

The Fifth Medium-Term Management Plan
Exciting CKD 2025
Intriguing 4 years to achieve 10-Year VISION

May 13, 2022
CKD Corporation
Securities code 6407

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**Review of previous medium-term management plan
"Build-Up CKD 2021"**

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The Fifth Medium-Term Management Plan "Exciting CKD 2025"

1. Long Term Management Vision

"10-Year VISION GO CKD!"

Corporate Philosophy

With creative knowledge and technology, we shall innovate fluid control and automation, and thus contribute to building a rich society.

Corporate Commitment

1. Recognition of Corporate Social Responsibility
2. Care for the Global Environment
3. Thorough Customer Orientation
4. Challenge to Technology Innovation
5. Corporate Culture with Faith in Human Resources



What we aim for

Contributing to the resolution of social issues through technological innovation and value creation



CKD

Automatic
Machinery

×

Components

“10-Year Vision GO CKD!”



Contribute to the creation of a prosperous society, both in material and in spirit



Bring happiness to employees as well as their families



Meet expectations of shareholders

Basic Policy 1

New Target

Challenge new businesses and markets

Basic Policy 2

New Global Stage

Accelerate globalization and expand overseas markets

Basic Policy 3

Sustainable Management

Establish a sustainable management foundation

Basic Policy 4

Emphasis of human resources

Build a corporate culture that emphasizes human resources

2. Review of the Previous Medium-Term Management Plan "Build-Up CKD 2021"

Review of “Build-Up CKD 2021” (1)

Flexibly adapt to changes in the business environment and social changes, and achieve the profit target in the final fiscal year

Basic Policy

1

Challenge new business activities and markets

2

Accelerate globalization and expand overseas markets

3

Establish a sustainable management foundation

4

Build a corporate culture with faith in human resources

* 4-Pillar orientation remained unchanged in FY2021

Numerical targets and results for the final fiscal year

	Original goal	Actual	3-year goal	Actual
Consolidated net sales	143 billion yen	142.2 billion yen	377 billion yen	349.6 billion yen
Operating profit	14.3 billion yen	17.9 billion yen	31.6 billion yen	30.8 billion yen
Operating profit margin	10.0%	12.6%	8.4%	8.8%
ROE	9.0% or more	12.1%	-	-

shareholder return

Dividend Payout Ratio





During the previous Mid-term Management Plan period

Reduction of 33.7% (30.2%, 31.2%, 35%)

Estimated at 30%



Review of “Build-Up CKD 2021” (2)

Automatic Machinery: Expanding products that help solve social issues

Achievements		Challenges
Automatic Machinery	<div><div><div>■ Pharmaceutical products packaging machines</div><div><div>• Dedicated machines for the Chinese market</div><div>• Strengthening of domestic service business</div></div></div><div></div></div> <div><div><div>■ 3D solder paste inspection machines</div><div><div>• New VP9000 model released</div></div></div><div></div></div> <div><div><div>■ Winding machine for lithium-ion battery manufacturing</div><div><div>• Contract for joint development of predoped devices</div></div></div><div></div></div> <div><div><div>■ Inspection machine (new)</div><div><div>• Transparent Object Inspection Device IS-UVCL01 Released</div></div></div><div></div></div> <div><div><div>• Accelerated growth in the Chinese pharmaceutical market</div><div>• Further strengthening of the service business</div></div></div> <div><div><div>• Increased sales in Europe and the US</div></div></div> <div><div><div>• Creation of new businesses</div></div></div> <div><div><div>• Strengthening of proposals for problem solving</div></div></div>	

Review of “Build-Up CKD 2021” (3)

Components: Increase production capacity and productivity to meet growing industries

Achievements		Challenges
Components	<p>■ Strengthening efforts for the semi-conductor market</p> <ul style="list-style-type: none"> • Production Enhancement: <div> <div>Tohoku Plant</div> <div>China Plant</div> <div>North America Plant (New)</div> </div>	<ul style="list-style-type: none"> • Expansion of production systems to meet vigorous semi-conductor demands
	<p>■ Electric motion product business</p> <ul style="list-style-type: none"> • Expanding product variations • Strengthening of production systems <div>  </div>	<ul style="list-style-type: none"> • Automation of CKD products and services Establish competitive advantage
	<p>■ Pneumatic components</p> <ul style="list-style-type: none"> • IoT/Network/Human Assist devices • Low Environmental Load Products <div>  </div>	<ul style="list-style-type: none"> • Expanding efforts to solve social issues
	<p>■ Improved productivity through automation</p>	<ul style="list-style-type: none"> • Realize high productivity using ICT and Transformation of business models

Review of “Build-Up CKD 2021” (4)

Promote globalization by strengthening overseas production bases and through alliances

Acquire overseas businesses

Distributors of Italy
100% Epsitec Stock Acquisition
(Completed April 5th)
Change to CKD Italia S.R.L.
(tentative)



CKD China
China Plant

Automation in the Chinese market /
Strengthening response to demand for
semi-conductors
Increased production of electric motion
components, pneumatic components, and fluid
control components

Pharmaceutical packaging machines for the
Chinese market
300 W production start



CKD USA
Austin Manufacturing



April 2022 Completion
June 2022 Scheduled
operation
Fluid control components
for semi-conductors
Strengthened response

CKD India
India Plant (tentative name)



Temporary hold due to COVID-19
Expected to start construction in October 2022



CKD Thailand
Thailand Plant



Acquired adjacent real estate
Enhancement of Fluid control
components production

Expansion of local distributors



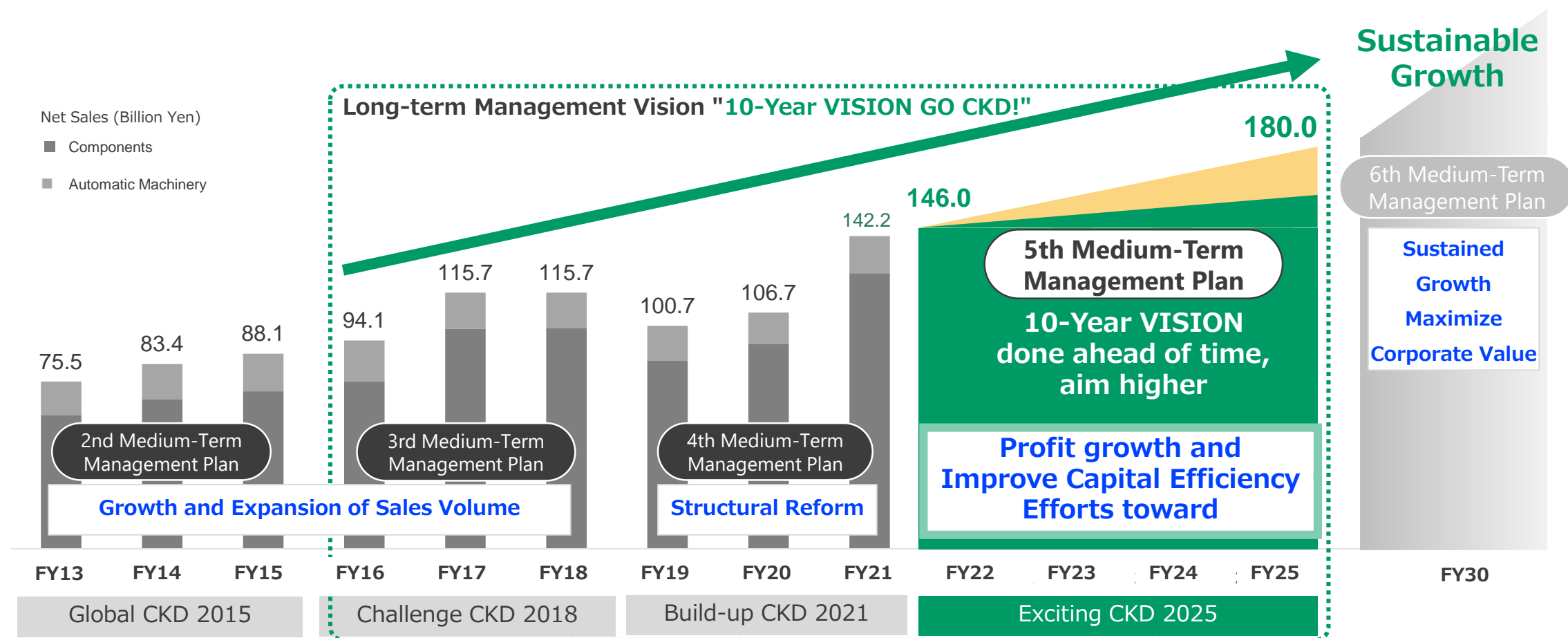
North America Mexico Vietnam

3. The Fifth Medium-Term Management Plan

"Exciting CKD 2025"

Positioning of "Exciting CKD 2025"

Achievement of "10-Year VISION GO CKD!" and building a foundation leading to the next long-term management vision



In formulating “Exciting CKD 2025”

External Environmental Recognition

- A new future in the post-Covid-19 era / Realization of a new daily life
- Growing environmental issues/increased awareness of sustainability
- Advancement of technology (Data society/Serious cyber risk)
- Increase / Materialization of country risk
- Declining birthrate and aging population/ Diversification of work styles, health, safety and security
- Necessity of non-contact/remote society/resilience

Internal Environmental Recognition

- Implementation of management that puts emphasis on ESG (Environment, Society, and Governance)
- Advancing Digitalization and DX
- Realizing sustainability
- Human resource development (National Staff, Next-generation Leaders)
- Diversity promotion
- Health and productivity management practices / Creating a vibrant workplace / Engagement

New Medium-Term Management Plan "Exciting CKD 2025" (Four-year plan for fiscal 2022 to fiscal 2025)

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

1 Challenge new businesses and markets

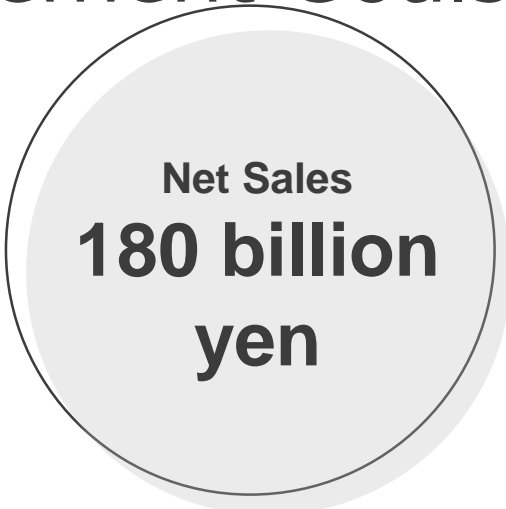
2 Accelerate globalization and expand overseas markets

3 Establish a sustainable management foundation

4 Build a corporate culture that emphasizes human resources

"Exciting CKD 2025" Management Goals

Mid-term Management Goals



KPI	FY2021 Results	Fiscal 2022 Goals	FY2025 Goals
Net Sales	142.2 billion yen	146.0 billion yen	180.0 billion yen
Operating profit	17.9 billion yen	18.5 billion yen	25 billion yen
ROE	12.1 %	10.0 % to 13.0 %	
Dividend Policy	Dividend payout ratio estimated at 30%	Dividend payout ratio target of 40%	
Buy back shares	-	Consider flexible share buyback	

"Exciting CKD 2025"



1. Evolution of Profit and Business Strategy Model

- (1) Industries of Focus
 - Semiconductor / Batteries
- (2) Businesses of Focus
- (3) Focus Areas
- (4) DX-based service business



2. Improvement of Management Efficiency

- (1) Capital Policy Approach
 - Cash Allocation Overview -
 - Investing for Growth -
- (2) Capital Investment Plans and R&D Investment Plans

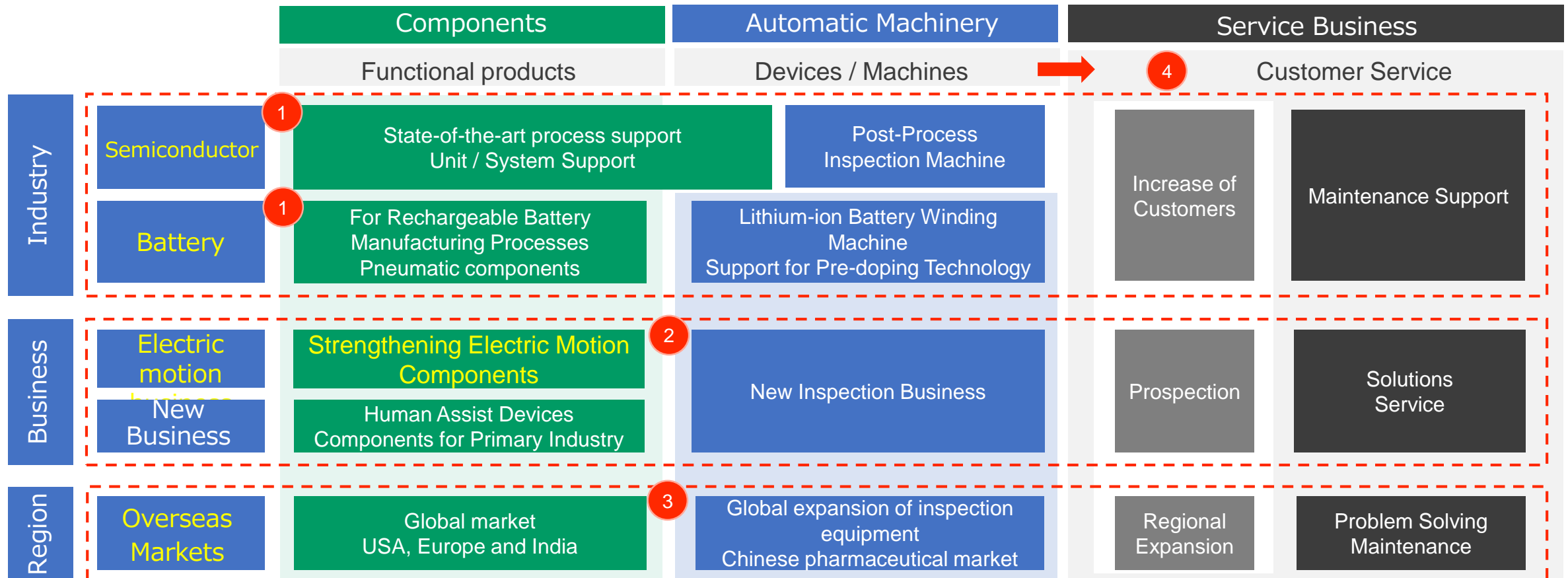


3. Enhancement of Management Foundation

- (1) ESG for Sustainable Growth
- (2) Environment
- (3) Society
- (4) Governance

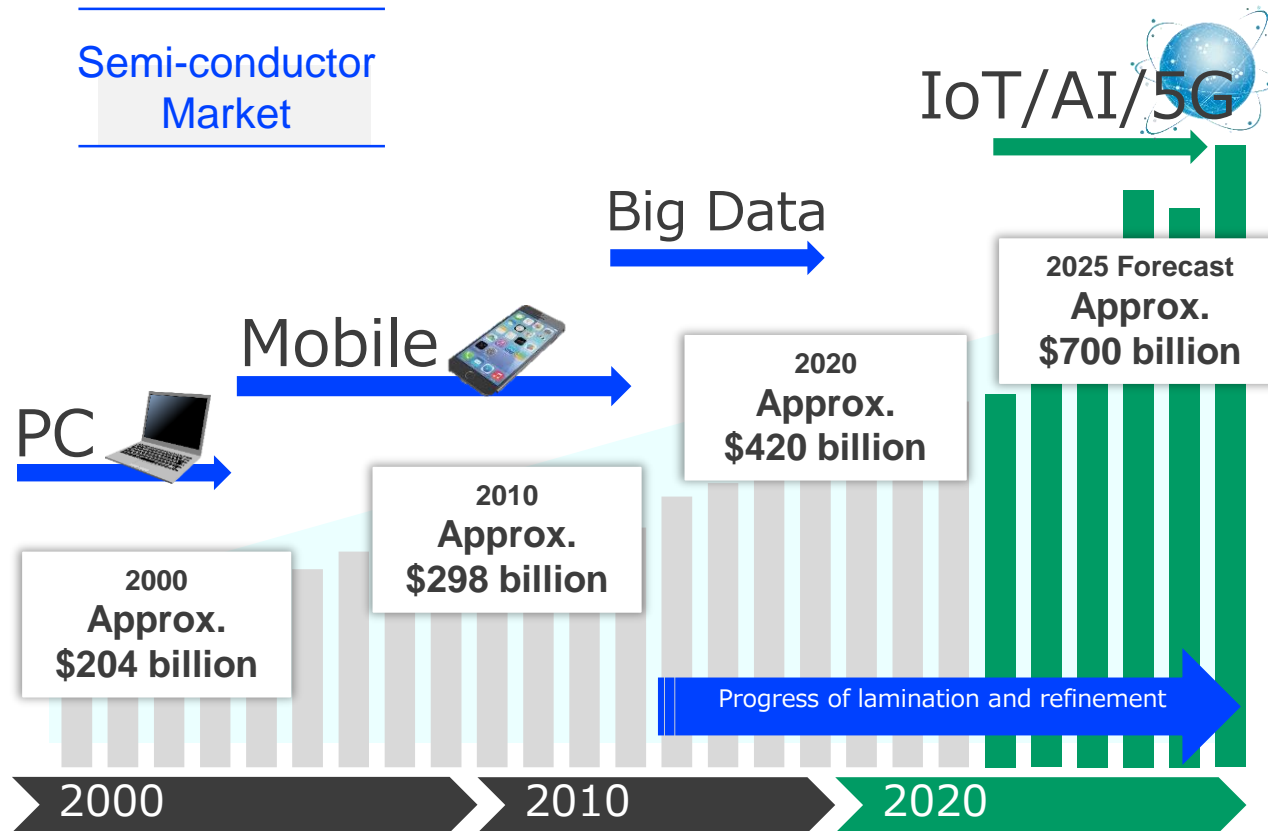
1. Evolution of the Revenue and Business Strategy Model

Grow together in industries, businesses, and regions that are expected to grow, creating new value from core technologies



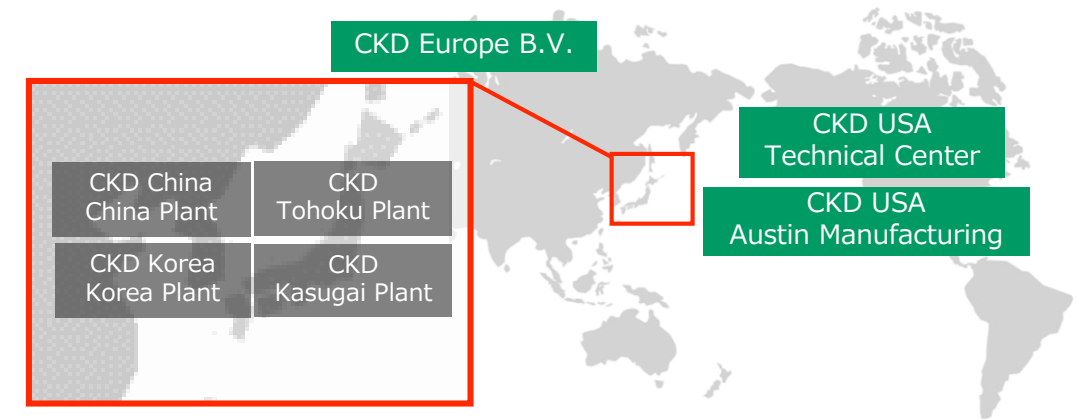
1. (1) Industries of Focus **Semi-conductors**

Expand in industries, businesses, and regions where growth is expected and create new value from core technologies

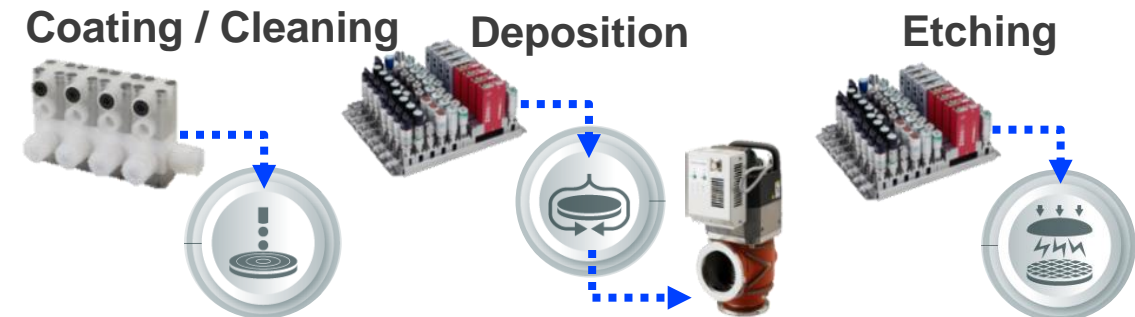


* CKD Summary
* The graph is an image

Global Follow-Up System



Technology that supports advanced processes

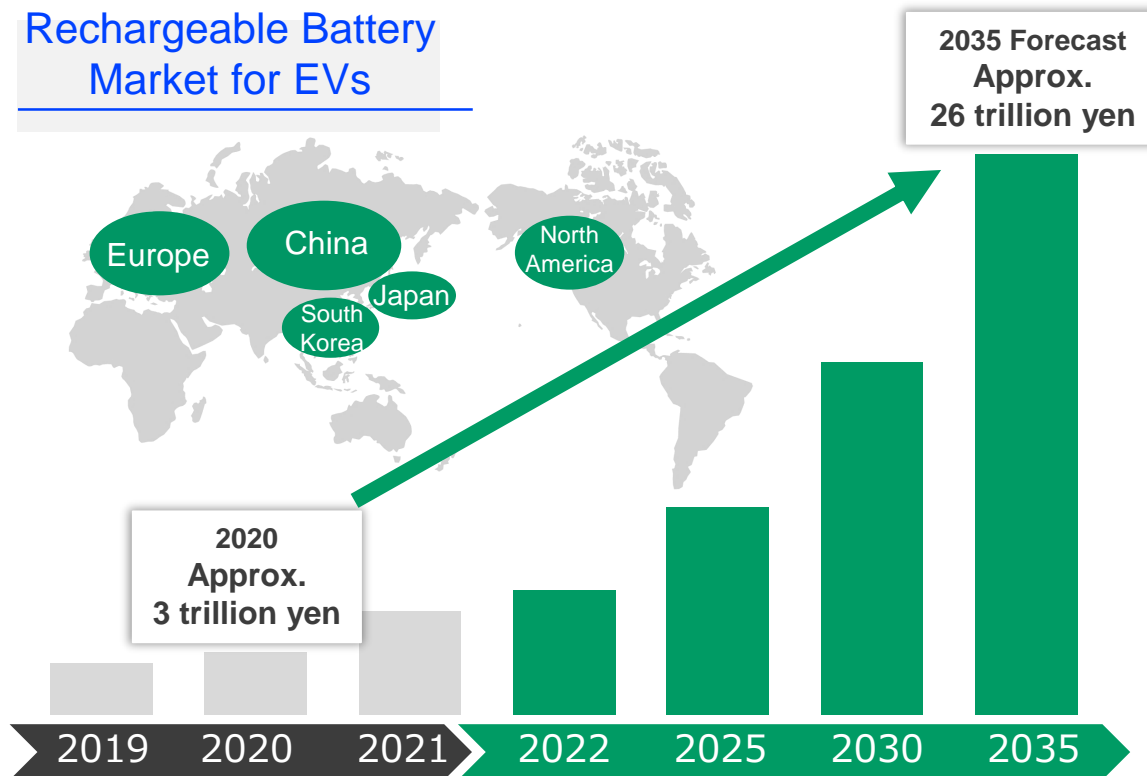


Miniaturization, Support for high aspect ratio,
Thin film formation and Support for new materials

1. (1) Industries of Focus Batteries

Creating value and increasing market share in the growing battery industry for the realization of a sustainable society

Rechargeable Battery Market for EVs

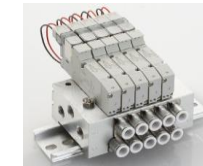


* CKD Summary
* The graph is an image

Priority policy

Pneumatic components for rechargeable battery manufacturing processes

- Responding to growing markets with production capacity and quality



Support for pre-doping technology used in winding machines for lithium-ion batteries

- Response to expanding use of EVs
- Commercialize lithium pre-doping equipment and sell mass production equipment



1. (2) Businesses of Focus **Electric Motion Business**

Transform into CKD "Pneumatic components" and "Electric motion components" and expand into businesses that support the future

Direct Drive Motors



ABSODEX τ **DISC**[®]
Servo Motor

Strengthen our product appeal to
become the world's top brand

Electric Actuators



ROBODEX

Increase market share by proposing
solutions with pneumatic components

1. (3) Areas of Focus Overseas markets

Contributing to the advancement and development of industry on a global scale by providing products that meet diverse needs

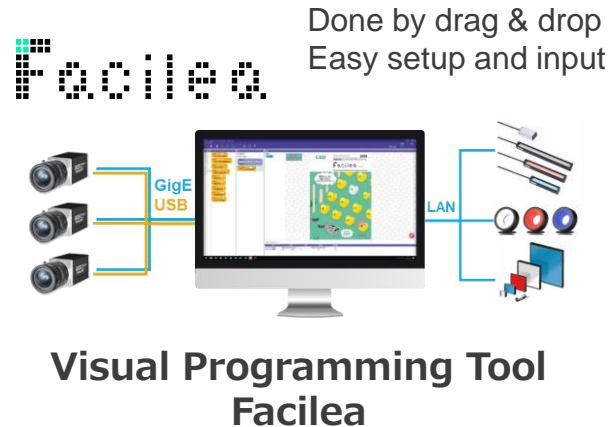


1. (4) DX-based Service Business

We innovate fluid control and automation with creative wisdom and digital technology to deliver new value



Expansion of software products



"Exciting CKD 2025"



1. Evolution of Profit and Business Strategy Model

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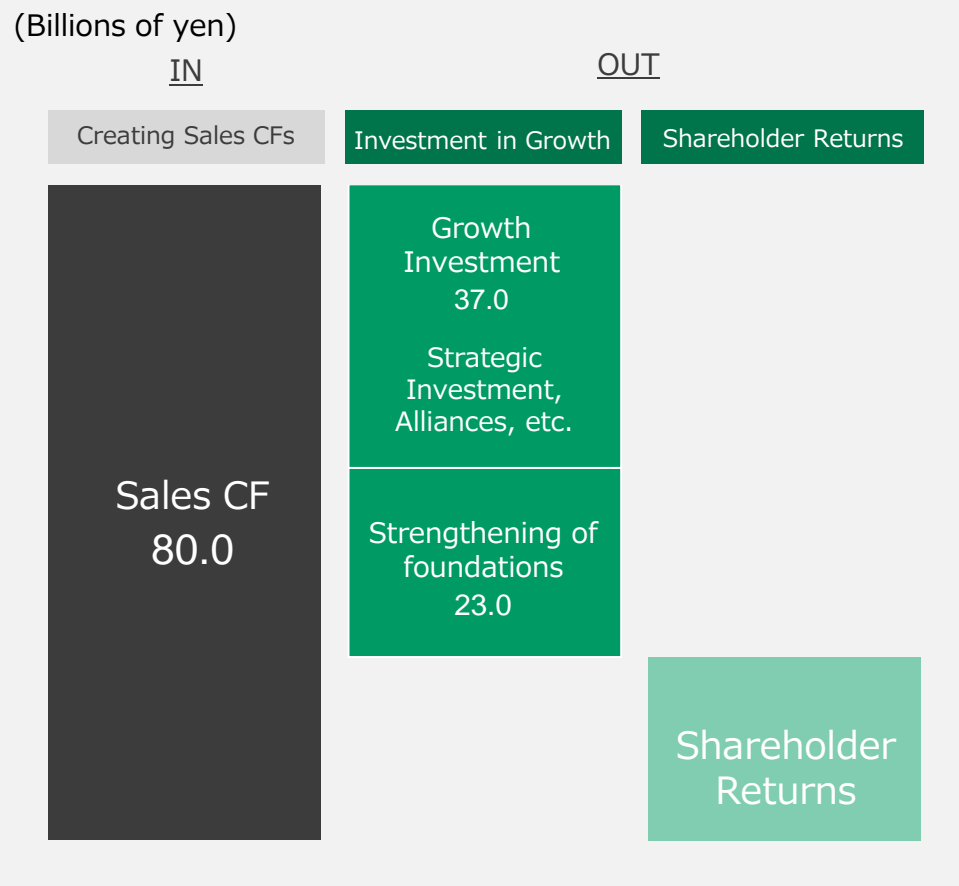


3. Enhancement of Management Foundation

- (1) ESG for Sustainable Growth
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2. (1) Capital Policy Approach - Cash Allocation Overview -

Ensure investment necessary for sustainable growth and implement stable and flexible shareholder returns



- 1 Capital generated from sales activities is utilized for R&D, capital investment, and strengthening foundations
- 2 Shareholder returns are based on a payout ratio of 40%, which is flexible execute a share repurchase to target ROE10% to 13%
- 3 Strategic investment is conscious of progress on priority measures and capital efficiency
- 4 Pursue appropriate corporate value formation through optimal capital structure

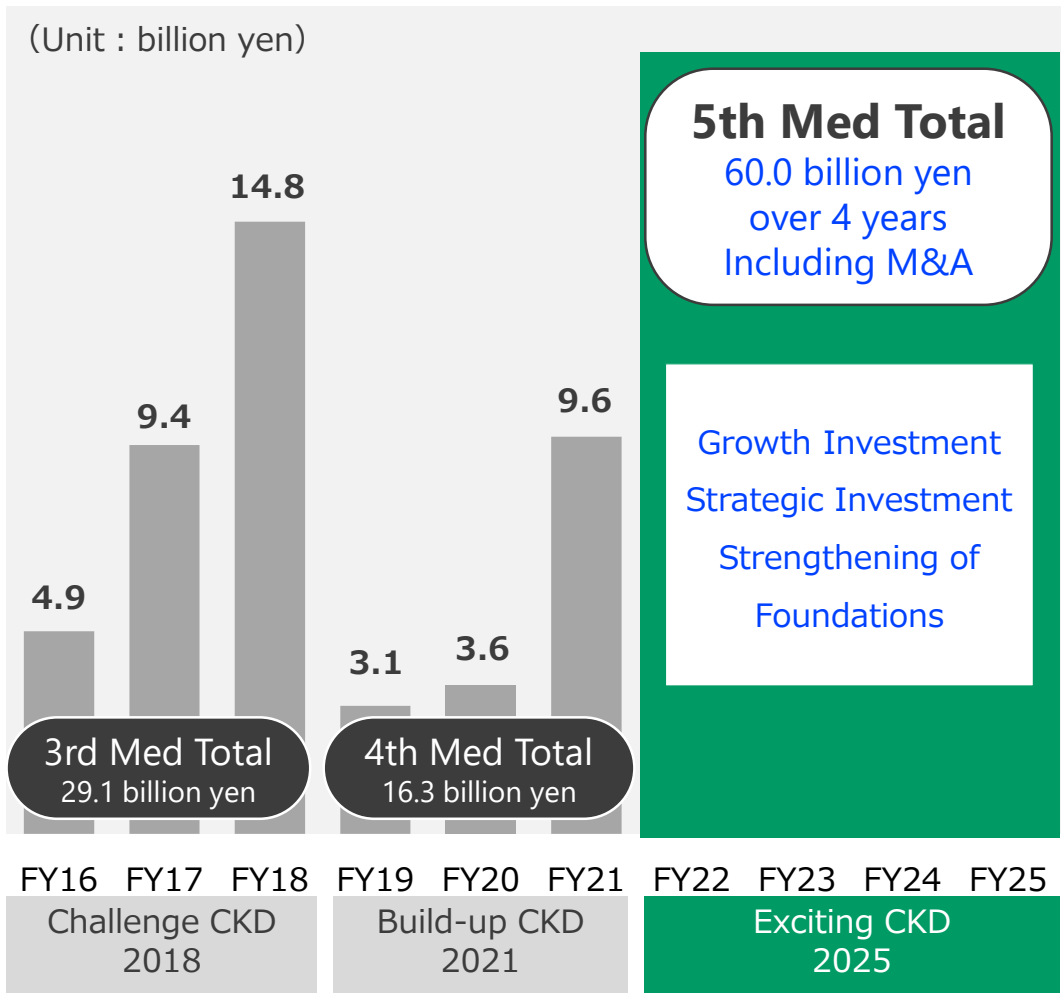
2. (1) Capital Policy Approach - Investing for Growth -

Leveraging the cash generated, JBIC implemented 60 billion yen growth investment and strengthened infrastructure, including M&A

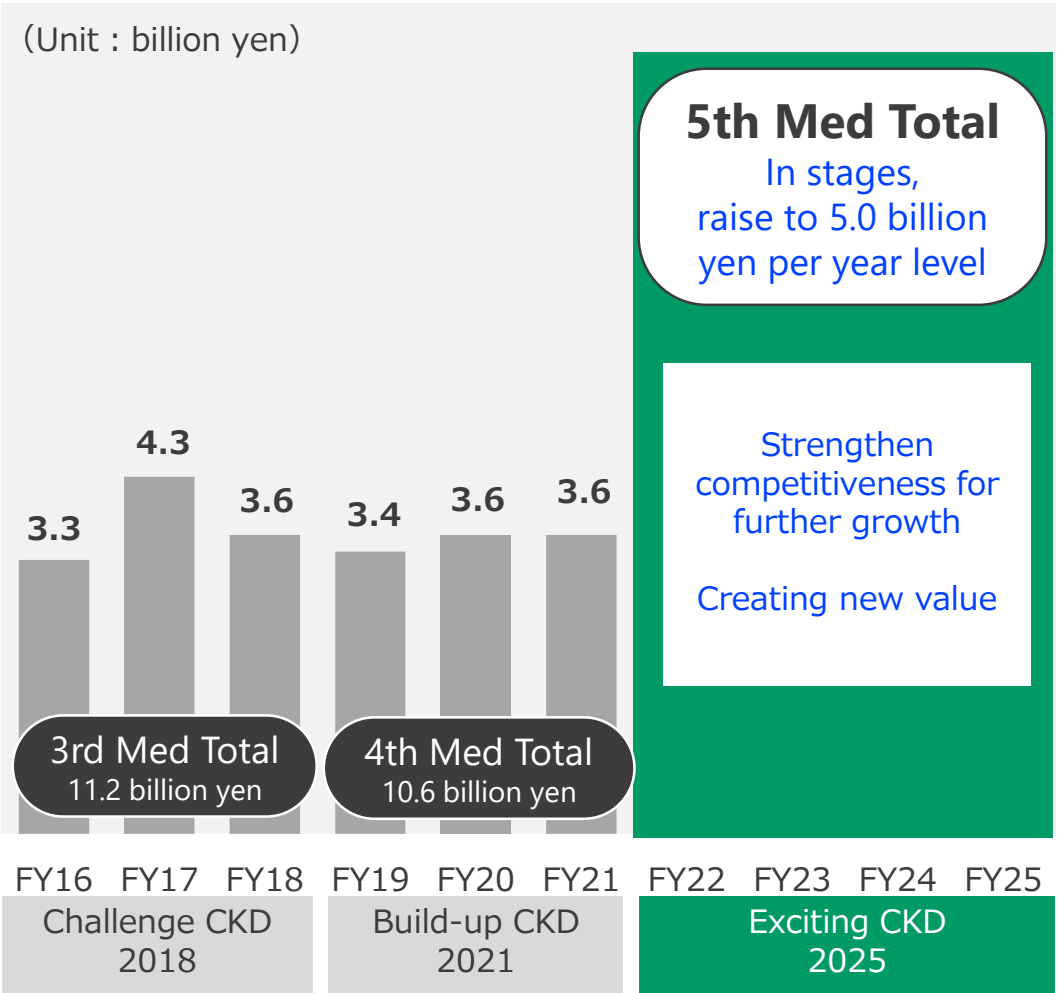
Focus Areas		Amount Scales
Growth Investment and Strategic Investment	Domestic Investment: Increase of production capacity in the semiconductor, rechargeable battery industries, and electric components Overseas Investment: Production start-up and capacity expansion in Europe, USA and India	37 billion yen
	Alliance, M&A, New business, and business restructuring to expand business	
Strengthening of foundations	Human investment	4 billion yen
	DX Investments	2 billion yen
	Environmental investment	7 billion yen
	Investment in productivity improvement	10 billion yen

2. (2) Capital Investment Plans and R&D Investment Plans

■ Capital Investment Plans



■ R&D Investment plans



"Exciting CKD 2025"



1. Evolution of profit and business strategy model

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3. Enhancement of Management Foundation

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3 . (1) ESG for Sustainable Growth

Basic Policy on Sustainability

CKD Corporation, in keeping with its corporate philosophy, aims to contribute to the creation of a sustainable society and thereby enhance corporate value.

■ Non-Financial Qualitative Index

Creation Values	Key Theme	Goals
Environment	Response to Climate Change	CO2 emission reduction: FY2030 50% reduction (per unit of sales compared to FY2013) FY2050 Virtually Zero
		Endorsement of TCFD Recommendations, Consideration of Scope3 Adoption
		Promotion of environmental investment (solar power generation system, green power)
	Resource recycling and waste	Reduction of water consumption and waste
Society	Active participation of diverse human resources	Female managers ratio: FY2030 10% or more
		Promotion of the contributions of senior employees
		Diversification of work patterns for employment of persons with disabilities
	Employee engagement	Promotion of health and productivity management, paid acquisition rate average 65% or more
		Promotion of Industrial Safety and Health Activities
		Improvement of training and skill acquisition support systems
Governance	Efforts to respect human rights	Implementation of human rights due diligence
	Strengthening of group management and risk management	Strengthening of monitoring by risk management, compliance, and sustainability committees
	Corporate governance	Optimal Board of Directors structure to achieve management plan

3 . (2) Environment

Reduction of CO2 emissions

- Goals**
- **FY2030** Reduce CO2 emissions per unit of **sales by 50%** (compared to FY2013)
 - **FY2050** CO2 emissions **Virtually Zero**
- Reduction Measures**
- Promote thorough improvements in energy conservation
 - Expansion of solar power generation facilities
 - Utilization of renewable energy sources such as introduction of green power

Enhancement of information disclosure

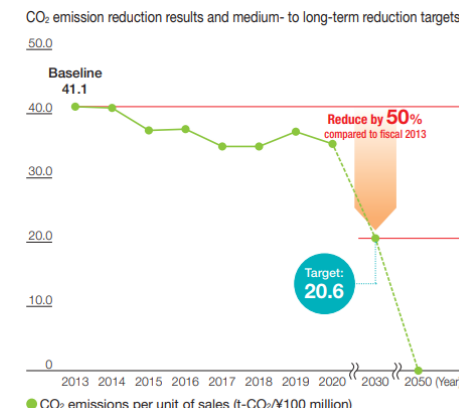
- Schedule**
- 2022 TCFD Disclosure
 - End of June Disclosure of Qualitative Analysis (our website)
 - End of Sep. Disclosure including financial (Integrated Report, our website)
- Long-term Issues to be considered**
- Scope3 Implementation

Efforts toward carbon neutrality

- Introduction of a solar power system
- Green power



Development of Low Environmental Load Products



Reduction of greenhouse gases (Scope3)

Upstream	CKD	Downstream
SCOPE 3 Purchased goods Capital Goods Transportation & Shipping Waste Leased assets	SCOPE 1 Direct emissions SCOPE 2 Indirect emissions SCOPE 3 Others	SCOPE 3 Transportation and delivery Products sold Product disposal

3 . (3) Society

Active participation of diverse human resources

- Goals**
- **FY2030** Female managers ratio: **10% or more**
 - Promotion of the contributions of senior employees
 - Diversification of work patterns for employment of persons with disabilities

Employee Engagement

- Goals**
- Promotion of health and productivity management, and paid acquisition rate average 65% or more
 - Promotion of Industrial Safety and Health Activities
 - Human Resource Development (Next Generation, Global Digital)

Efforts to Respect Human Rights

Implementation of Human Rights Due Diligence

Enactment of CKD Group Human Rights Policy (April 2022) (<https://www.ckd.co.jp/en/csr/sdgs/>)

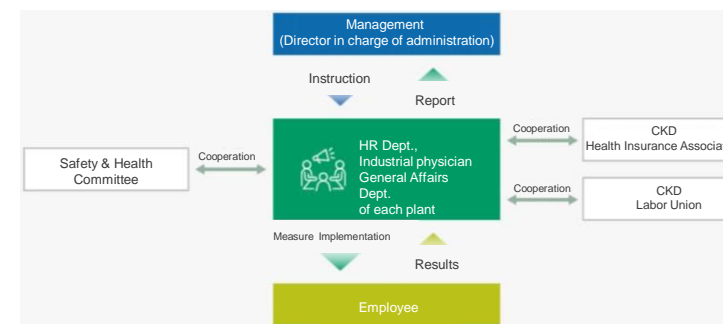


Training for female employees

on-site day-care center
"Ohana nursery school"



Farms for employment of people with disabilities



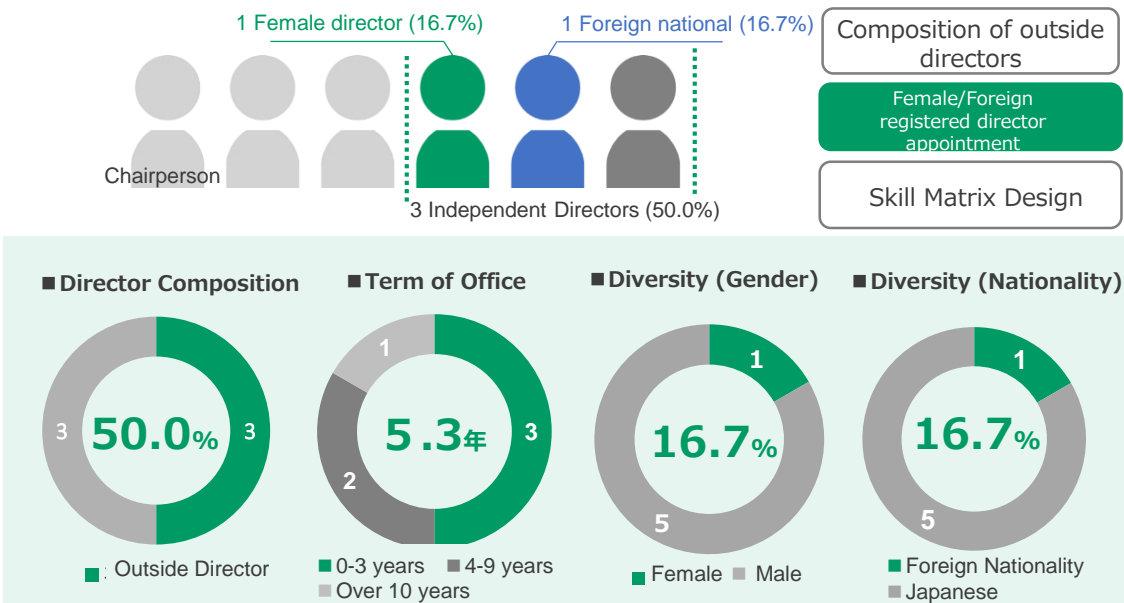
The Certified Health and Productivity Management Organization Recognition Program in 2022

3 . (4) Governance

Optimal Board Composition and Executive Compensation System to Achieve Management Goals

Composition of Board of Directors

■Status after the General Meeting ended June 2022 (tentative)



Shifting to the optimal Board structure to achieve management goals
(Internal/External ratios, Skill matrix design and Strengthening the Effectiveness of the Board of Directors, etc.)

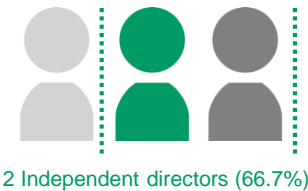
Introduction of corporate officer system

(Enhancement of Board of Directors functions, Prompt management decision making, and Flexible business execution)

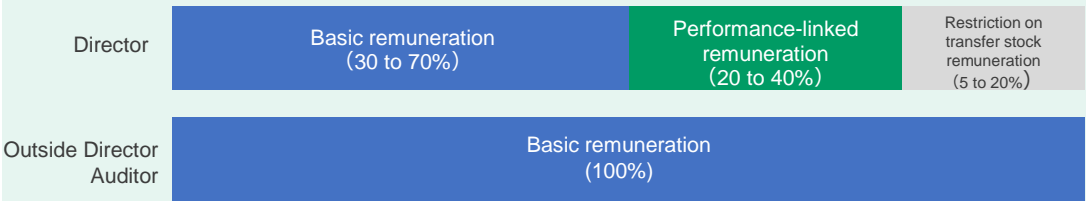
Remuneration for directors (and other officers)

Establishment of Nomination & Remuneration Advisory Committee (majority outside)

■Composition Nomination & Remuneration Advisory Committee
*Chairperson is an independent outside director



Introduction of the share compensation system "Restricted Stock Remuneration" linked to medium- to long-term business performance



To a med- to long-term corporate value-enhancing officer compensation system
(Increase in the evaluation ratio of non-financial items such as environmental items, etc.)

3 . (4) Governance

Board of Directors and Audit & Supervisory Board that are consistent with medium- and long-term corporate value enhancement

Skill Matrix

Corporate Management	Experience and knowledge related to corporate management and management in order to realize medium- to long-term management goals, practice the corporate philosophy of "contributing to the creation of an affluent society" and grow sustainably with society	Finance / Accounting	Experience and knowledge of finance and accounting in order to improve corporate value by disclosing financial information and raising correct funds, and by achieving both growth investment and shareholder return based on a sound financial base
Manufacturing Technology R&D	Experience and knowledge in manufacturing, technology, and R&D for manufacturing products that contribute to solving society's problems required by society	Legal/Risk management	Experience and knowledge of legal and risk management to build the foundation for sustainable improvement of corporate value by establishing a governance system, improving compliance, and ensuring risk management
Quality / Safety	It is important to provide high-quality and safe products to society, and to build a workplace environment considerate of internal occupational health and safety. Experience and knowledge concerning quality and safety	DX / IT	Experience and knowledge of DX and IT to leverage the newly introduced core system to drive new value creation through operational efficiency and process optimization using digital technologies and data
Sales Marketing	Sales and marketing experience and knowledge to develop marketing activities that make customers happy and to strengthen sales capabilities and become a company that responds to customers' requests and is chosen	Sustainability / Environment	In order to develop as a company that contributes to society over the medium to long term, it is essential to actively promote initiatives for sustainability and the environment in order to realize a sustainable society. Experience and knowledge in these fields are necessary
		International Experience	Knowledge and knowledge of overseas operations, management, culture, etc., in order to realize a management strategy that accelerates globalization and expands overseas markets

3 . (4) Governance

Board of Directors and Audit & Supervisory Board that are consistent with medium- and long-term corporate value enhancement

■Status after the General Meeting ended June 2022 (tentative)

No.	Attribute	Name	Position	Gender	Age	Years in office	Important concurrent holding of positions		Corporate management	Manufacturing technology, and R&D	Quality/safety	Sales and marketing	Finance / Accounting	Legal and Risk management	DX / IT	Sustainability / Environment	International experience
							Number of companies	Listed									
1	In-house	Kazunori Kajimoto	Representative Director, Chairperson of the Board of Directors and Chief Executive Officer (CEO)	Male	65	18			●		●	●	●			●	●
2	In-house	Katsuhito Okuoka	Representative Director, President and Chief Operating Officer (COO)	Male	54	6			●	●	●		●	●	●	●	
3	In-house	Yusuke Hirako	Director, Managing Executive Officer and Chief Financial Officer (CFO)	Male	59	(New election)			●			●	●	●	●		
4	Outside (independent)	Noriko Asai	Director	Female	57	7	3	2		●					●	●	
5	Outside (independent)	Stefan Sacré	Director	Male	59	1	2		●	●	●	●					●
6	Outside (independent)	Koichi Hayashi	Director	Male	57	(New election)	2	1	●				●	●			●

No.	Attribute	Name	Position	Gender	Age	Years in office	Important concurrent holding of positions		Corporate management	Manufacturing technology, and R&D	Quality/safety	Sales and marketing	Finance / Accounting	Legal and Risk management	DX / IT	Sustainability / Environment	International experience
							Number of companies	Listed									
1	In-house	Masafumi Kokubo	Standing Auditor	Male	61	2			●			●	●	●	●		●
2	Outside (independent)	Shuzo Hashimoto	Auditor	Male	66	2	1		●					●			
3	Outside (independent)	Kiyoshi Miura	Auditor	Male	64	(New election)	1		●			●	●	●			
4	Outside (independent)	Tsuyoshi Takeuchi	Auditor	Male	63	(New election)	1		●				●	●			●



[Precautions for handling materials]

Precautions Concerning Forward-Looking Statements

The earnings forecasts and forward-looking statements described in this document are forecasts judged by CKD based on information currently available, and include potential risks and uncertainties. Therefore, please be aware that due to changes in various factors, actual business performance may differ significantly from the stated forward-looking statements.

Handling of numbers

The amount listed is rounded to the nearest unit, and percentages are rounded to the nearest yen, so the total of the breakdown may not equal the total.