	Voluntary	Self-study
Managers	Promotion training	Specialized skill/specialized knowledge acquisition (organized by each business division)	Next-generation leader training	Division manager training	Self-study and distance education/ e-learning
Supervisors			Career training	Overseas trainee system Digital skills training Business skills training	
Staff	New employee training				

\*Cost subsidies available

Developing global human resources

To support our global business development, we are promoting the development of human resources who can flourish in overseas markets. We have established an overseas trainee system and overseas subsidiary trainee system to provide opportunities for employees to travel from Japan to overseas and from overseas to Japan to gain work experience and deepen cross-cultural understanding. Going forward, in addition to conventional language learning, we will work to establish more practical language skills enhancement programs and educational programs to train representatives and managers of overseas subsidiaries.



Initiatives for promoting women's career advancement

We have set step-by-step goals for the development of female managers, and are working on various measures to achieve a 10% ratio of female managers by fiscal 2030. We are also working to foster a managerial mindset among female employees by conducting career development training mainly for female employees to lower psychological hurdles, providing role models and examples of career

development through actual senior employee experiences, and holding exchange meetings with female employees from other companies. In addition, in order to increase the ratio of female employees, we have set a target ratio for female new graduate hires of 30% in the action plan and are actively recruiting women.

Priority measure 3 Improving the working environment

As a foundation for advancing our human resources strategies, the creation of an environment in which each employee can maximize his or her abilities is essential to the enhancement of corporate value. A good working environment leads to increased employee engagement, productivity, and creativity.

Promotion of health and productivity management

We have formulated the CKD Health and Productivity Management Declaration and are promoting health and productivity management in cooperation with health insurance unions and labor unions, with the goal of raising employee health awareness and creating a workplace where employees can work vigorously and in good health, both mentally and physically. Aiming to improve absenteeism, presenteeism, and work engagement, we have set KPIs and are implementing measures as well as a PDCA cycle to improve health issues. In recognition of these efforts, we were awarded the Outstanding Organization for Health & Productivity Management (large enterprise category) in 2025 for the sixth consecutive year.



Promotion of work-life balance

To create an environment where employees can work for many years with peace of mind, we have established an in-house day-care center and are engaging in training and awareness-raising activities for managers with the aim of increasing the ratio of male employees taking childcare leave. We are also working to further enhance the working environment and systems to enable greater flexibility in childcare and nursing care, and in addition to the existing tele-work system, we will expand the scope of flexible working hours for all positions in the future.



The in-house day-care center Ohana Nursery School

Occupational safety and health

We have established the Occupational Health and Safety Center in the Human Resources Department to promote occupational health and safety activities in the CKD Group, including at domestic and overseas subsidiaries. In addition to establishing and making employees aware of KPIs related to industrial accidents throughout the Group, we are working to prevent industrial accidents by including it as one of the evaluation items in organizational performance evaluations.

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.



Safety x Risk Experience Unit SRE Series

Topics Commercializing our safety training unit

We have built a demonstration machine that allows employees to experience nine types of hazards that lurk on the manufacturing floor, and use it for employee safety training. We commercialized and launched this unit as the Safety x Risk Experience Unit SRE Series in 2024. As an educational tool at manufacturing sites, it contributes to raising safety awareness through simulated experiences of work hazards, thereby increasing the level of occupational safety in the manufacturing industry as a whole.

# Natural Capital



In order to preserve a “healthy global environment” set forth in our Purpose, the CKD Group is working together to engage in environmental activities.

Conserving the global environment is essential for the survival of humanity and diverse life on earth, and is also the most important issue for companies since it forms the basis for sustained growth. In recent years, as climate change accelerates, society is increasingly demanding that companies take environmental measures. As such, we believe that it is our mission to contribute to reducing the environmental impact by exploring automation technologies and engaging in co-creation with our customers and business partners.

## Environmental Policy

We have established our environmental policy to demonstrate our commitment to ensuring that CKD's products, services, and business activities have adequate consideration for environmental impact, and to continuously reduce our environmental impact.

The first point in this policy is to develop and provide society with low environmental impact products and services in order to contribute to the global environment through our automation technologies.

Secondly, as a manufacturer's responsibility, we are committed to minimizing the negative environmental impact of our activities, including CO<sub>2</sub> emissions and resource consumption, to the greatest extent possible.

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 CO<sub>2</sub> emissions   b) Promote resource conservation, including water use   c) Reduce waste  
d) Reduce environmental polluting materials

## Reduce CO<sub>2</sub> emissions

### Medium- to long-term targets

To contribute to the realization of a decarbonized society, the CKD Group has set medium- to long-term reduction targets by backcasting with the aim of achieving virtually zero CO<sub>2</sub> emissions by fiscal 2050.

Based on the targets, we promote reduction activities through initiatives to set internal activity targets for each

department and add points to bonus evaluations according to the degree of target achievement. Main initiatives include improving plant air leaks, upgrading to energy-saving equipment, and introducing solar power generation systems in efforts to continuously promote energy-saving activities.

Medium- to long-term targets (reducing CO<sub>2</sub> emissions)

Fiscal 2030

50% reduction  
(total emissions, compared to fiscal 2022)\*  
50% reduction  
(per unit of sales, compared to FY2013)

Fiscal 2050

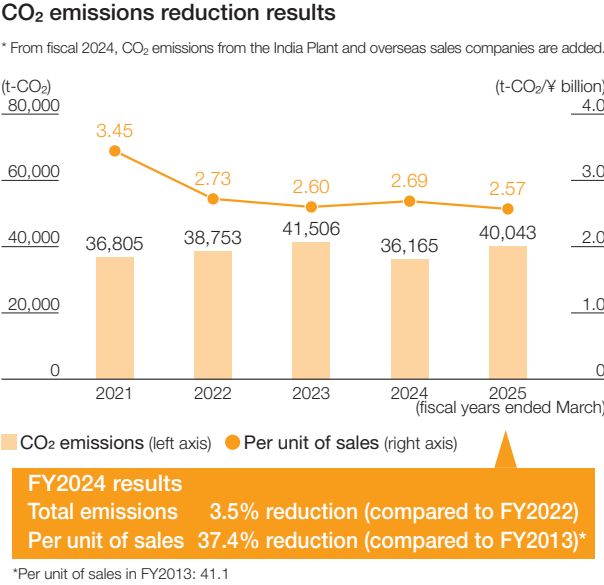
Achieve virtually zero

\* 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)

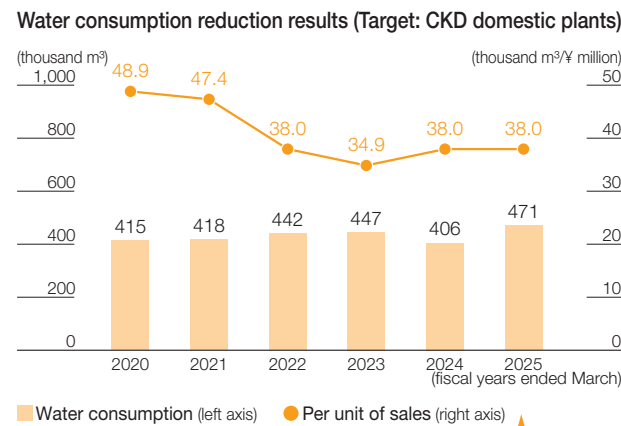
Note: CO<sub>2</sub> emissions reduction targets are the total of Scope 1 and 2.





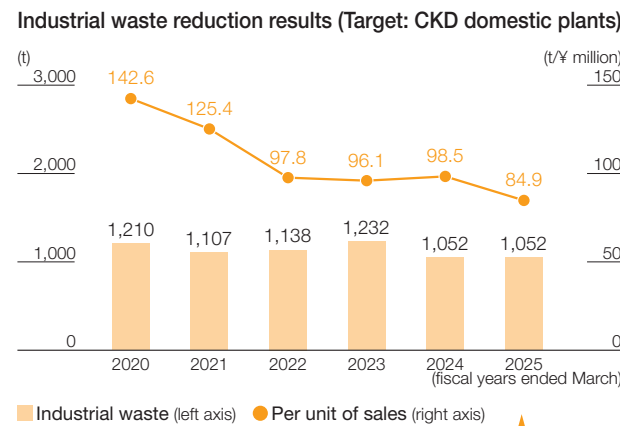
## Natural Capital

### Reduction of water consumption



**FY2024 target: 2.0% reduction**  
**FY2024 result: 0.01% increase**  
 (Per unit of sales, compared to the previous fiscal year)

### Reduction of industrial waste



**FY2024 target: 2.0% reduction**  
**FY2024 result: 13.8% reduction**  
 (Per unit of sales, compared to the previous fiscal year)  
 \* Amount of plastic industrial waste discharged in FY2024: 245 tons

### CDP evaluation

The Group has received the following recognition from the CDP, an international environmental information disclosure platform, for the transparency and strategic nature of its management system regarding environmental information disclosure and initiatives.



Climate Change 2024	B
Water Security 2024	B

### Initiatives to manage environmental pollutants in products

The formulation and revision of laws and regulations governing the management of PFAS and POPs chemical substances in various countries have become more frequent, and regulations on chemical substances are rapidly tightening, requiring guarantees of non-inclusion and the disclosure of chemical substance information. To respond smoothly to these developments, we hold in-house workshops on environmental regulations and continue to organize briefing sessions on emissions calculations and information exchange meetings with major suppliers.

We have implemented a system to manage survey requests related to environmental regulations, creating a database, and provide training to suppliers to strengthen our collaborative framework. This enables us to operate in a way that we are able to collect information efficiently and rapidly.

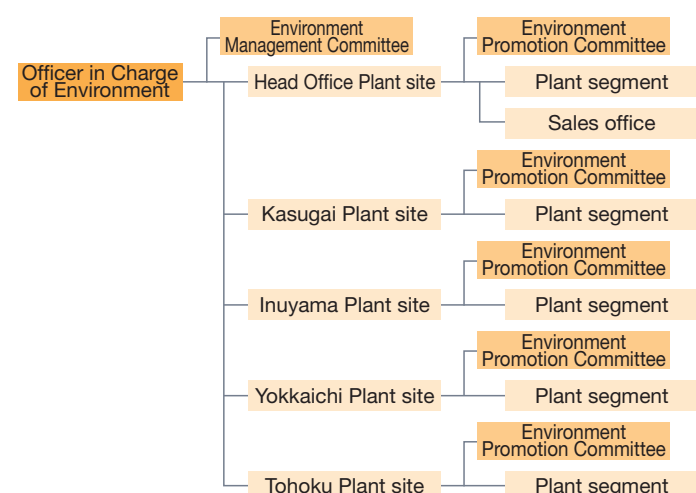
### ISO acquisition

The Company acquired the ISO14001 certification in 2000, and is working on conducting environmentally friendly business activities and complying with environmental laws and regulations. We identify risks and opportunities from environmental aspects and internal and external issues, and based on the results, we establish environmental goals and operational management items, and promote various initiatives.

These activities are reviewed by the Environmental Promotion Committee established at each plant, and overall, are reported to the officer in charge of environment through the Environmental Management Committee.

In addition, we have established a system to confirm compliance with relevant laws and regulations, including the Water Pollution Prevention Act, the Air Pollution Control Act, and the Act on Rational Use and Appropriate Management of Fluorocarbons, through internal audits and compliance evaluations, and to report the status to executives in management reviews.

#### ISO14001 Environmental management system promotion structure



### Development of low environmental impact products

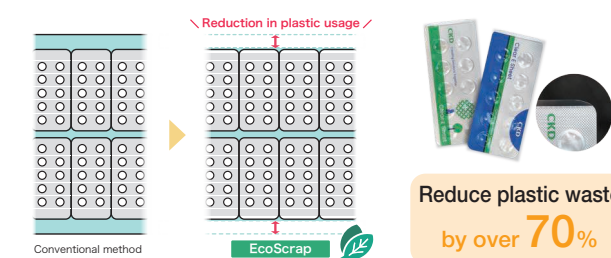
The Company defines low environmental impact products as those that can contribute to reducing the environmental impact of processes from manufacturing to disposal, and those that can contribute to reducing the environmental impact of products we provide to customers around the world. We have made the development of low environmental impact products our environmental policy and material issues.

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 undertaking development using our unique Environmental Acceptability Assessment Form.

#### Low environmental impact products launched in FY2024

##### • EcoScrap Technology

In collaboration with a customer, we have undertaken the world's first practical application of EcoScrap Technology that reduces plastic waste in the manufacturing process of PTP sheets\* used in the packaging of pharmaceuticals such as tablets and capsules. This technology will reduce plastic waste by more than 70% compared with the conventional method. The PTP sheets produced using this technology are characterized by partially transparent sheet edges, and have been named Clear E-Sheet.



**Number of development of low environmental impact products in FY2024**

**13**

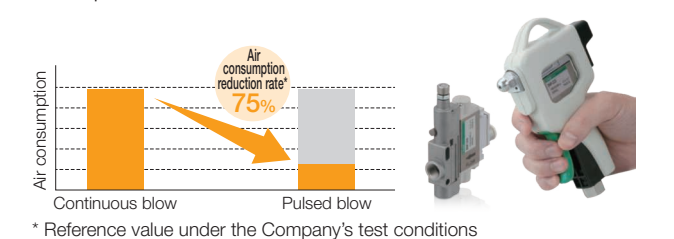
(Development of products with 50% reduced impact compared to FY2013)

The 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, and the amount of CO<sub>2</sub> reduction compared with existing models.

##### • Pulsed Blow Valve, BNP Series

In a typical plant, compressors account for 20-30% of the plant's overall power consumption, with much of this energy used for blowing applications, such as removing foreign matter. Air blowing, in particular, is said to consume approximately 70% of the total compressed air.

The Company has developed the Pulsed Blow Valve, which switches between On and Off at a ratio of 1:3 while maintaining instantaneous flow rate. This technology reduces air consumption by approximately 75% compared with continuous blowing, contributing to a significant reduction in both compressed air usage and overall power consumption at the plant.



### Topics

**Shingo Nishio** Engineering Administration Department, Automatic Machinery Business Division

#### Co-creation

The new packaging format we developed challenges conventional wisdom regarding PTP sheets, which have been taken for granted for 70 years. We worked with a like-minded customer to create the sheets, with the clear goal of reducing the environmental impact.

With the goal of commercialization, we worked together with this customer to create the ideal product through trial and error and repeated dialogue. The packaging design, which visually conveys the environmental contribution, is the result of the dedication of everyone involved in Clear E-Sheet. We take pride in the fact that we have been able to contribute to the environment and society not only through technological development but also through co-creation capabilities.



### Biodiversity and forest conservation

Within Aichi Prefecture, where our Head Office and plants are located, we annually carry out forestation activities in the Kaisho Forest in Seto, and clean-up activities with local residents around Oyama River, a Class A river that flows through Komaki.

As part of these forestation activities, in addition to forest conservation activities, we also work with NPOs to provide opportunities for employees' children to learn about and experience nature.



Forest conservation activities Nature classes for children

# Addressing Climate Change



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. [Sustainability Strategy](#) [P.33](#)

## 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 (consistent with the Paris Agreement) 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 <sub>2</sub> 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 <sub>2</sub>		
	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 electric motion components · Increase in R&D costs for developing decarbonization technologies	Low	High
			Opportunities	· Increase in sales of products for rechargeable battery manufacturing processes, products for hydrogen-related businesses, IoT-related components for production facilities, semiconductor-related components, etc.		

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 <sub>2</sub> 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 CO<sub>2</sub> 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.

[Risk Management](#) [P.66](#)

## Indicators and targets

### (1) Indicators

To contribute to the realization of a decarbonized society, the CKD Group is working to reduce CO<sub>2</sub> emissions by setting medium- to long-term reduction targets.

Indicators	Unit	FY2024 results
CO <sub>2</sub> emissions (before offset) <small>(Notes 1, 2, 3)</small>	t-CO <sub>2</sub>	42,999
CO <sub>2</sub> emissions (after offset) <small>(Note 4)</small>	t-CO <sub>2</sub>	40,043
CO <sub>2</sub> emissions (per unit of sales) <small>(Note 4)</small>	t-CO <sub>2</sub> /¥ billion	2.57
CO <sub>2</sub> emissions reduction rate (total amount, compared to fiscal 2022) <small>(Note 4)</small>	%	3.5
CO <sub>2</sub> emissions reduction rate (per unit of sales, compared to fiscal 2013) <small>(Note 4)</small>	%	37.4

### (2) CO<sub>2</sub> emissions reduction targets

Fiscal 2030	Total emissions	50% reduction (compared to fiscal 2022)*
	Per unit of sales	50% reduction (compared to fiscal 2013)
Fiscal 2050	Achieve virtually zero emissions	

\* From fiscal 2023, we have set an additional total CO<sub>2</sub> emissions reduction target.

- Notes:
- CO<sub>2</sub> emissions are the total of Scope 1 and 2 for the entire CKD Group.
  - Scope 1 is calculated using emission factors published on the website of the Ministry of the Environment.
  - Scope 2 is calculated using basic emission factors published on the website of the Ministry of the Environment. Please note that the sales offices and overseas subsidiaries of the Company use the same emission factors as the Head Office.
  - Includes CO<sub>2</sub> 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 promoting intellectual property management and intellectual property strategies across the entire Group. In formulating and implementing our intellectual property strategies, our intellectual property departments and development and technology departments work closely together to focus our patent applications on fields and technologies that we will prioritize going forward, thereby building a strategic intellectual property portfolio in these key areas. Furthermore, with a view to the global market and production systems, we are actively working on patent applications to ensure technological advantages in overseas markets.

## System

We carry out new product development by gathering specialists from each department 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

Support from intellectual property departments



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.

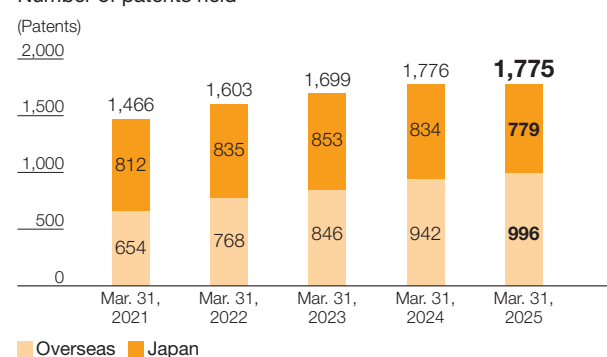
In fiscal 2024, we selected one patent from fine system components for an excellent patent award, and three from fine system components and one each from automatic machinery and the software business for outstanding patent awards.



## Number of patents held

We view the intellectual capital created through research and development activities as an important asset of the Company, positioning it as a source of sustained competitiveness. To protect and utilize these achievements, we are actively acquiring intellectual property rights such as patents in Japan and overseas. As of the end of March 2025, we hold 1,775 patents in Japan and overseas.

### Number of patents held



## Topics

### Renewal of the CKD Technical Journal

CKD publishes the "CKD Technical Journal" to disseminate the results of its technology and R&D activities to a wider audience. 2025 marks the 10th anniversary of the publication. With the release of Vol. 11, we have refreshed the design and introduced a new layout that enhances readability both in PDF format and online.

The January 2025 issue (Vol. 11) introduces noteworthy technologies, including 'New Eco-Friendly Packaging Technology in Blister Packaging,' 'Low-Friction and Low-Wear Technologies for Pneumatic Valves,' 'Establishment of Autonomous Driving Technology for Poultry House Patrolling,' and 'Digitalization & Automation: Human-Friendly Factories.' We invite you to take a look at the latest issue.



For details of the "CKD Technical Journal Vol. 11", please refer to our corporate website.  
<https://www.ckd.co.jp/company/giho/>

# Manufacturing Capital



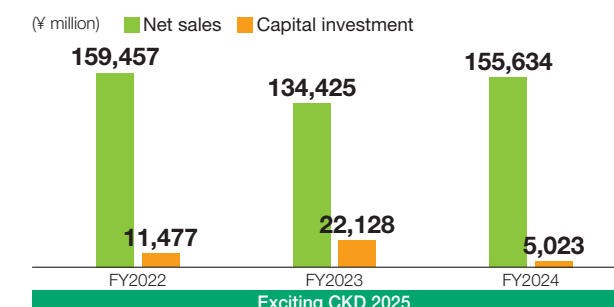
Overseas markets are a focus of our Medium-Term Management Plan, and we are working to strengthen our production system in emerging countries where demand is expected to grow.

## Capital investment plan

Overall capital investment for fiscal 2024 was as follows.

In the Automatic Machinery segment, capital investment amounted to ¥275 million, mainly for machinery. In the Component Products segment, capital investment totaled ¥4,680 million, mainly for the installation of equipment at the new Malaysia Plant, the Hokuriku Plant, and the India Plant, as well as updates to machinery and metal molds.

In addition, we made capital investments of ¥66 million, primarily for buildings throughout the Company.



## Stable supply system

In preparation for natural disasters and other emergencies, we have formulated business continuity plans (BCP) and are working to establish a stable supply system.

We have eight production bases in Japan, including our Head Office/Komaki Plant. In addition to the Inuyama Plant, Yokkaichi Plant, and Kasugai Plant in the Tokai region, we also operate the Tohoku Plant and the Hokuriku Plant, which was completed in 2024. This regional dispersion helps mitigate risks in the event of a disaster.

Overseas, we operate eight plants, including in China, Thailand, South Korea, North America, Malaysia, Indonesia, and India, establishing a global supply network. Most recently, we opened new bases in India and Malaysia in 2024 to further strengthen this system.

Number of production bases

16

(Japan: 8, Overseas: 8)

## Overview of production bases (Name of plant or company, location, main products)

Japan			
	<b>Head Office/Komaki Plant</b> Komaki City, Aichi Automatic machinery Pneumatic components Electric motion components		<b>Yokkaichi Plant</b> Yokkaichi City, Mie Pneumatic control components Fluid control components
	<b>Kasugai Plant</b> Kasugai City, Aichi Fluid control components		<b>Tohoku Plant</b> Ohira-mura, Kurokawa-gun, Miyagi Fluid control components
	<b>Inuyama Plant</b> Fuso-cho, Niwa-gun, Aichi Pneumatic drive components		<b>Hokuriku Plant</b> Komatsu City, Ishikawa Fluid control components (completed in March 2024)
Asia			
	<b>CKD (CHINA) CORPORATION</b> Wuxi, China Automatic machinery Pneumatic components Electric motion components Fluid control components		<b>CKD MALAYSIA SDN. BHD.</b> Kulim, Malaysia Fluid control components (completed in November 2024)
	<b>CKD KOREA CORPORATION</b> Siheung, South Korea Fluid control components		<b>CKD THAI CO. LTD.</b> Chonburi, Thailand Pneumatic components Fluid control components
	<b>M-CKD PRECISION SDN. BHD.</b> Shah Alam, Malaysia Pneumatic components		<b>CKD INDIA PVT. LTD.</b> Neemrana, India Pneumatic components (completed in May 2024)
North America, Latin America			
<b>CKD NIKKI DENSO CO., LTD. Sakura Office</b> Sakura City, Chiba Electric motion components			
<b>CKD Shikoku Seiko Corporation</b> Sukumo City, Kochi Automatic machinery			
<b>CKD USA CORP. Austin Manufacturing</b> Austin, U.S.A. Fluid control components			



# Social Capital



## Human Rights

The Group recognizes that considering human rights in our corporate activities is vital for the sustained development of businesses and of society, and has positioned respect for human rights as an important management issue.

Based on the CKD Group Human Rights Policy established in 2022, we are committed to respecting the human rights of everyone involved in our business activities, and we continuously conduct human rights due diligence across our supply chain.

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

2 Respect for human rights

3 Human rights due diligence

4 Corrective and remedial measures

5 Training

6 Information disclosure

7 Dialogue with stakeholders

## System

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

## Human rights due diligence

Based on the CKD Group Human Rights Policy, we have established and implemented human rights due diligence to identify, prevent, and correct any negative impacts on human rights. We promote concrete practices through regular checks and continuous reviews, including in the supply chain.



- Identifying and assessing the risk of infringement of human rights**  
We identify and assess the risk of infringement of human rights that could occur in the supply chain in areas such as working conditions, working environment, discrimination, harassment, privacy, and environmental pollution.
- Surveys**  
We conduct an annual survey of all CKD Group companies and 87 major suppliers on the status of their response to the human rights risk items we have identified above. We analyze the survey results and request countermeasures to mitigate risks if there is a possibility of negative impact.  
The survey conducted in fiscal 2024 identified issues at three suppliers, including the lack of human rights regulations. We conducted individual interviews with the companies concerned, and requested the implementation of necessary measures. As a result, we have received completion reports from two of the companies and will continue to follow up on the progress.

## Other major initiatives relating to human rights

- Employee education on human rights**  
We provide new hires with education on human rights each year. In addition, we revised STOP Harassment Together declaration, and as one of our efforts based on the revision to eradicate harassment, we request division managers to watch training videos and undergo comprehension checks.
- 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.

- Creating a comfortable working environment**  
**Human Capital (Occupational safety and health)** P.40
- 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.  
**Compliance** P.65
- 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 see all our suppliers as important partners, and will continue to deepen communication as we build our global supply chain. Based on ten 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 Promotion of health and productivity management

6 Stable supply of materials and optimal quality

7 Improvement of technical capabilities and technical proposals

8 Development of the management system

9 Confirming the status of initiatives

10 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 conduct an annual questionnaire on the promotion of CSR/ESG procurement and related initiatives (environment, quality, occupational safety and health, and human rights) at our suppliers. We also conduct surveys on each environmentally regulated chemical substance, including PFAS, and conduct surveys on a case-by-case basis to determine whether or not to switch to alternative substances in response to risks. Based on the results of the questionnaire, we engage in close communication with our suppliers as we seek avenues to drive improvement.

## Strengthening partnerships with suppliers

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 desirable business practices in compliance with laws and regulations such as the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors and the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises.

As part of this, we regularly hold briefings on production trends and purchasing policy, quality briefings, exhibitions, and technical exchange meetings, etc., inviting our major suppliers to participate.

We will continue to build better relationships with our business partners.

