

Message from the Chairperson of the Board of Directors



In our aim to be a company trusted by all stakeholders, we will raise our corporate value by building a culture that emphasizes human resources for the strengthening of governance

Kazunori Kajimoto

Chairperson of the Board of Directors

I will create opportunities for free, open, and diverse debate that include our independent directors and actively engage in improvements that reflect their advice

This is the second year since I passed the CEO baton to President Okuoka in 2024. When handing over the position of Chief Executive Officer, I was conscious of ensuring that it was seamless and that there was no stagnation in business operations. When I reflect on the last year, I believe that we have achieved the ideal transition. Under President Okuoka, business operations are proceeding at an accelerated pace toward our next growth stage. I view this as the perfect timing that anticipates our new 10-Year VISION that will start in April 2026.

In my current role as Chairperson of the Board of Directors, I am responsible for improving the effectiveness of the Board of Directors and strengthening governance. I am also focused on supporting management's efforts to further increase corporate value in my capacity as Chairperson. To use an analogy of a painting, just as the small spaces between colors are filled in to enhance the overall completeness of the piece, I view my role as to engage in various activities to help improve the quality of management by filling in the gaps beyond the division of roles between myself and the President.

I have renewed my resolve to carry out my own role fully to help support the transformation that will launch a new decade for CKD.

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, increasing the transparency and fairness of management, maintaining sustained growth, and working to raise corporate value.

The roles of the Board of Directors are to make decisions on management policies and important operational execution and to serve a supervisory function over the execution of operations. To enhance these two functions and improve effectiveness, I acknowledge that it is my responsibility as Chairperson to enhance the information shared by Board members, provide opportunities for free and open debate that includes the Independent Directors, and create an atmosphere that is conducive to discussion.

After I was appointed president, I worked to build and strengthen our governance system as Chairperson and made various improvements to our operations systems.

These included the distribution of materials in advance of Board of Directors meetings and prior discussions about management strategy and other key issues. As well as Directors' opinion-exchange sessions as a forum for

obtaining a wide range of opinions from Independent Directors, we have also provided similar sessions for the Independent Directors to exchange opinions among themselves.

Currently, of the Company's six Directors, three are Independent, accounting for 50%. The Independent Directors include a woman and a foreign national. With their different specialist areas, they engage in lively debate about the Company's issues and challenges from their respective perspectives. That these discussions lead to fair decision-making and transparent disclosures is a strength of the Company.

The Directors' opinion-exchange sessions were the scene of more in-depth discussions about the effectiveness evaluation conducted by a third-party organization this year. The Independent Directors expressed a wish for the prioritization of agenda items requiring approval and for regular updates about large investments. They also showed great expectations for the future. We will take their valuable opinions seriously and respond to them with all our might.

In the Nomination & Remuneration Advisory Committee, we held multiple discussions about the review of the remuneration system, with a third-party organization also participating, with the goal of ensuring further transparency. My feeling is that the system has been completed to a standard that will satisfy the all Committee members. Regarding succession planning, there were suggestions about the visualization of next-generation officer candidates and information sharing, and we have begun deliberations for improvements.

In such ways, in fiscal 2025 as well, as new initiatives resulting from the suggestions of the Independent Directors, our plans include opinion-exchange sessions about topics that they wish to discuss, and the establishment of a forum for communication between division manager-class employees and the Independent Directors.

Work to increase engagement by all employees with the aim of further increasing corporate value

Discussions have been begun in earnest in the Board of Directors for the formulation of our new long-term management plan, 10-Year VISION, which will start in 2026. As an example, we have shared and discussed "future predictions" submitted by employees at Board of Directors meetings.

In July 2024, we conducted a future predictions questionnaire survey, in which we invited employees in Japan and overseas to submit business ideas that would lead to results in 30 years' time. The survey attracted over 1,300 responses across the entire Group. I was both heartened and delighted that so many more employees than I expected showed an interest in CKD's future.

We took the ideas received and, in a new experiment, analyzed them with AI, including their compatibility with the long-term vision. Further, with advice from experts, we identified the strongest ideas, and we are now considering those that are likely to be achievable in 2035 so that they will form the essence of the next 10-Year VISION.

The future predictions survey has also had the added benefit of increasing employee engagement, which is a source of the strengthening of governance. Thirty years' time may seem far into the future, but for our employees in their 20s and 30s today, it is a timeframe in which they could bring their own ideas to life and demonstrate their value to society.

I hope that this particular initiative, which involves participation in management by envisioning the future of CKD from a long-term perspective, will prompt our employees to think more deeply about the future of CKD's business and to engage in the creation of new value.

One other initiative that we implemented for the improvement of employee engagement was a series of interviews with our older employees. Even before words such as diversity and human capital gained such broad currency, we have felt that the building of a robust management foundation would be fundamental to achieving sustained growth as an enterprise. As such, we have pursued initiatives and developed workplace environments that will allow diverse people to play an active role in the workplace. These include the strengthening of promotion of women's career advancement and the establishment of a lifetime employment program.

So, how effective have these measures been? In my position of responsibility for system design, to draw out the true opinions of older employees aged 65 years and over, I visited their workplaces personally and I interviewed around 100 of them in the form of group interviews. The issues that emerged and their invaluable opinions were sorted into three themes, namely comfortable working environment, communication, and wages. I shared these three themes with the President, and we are progressively working on reforms.

As the shortage of human resources accelerates, I believe that, for the strengthening of governance, it will become more and more important to value the people who will support the company's sustained growth and build a corporate culture that will allow each individual employee to demonstrate 100% of their capabilities. I understand that the most important question for me as Chairperson of the Board of Directors is how effectively I can draw out the diverse qualities and insights of the internal and external members of the Board.

As Chairperson of the Board of Directors, I will continue to provide management support for the strengthening of governance, further enhance the Board's deliberations, and work steadily, step by step, to raise corporate value.

Roundtable Discussion with Independent Directors

Toward a Decade of Transformation: Strategic Recommendations for Realizing True Globalization



Fiscal year 2025 marks the final year of CKD's Long-Term Management Vision, 10-Year VISION: GO CKD!. Beginning in 2026, a new 10-Year VISION will take shape. We sat down with three independent directors to discuss CKD's growth strategy and the challenges ahead for the next decade.

Reflecting on CKD's Future: Focusing on "What" Rather Than "How"

— To begin, please share your perspectives and expectations regarding CKD's long-term vision.

Fiscal 2025 is the final year of the current 10-Year VISION, and discussions are already underway regarding the formulation of the next vision. What are your thoughts on how this final year should be shaped, and what challenges and proposals have emerged during the process?

Sacré: As we approach the conclusion of our current 10-Year VISION, it is critical not only to meet our final-year targets but also to swiftly prepare for the implementation of the next vision. Rather than waiting for the final version to

be approved, discussions on the new 10-Year VISION began at the draft stage. I anticipate robust debate and hope for a dynamic start to fiscal 2026.

Hayashi: I see fiscal 2025 as a pivotal starting point for the step forward that will begin in the next decade. The key challenge now is how to shape the new 10-Year VISION under President Okuoka, who took office as CEO in fiscal 2024.

From the outset, I've emphasized the need to think in terms of "What" rather than "How." Instead of focusing on how to hit numerical targets, we should be asking: *What should CKD aim to achieve over the next decade?* To foster a sense of internal conviction rather than obligation, I encouraged deeper conversations around what kind of company we aspire to become, and what we must accomplish to get there.

Although I am the longest-serving independent director among the three of us, this is probably the first time that I have been asked for my input regarding the formulation of a long-term management vision in a such early stage. The increasing incorporation of independent directors' recommendations reflects meaningful progress in governance effectiveness.

Shimada: I was impressed by the process of discussion to shape a new 10-Year VISION, reflecting the opinions and ideas collected from employees ahead of time. This approach is significant in improving engagement. The individual measures proposed by employees offered meaningful pathways toward their aspirations. I suggested that they digest these opinions and connect them to the larger vision that the company is aiming for, and then make proposals with a high level of perspective.

Given my background in HR policy and legislation, I pay close attention to the direction of CKD's HR strategy at the Board level. The Company has long emphasized a "people-oriented" corporate culture through its Values and current 10-Year VISION. I hope to support efforts to align this philosophy with strategic HR reforms under the new 10-Year VISION. It would be beneficial to have more informal discussions before topics are formally presented to the board, and to hear directly from mid-level and younger employees.

Sacré: As Mr. Hayashi and Ms. Shimada have pointed out, to inspire confidence and expectations among stakeholders other than employees, it's time to revisit a fundamental yet challenging question: *What kind of company is CKD, and what are its aspirations?* The new 10-Year VISION should serve as a defining moment in answering that question.

Expanding Global Markets: Strengths, Challenges, and Strategic Focus

— Under the Fifth Medium-Term Management Plan, CKD has successfully expanded its market by targeting specific industries and regions. What strengths should be refined, and what challenges must be addressed to become a truly global company?

Sacré: In sectors such as semiconductors and rechargeable batteries, CKD's enduring brand value lies in its technological excellence and growth potential. Our ability to address societal challenges through innovative product offerings is a key differentiator. Co-creating new value by combining these technologies is another competitive edge, and I expect this to drive future business growth.

However, global expansion presents challenges—particularly in understanding international market needs. While our automation solutions have improved productivity in Japan's manufacturing sector, the domestic market's uniqueness may limit their global applicability. Products tailored to Japanese customers may risk becoming isolated from global standards—a "Galápagos risk" that we must be mindful of.

Having led foreign-affiliated manufacturing firms, I see my role as bridging global trends with CKD's strategy. During my visit to CKD's automation equipment facility in May 2025, I shared insights into the latest developments in Europe's pharmaceutical industry to inspire people in the field.

Shimada: In today's geopolitical climate, where nationalism and power dynamics are reshaping norms, building up trust in local business activity is more important than ever. Appointing local staff as site leaders—or ensuring long-term assignments for Japanese leaders with strong incentives—is key to successful integration.

Hayashi: In July 2024, I visited CKD's sites in Singapore, Thailand, and India and had discussions with local representatives on the sites. Despite regional differences, similar to the earlier proposal to formulate our new 10-Year VISION, I consistently emphasized the need to redefine "What" CKD should pursue and "What" actions are necessary.

Clear market segmentation and leveraging CKD's unique strengths to deliver customer value are essential. Following these visits, I proposed that headquarters adopt a more field-oriented global perspective, leading to board-level reports from overseas site leaders. Though still in its early stages, the company is actively promoting local talent in

Roundtable Discussion with Independent Directors

leadership roles. I plan to visit sites in Vietnam, Indonesia, and Malaysia in fiscal 2025 and use the insights gained to further global discussions.

A Global Talent Market: Recruiting and Developing the Best People

— **What are the key challenges and improvements needed in CKD's human capital strategy?**

Shimada: The basic premise is that HR policy must be tightly aligned with business strategy. Recruitment, development, and evaluation should evolve in tandem with strategic goals.

I have been suggesting the need of instilling a mindset thoroughly to sites that human capital management should treat diverse talent— overseas personnel, women, etc. are not to be treated as “different human resources to be considered”, but as investments and sources of value and competitiveness.



To expand globally, CKD must understand global needs and be mindful of the Galápagos risk in the Japanese market.

Sacré: Diversity means viewing the entire world as a talent pool. The best person for a role should be welcomed regardless of gender or nationality.

Diversity also requires a global lens. In Japan, it often focuses on women, seniors, and foreigners, but we must also consider talent challenges in places like India and Thailand. As a global company, broadening our view on local HR issues will lead to more effective actions toward achieving diversity.

Shimada: With Japan's working population expected to decline by over 20% in the next 20 years, the global competition for top talent has already begun. Students that I know also prioritizes companies based on whether they can realize their potential and contribute to society. Only companies that can clearly answer these questions will be chosen.

As Mr. Sacré mentioned, it's important to communicate a clear and compelling business strategy and invite young people to join in building it.

Talent doesn't develop overnight, and traditional placement policies won't change leadership composition. To cultivate future leaders, we must envision CKD's ideal state 20 years from now and work backward to identify gaps and develop talent accordingly. Executives must engage with the field and treat talent development as a core management responsibility. I hope the new 10-Year VISION marks the beginning of a strategic approach to recruitment and placement aligned with CKD's long-term goals.

Enhancing Transparency in Governance and Succession Planning

— **Please share your thoughts on governance and capital cost-conscious management.**

Hayashi: As chair of the Nomination and Compensation Advisory Committee, we introduced a third-party institution in fiscal 2024 to review the director compensation system. The system includes base salary, performance-linked compensation, and stock-based rewards. Ensuring objectivity and transparency in the decision-making process is essential, and aligning evaluation criteria with the company's philosophy and strategy is key. From the point of view, we advanced discussions, restructured the system and achieved the further transparency.

We are also discussing the openness of compensation and evaluation standards. Clearly communicating what is valued and expected helps convey the company's message and supports fair evaluation and promotion as Ms. Shimada mentioned.

Sacré: Regarding succession planning, we are working on visualizing the profiles of next-generation executive candidates and establishing clear evaluation criteria. Defining the desired leadership traits and aligning them with CKD's vision and goals is also seen as a way to strengthen governance.



Understanding your strengths and weaknesses and knowing where to compete —employee mindset reform is key to growth.

Hayashi: In response to requests from the Tokyo Stock Exchange, we are enhancing financial accountability and disclosure. The Audit Committee is accelerating discussions on ROIC and WACC as indicators of profitability and performance.

Despite significant investments, CKD maintains a solid financial foundation, which is highly commendable.

Uniting Internal and External Expertise to Drive the Next Decade of Growth

— **Finally, please share your thoughts and expectations for CKD's future.**

Sacré: CKD is well-positioned in high-growth industries and has completed its planned production site development. The company is nearly ready for the next decade. To link nine years of accumulated achievements into results, the key challenges ahead are organizational structure and talent development for globalization. I will continue to express my candid advice as a board member to help address these challenges.

Hayashi: The key to future growth lies in transforming the mindset of mid-level employees. They must understand what they should do and where to compete. CKD has yet to fully grasp its true strengths. Producing excellent products is not enough—they must also sell. A market-oriented approach from the manufacturing stage is essential.

Raising awareness at the field level depends on leadership. President Mr. Okuoka is currently visiting sites to promote CKD's Purpose. The top leadership must consistently communicate the company's direction. If market-oriented thinking takes root globally and production sites operate effectively, CKD's growth potential is immense. As required by corporate law, the board will unite the wisdom of internal and external directors to support CKD's leap forward.



View all employees as sources of competitiveness and promote strategic recruitment and development for the future.

Shimada: In an era of frequent corporate scandals, the role of independent directors is to represent societal norms. Employees should feel confident that external oversight ensures fairness and prevents misconduct. I hope to contribute even more actively to building strong relationships with stakeholders and supporting CKD's future.

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 sustained corporate value.

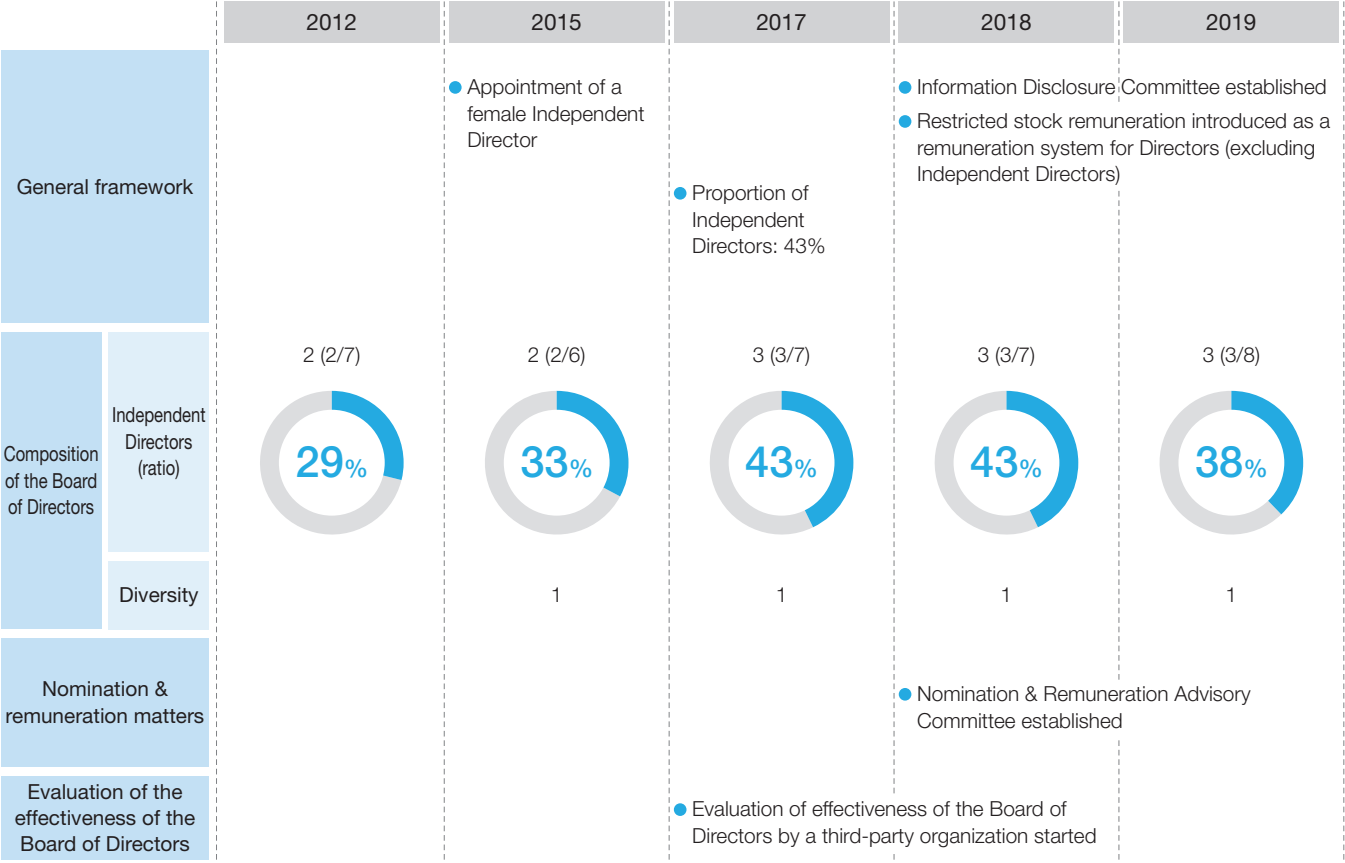
Basic approach

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 sustained growth and increased corporate value.

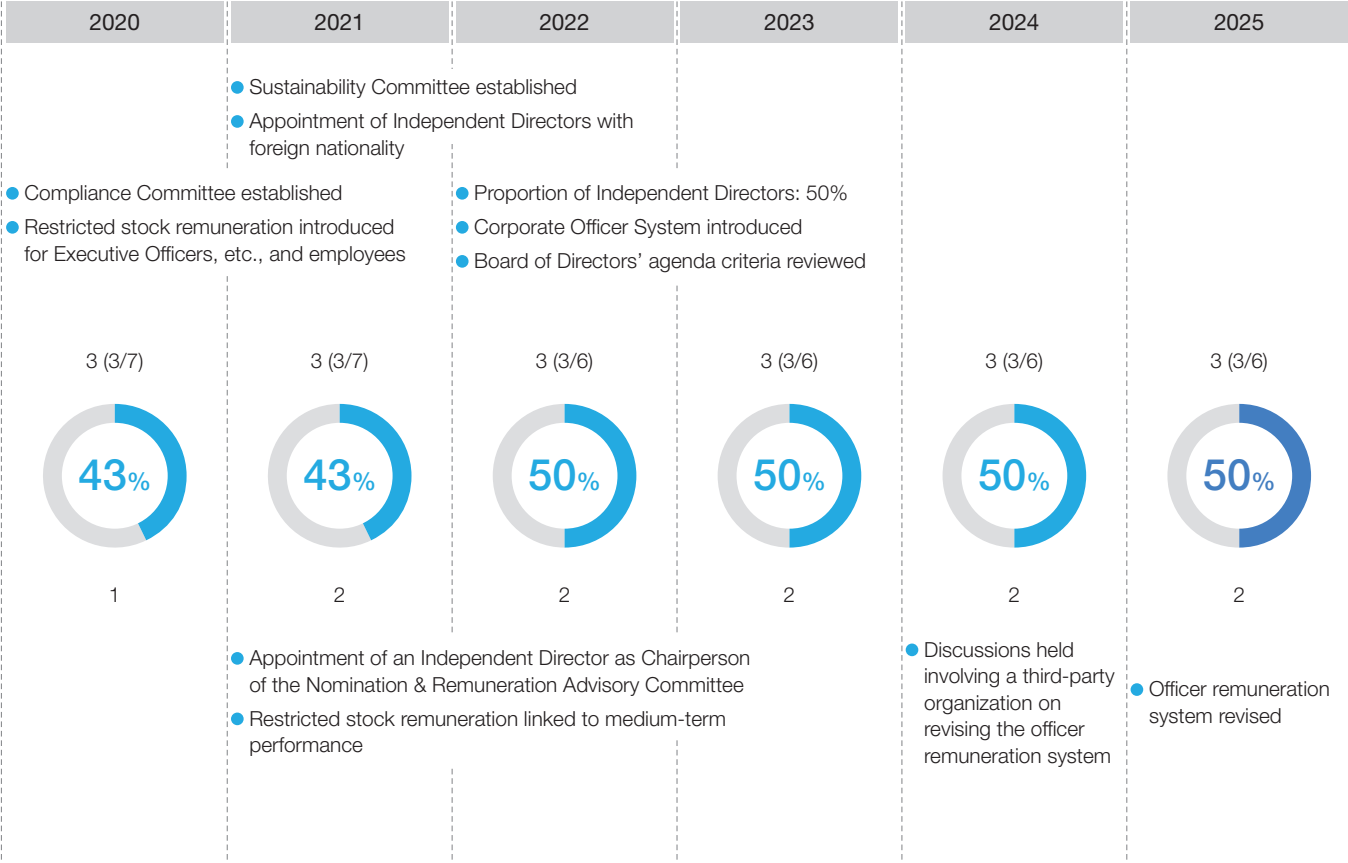
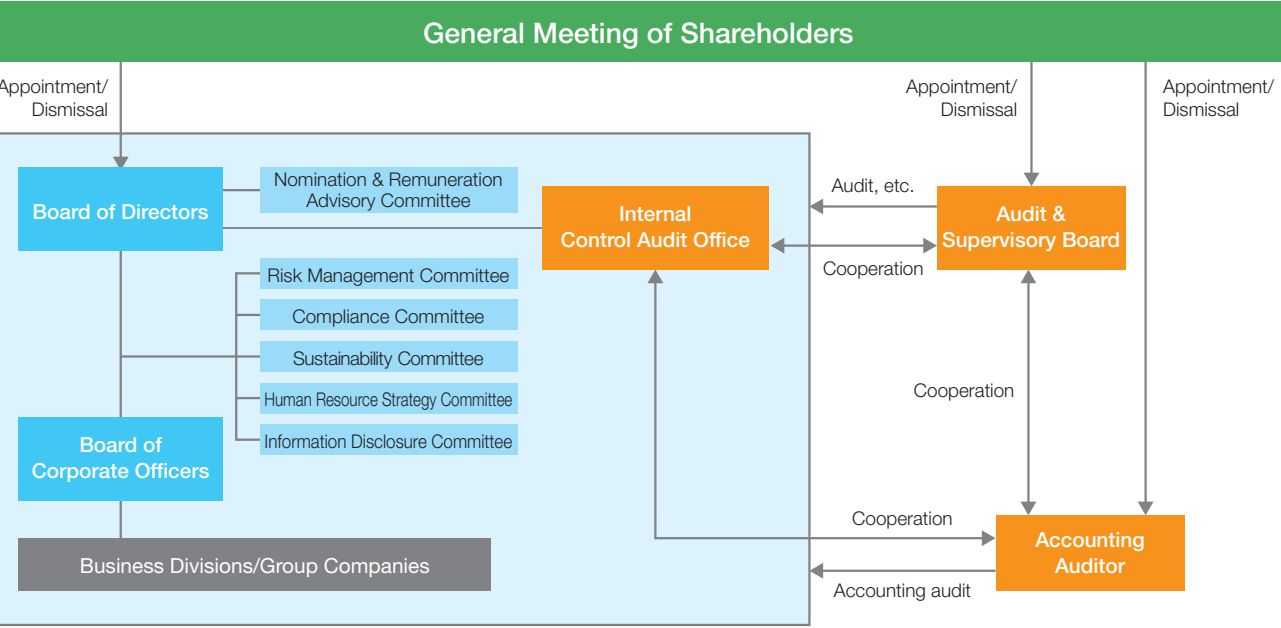
Promotion structure

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 evolution in recent years



Corporate governance structure



Corporate Governance

Boards and committees

Name	Details	
	Outline	Main activities
Board of Directors	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.	<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.· Exchange opinions off-site between Internal Directors and Independent Directors.· Conduct annual evaluations of the effectiveness of the Board of Directors and implement improvement activities to address issues.
Audit & Supervisory Board	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.	<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.
Nomination & Remuneration Advisory Committee	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.	<ul style="list-style-type: none">· The committee is chaired by an Independent Director, with a majority of its members being 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	The board promotes prompt management decision-making and flexible business execution to achieve company-wide management goals.	<ul style="list-style-type: none">· 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.
Risk Management Committee	As part of business management, the committee establishes basic matters necessary to identify and comprehensively manage risks surrounding the Company and conducts risk management.	<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 monitored and advice is provided.· In fiscal 2024, initiatives included strengthening the governance of Group companies, promoting human capital management, responding to requirements for ensuring economic security, promoting information security, and addressing business strategies.
Compliance Committee	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.	<ul style="list-style-type: none">· Hold the meetings every six months in principle.· Report the results of reporting and recommendations to internal and external reporting contact points.· Review disciplinary action proposals.· Investigate and respond to compliance cases.· Report to the Board of Directors.· Review harassment prevention measures.· Report the results of the harassment consultation contact.· Conduct compliance training at overseas bases.
Sustainability Committee	The committee consists of the President as chairperson and relevant officers and division heads as committee members. It deliberates on key issues related to sustainability to promote our ESG and achieve sustained growth into the future.	<ul style="list-style-type: none">· Hold the meetings every six months in principle.· Report to the Board of Directors.· Extract key issues. · Formulate response policies and plans.· Review and deliberate on the progress of responses.· Disseminate policies and plans to related divisions and the entire Company.
Human Resource Strategy Committee	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.	<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	The committee determines the material issues of information and the appropriateness of disclosure content in statutory and timely disclosure and works to establish a fair and reliable information disclosure system.	<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 sustained 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 (6 Directors and 4 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 2024

The Board of Directors was confirmed to be functioning effectively overall. In particular, the following areas were confirmed to be effective.

- The Board of Directors is diverse in terms of knowledge, experience, expertise, gender, and internationality
- The Board of Directors sets policies for the Group's overall business portfolio and conducts regular reviews from the perspective of ensuring sustained profitability
- The Company has appropriately established a framework for company-wide consideration and promotion of sustainability initiatives based on its governance structure
- Independent Directors actively provide advice based on their professional knowledge, and ask effective questions

Future initiatives

Based on the results of this evaluation of the effectiveness, we have identified the following issues, and will work to further increase the effectiveness of the Board of Directors.

	Issues	Specific initiatives
Issues to be continuously strengthened	In fiscal 2024, the Board of Directors created opportunities for free, open, and constructive discussions, opportunities to discuss medium-term management strategies, and opportunities to follow up on important resolutions approved by the Board of Directors. However, we recognized that these efforts were still insufficient.	Hold opinion-exchange sessions between Internal Directors and Independent Directors and conduct off-site meetings Increase opportunities for discussions regarding the 10-Year VISION and the Medium-Term Management Plan Provide progress reports on investment projects
Newly identified issues	We have newly identified the following issues: increasing discussions on management strategy, holding discussions on value creation using digital technologies, providing opportunities such as seminars for officers to acquire necessary knowledge, and creating opportunities for dialogue with Executive Officers and department general manager-level personnel as part of the succession planning.	Conduct discussions on management that takes into account human capital, stock price, and the cost of capital Conduct discussions on DX initiatives Hold seminars for officers Provide opportunities for reports from Executive Officers and department general manager-level personnel at meetings of the Board of Directors

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

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

In fiscal 2024, in order to further enhance transparency, a third-party organization participated in a series of discussions by the Nomination & Remuneration Advisory Committee to revise the officer remuneration system. As a result, the remuneration system was revised as follows, effective from fiscal 2025.

Officer remuneration

Amid the rapidly changing business environment, we aim to increase the certainty of achieving management plans, strengthen governance, achieve global growth, and enable Directors to further enhance the Company's corporate value.

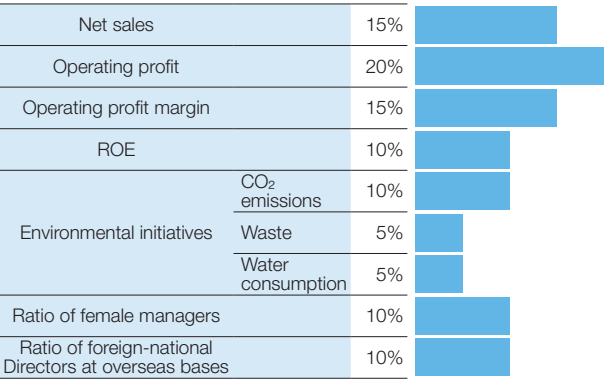
Corporate Governance

• Key points of the revisions

- ① Increase the performance-linked ratio of Directors' remuneration and shift to management that is more conscious of performance-linked indicators.
- ② Reduce the proportion of sales and profits (financial indicators) in performance-linked remuneration and increase the proportion of non-financial indicators such as ESG.
- ③ Change performance-linked indicators in terms of items, standards, weighting, etc. so that they contribute more toward achieving the Company's vision.
- ④ Reduce the number of evaluation levels for performance-linked indicators and establish a more clearly defined performance-linked remuneration system against evaluation indicators.

Performance-linked remuneration is calculated based on the indicators shown in the diagram on the right.

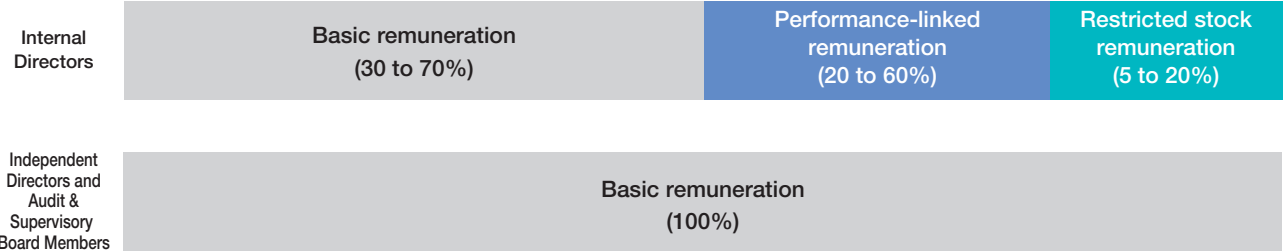
Performance-linked remuneration
Weighting by evaluation indicator



Type of remuneration (approximate composition ratio)	Remuneration details
Basic remuneration (approx. 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 (approx. 20 to 60%)*	<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 (approx. 5 to 20%)*	<ul style="list-style-type: none">Restricted stock remuneration consists of restricted stock intended to raise further motivation to sustainedly improve corporate value and shareholder value over the medium to long term within the range approved at the General Meeting of Shareholders.The shares to be granted to Directors are to be restricted stocks and the number of shares 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



■ 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 2024 (¥ million)

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	233	137	71	25	7
Audit & Supervisory Board Members	46	46	—	—	5
Total	280	183	71	25	12

* 1 Of the amount paid above, the total remuneration for 3 Independent Directors and 3 External Audit & Supervisory Board Members is ¥56 million.
2 As of March 31, 2025, there are 6 Directors (including 3 Independent Directors) and 4 Audit & Supervisory Board Members (including 3 External Audit & Supervisory Board Members).
3 The amount of remuneration for fiscal 2024 is based on the previous remuneration system.

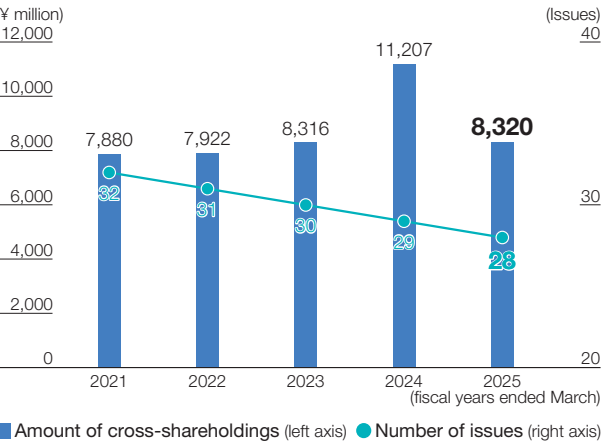
Cross-shareholdings

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.

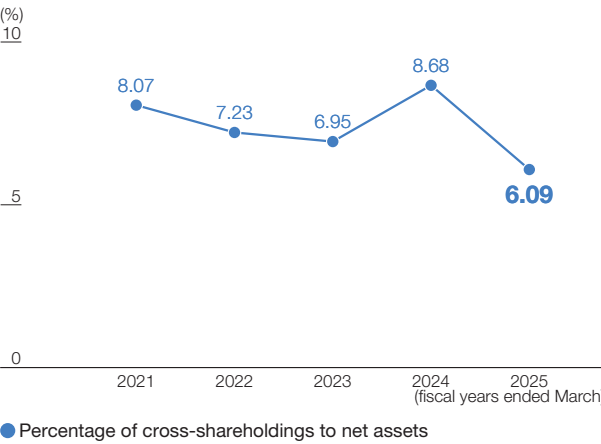
If the significance of the shares held by the Company has diminished, the Company will sell them in a phased manner, taking into account the circumstances of the company concerned. If the Company determines that it is necessary to hold shares, the Board of Directors examines the objectives and rationale 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.

■ Amount of cross-shareholdings and number of issues



■ Percentage of cross-shareholdings to net assets

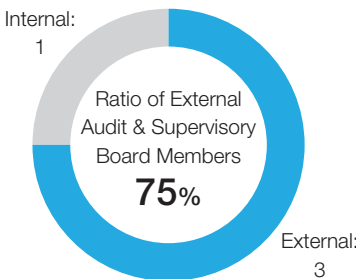


Criteria for judging independence

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/>

■ 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

Number of shares of the Company held
103 thousand shares

100%
(12/12)

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

Number of shares of the Company held
6 thousand shares

100%
(10/10)

Reason for appointment Mr. Yoshiyuki Amano has long experience in overseeing the departments for technology development and service improvement, 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.



Koichi Hayashi
Independent Director

Number of shares of the Company held
0 thousand shares

100%
(12/12)

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.



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

Number of shares of the Company held
49 thousand shares

100%
(12/12)

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

Number of shares of the Company held
0 thousand shares

100%
(12/12)

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.



Hiroko Shimada
Independent Director

Number of shares of the Company held
0 thousand shares

100%
(12/12)

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.

Audit & Supervisory Board Members



Toshiaki Sugiura
Standing Audit & Supervisory Board Member

Number of shares of the Company held
12 thousand shares

100%
(10/10) 100%
(10/10)

Reason for appointment Mr. Toshiaki Sugiura has long experience in overseeing the departments for staff workers' affairs, as well as 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

Number of shares of the Company held
0 thousand shares

100%
(12/12) 100%
(12/12)

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.



Shuzo Hashimoto
External Audit & Supervisory Board Member

Number of shares of the Company held
0 thousand shares

100%
(12/12) 100%
(12/12)

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

Number of shares of the Company held
0 thousand shares

100%
(12/12) 100%
(12/12)

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.

● Status of attendance at Board of Directors meetings (Fiscal 2024) ● Status of attendance at Audit & Supervisory Board meetings (Fiscal 2024)

Please refer to the Securities Report (P. 44, 45) for the career summaries of Officers.
<https://www.ckd.co.jp/assets/images/ir/holdersinfo/meeting/shousyuutsuuchi105english.pdf>

Skill set matrix

	Name	Job title	Gender	Age*	Years in office	Significant concurrent positions The number of companies Of which, the number of listed companies	Committee belongs to Nomination & Remuneration Advisory Committee	Expertise and experience								
								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 of Directors	Male	68	21		●	●		●	●	●			●	●
Internal	Katsuhito Okuoka	President and Chief Executive Officer	Male	57	9			●	●	●		●	●	●	●	
Internal	Yoshiyuki Amano	Director Executive Officer	Male	62	1			●	●	●		●	●	●		
External (Independent)	Stefan Sacré	Independent Director	Male	62	4	1	●	●	●	●	●			●		●
External (Independent)	Koichi Hayashi	Independent Director	Male	60	3	2	1 ● Chair	●				●	●			●
External (Independent)	Hiroko Shimada	Independent Director	Female	61	2	2	1						●		●	●
Internal	Toshiaki Sugiura	Standing Audit & Supervisory Board Member	Male	64	1			●			●		●		●	
External (Independent)	Shuzo Hashimoto	External Audit & Supervisory Board Member	Male	69	5	1							●			
External (Independent)	Kiyoshi Miura	External Audit & Supervisory Board Member	Male	67	3	2	1	●			●	●	●	●	●	
External (Independent)	Tsuyoshi Takeuchi	External Audit & Supervisory Board Member	Male	66	3	3	1	●				●	●			●

* As of June 20, 2025

Corporate management	Experience and knowledge of corporate management and business operation, which are necessary to fulfill medium-to long-term business goals, cultivate a healthy global environment and a prosperous future: the Company's Purpose, 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 sustained 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

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. Furthermore, as part of our efforts to communicate this policy widely throughout the Company, it is posted on the CKD website in three languages: Japanese, English, and Chinese, and is also made available on the websites of our overseas subsidiaries. Additionally, we 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 2024, 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.

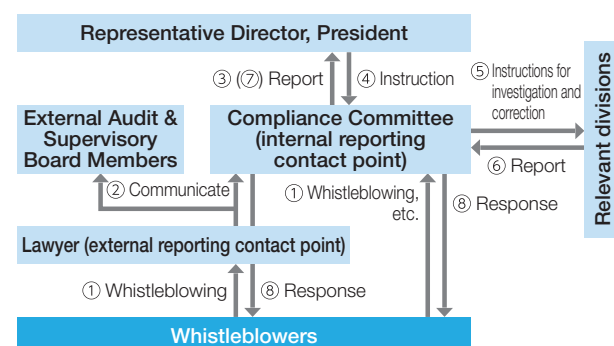
Whistleblower system

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 2024, 24 whistle-blowing cases were reported. Of these, 4 reports concerned human rights violations, such as harassment, but none of the reported matters were confirmed.

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.

Whistleblowing handling system



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.



For details of this page, please refer to 'Risk Management' on our website.
<https://www.ckd.co.jp/en/sustainability/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

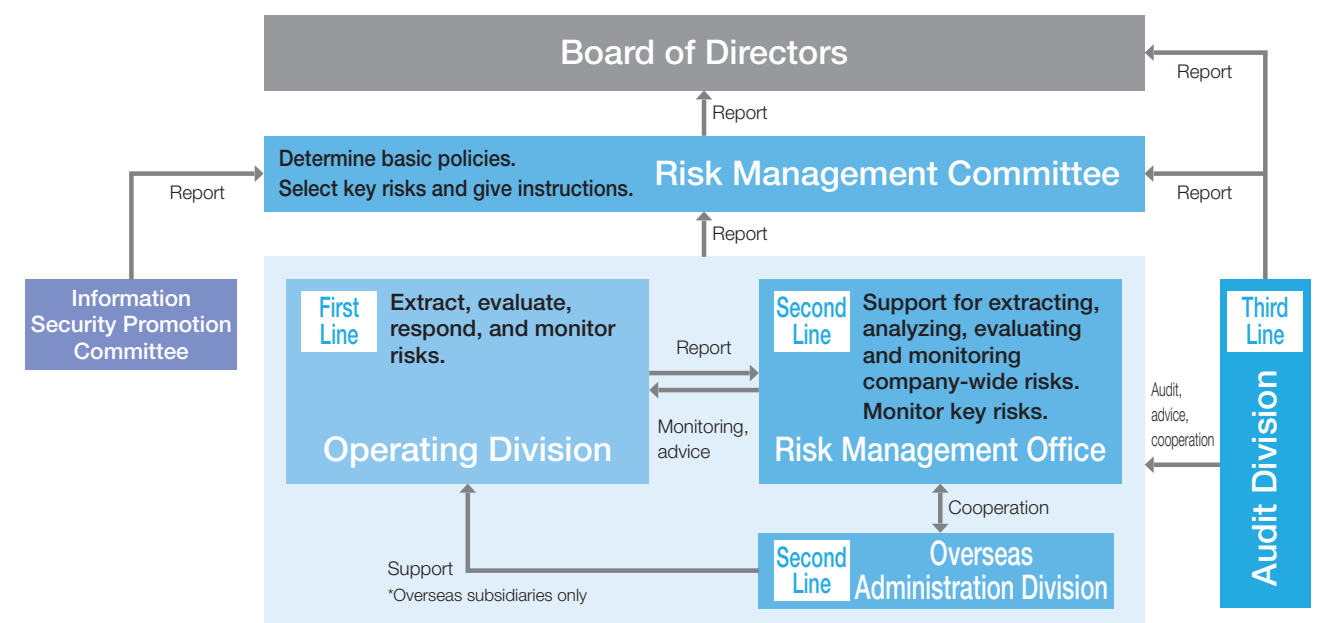
The Risk Management Committee has been established as an organization under the direct control of the Board of Directors. It reports the progress and results of its activities to the Board of Directors regularly to promote risk management.

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 supports the Operating Division in identifying, analyzing, evaluating, and monitoring company-wide risks.

For overseas subsidiaries, the Overseas Administration Division works in collaboration with the Risk Management Office to provide support. In addition, the Risk Management Office monitors the progress of efforts by the Operating Division to address key risks, encourages improvements as necessary, and regularly reports to the Risk Management Committee.

The Audit Division conducts audits, provides advice, and coordinates with the Operating Division, the Risk Management Office, and the Overseas Administration Division to ensure their proper function.



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 identified, and then evaluated based on the frequency and degree of impact when they occur. Identified key 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 material issues
			Material Issues P.20-22
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	● 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	● Risk management ● Supply chain 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	● Risk management ● 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 · Management of overseas Group Companies to strengthen governance · Human resource strategy incorporating strengthened in-house education, including implementation of a global-based human resource development plan	● Challenge to new businesses and markets ● Corporate governance ● 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	● 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	● Development of low environmental impact products ● Products that emphasize safety and quality ● Challenge to technological innovation

Risk factors	Risks	Responses and opportunities	Corresponding material issues
			Material Issues P.20-22
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	● Development of human resources and future generations ● Respect for human rights ● 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	● Supply chain management ● 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	● Development of low environmental impact products ● Reduction of CO ₂ emissions ● Reduction of water consumption ● Prevention and reduction of waste ● 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	● Promotion of occupational safety and health ● 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	● Risk management