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Stock Exchange Code: 6407

(June 5, 2024)

Electronic provision measures commencement date: May 29, 2024

To Shareholders with Voting Rights:

Katsuhito Okuoka
President and Chief Operating Officer
CKD Corporation
250, Ouji 2-chome, Komaki, Aichi, Japan

**NOTICE OF
THE 104TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

The 104th Annual General Meeting of Shareholders of CKD Corporation (the “Company”) will be held for the purposes described below. In convening the General Meeting of Shareholders, the Company has taken measures for electronic provision. Matters subject to the measures for electronic provision are posted on the following website on the Internet under the Notice of the 104th Annual General Meeting of Shareholders.

The Company’s website: <https://www.ckd.co.jp/en/ir/holdersinfo/meeting/>

In addition to the above, the information is also posted on the following website on the Internet:

Tokyo Stock Exchange (T.S.E.) website:

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

- To view the information, please access the T.S.E. website, input the issue name (company name) or securities code, click “Search,” and then click “Basic information” and select “Documents for public inspection/PR information.”

The Portal of Shareholders’ Meeting (Sumitomo Mitsui Trust Bank, Limited):

<https://www.soukai-portal.net>

- Please scan the Q.R. code on the enclosed Voting Rights Exercise Form or access the URL above and enter your I.D. and initial password on the Voting Rights Exercise Form.

* Each website may be temporarily inaccessible due to periodic maintenance, etc.

If you cannot view it, please refer to other websites or try again later.

If you cannot attend the meeting, you can exercise your voting rights by mailing the Voting Rights Exercise Form or via the Internet. Please review the Reference Documents for the General Meeting of Shareholders contained in the matters subject to the measures for electronic provision and exercise your voting rights by 5:00 p.m. (Japan time) on Thursday, June 20, 2024, in accordance with the following procedures.

- 1. Date and Time:** Friday, June 21, 2024, at 10:00 a.m. Japan time
- 2. Place:** “Rose Room”
5th floor, ANA Crowne Plaza Hotel Grand Court Nagoya
1-1-1 Kanayama-Cho, Naka-ku, Nagoya, Aichi, Japan
(Please note that the floor level of the meeting venue differs from that in the last year.)

3. Meeting Agenda:

- Matters to be reported:**
1. The Business report, Consolidated Financial Statements for the Company’s 104th Fiscal Year (April 1, 2023 – March 31, 2024), and the results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company’s 104th Fiscal Year (April 1, 2023 – March 31, 2024)

Proposal to be resolved:

- Proposal 1:** Election of Six (6) Directors
Proposal 2: Election of Two (2) Audit & Supervisory Board Members

- Kindly note that we will be in light clothing (cool business attire) in consideration of the environment. Therefore, we would also appreciate it if the shareholders would attend the meeting in light clothing.
- The Reference Documents for the General Meeting of Shareholders and some of the Business Reports have been sent to shareholders who have yet to request a paper copy.
In the paper copy to be sent to shareholders who have requested it, under laws and regulations and provisions of Article 15 of the Company’s Articles of Incorporation, the following matters are not set forth, so such a paper copy is only a part of the documents that have been audited by the Audit & Supervisory Board Members and the Accounting Auditor in the course of preparing the audit report. Moreover, the figures for the previous fiscal year presented as reference on the Consolidated Balance Sheets, Consolidated Statements of Income, Non-consolidated Balance Sheets, and Non-consolidated Statements of Income provided in this Notice are out of the scope of accounting audit by the Accounting Auditor.
 - Systems to Ensure the Appropriateness of Operations in Business Reports
 - Consolidated Statements of Changes in Net Assets and Notes to Consolidated Financial Statements in Consolidated Financial Statements
 - Non-consolidated Statements of Changes in Net Assets and Notes to Non-consolidated Financial Statements in Non-consolidated Financial Statements
- Should the matters subject to the measures for electronic provision require revisions, the revised versions will be posted on the respective websites where the matters are posted.

Reference Documents for the General Meeting of Shareholders

Proposal 1: Election of Six (6) Directors

The terms of office of all six (6) Directors will expire at the conclusion of this Annual General Meeting of Shareholders. Therefore, we propose to elect six (6) Directors. The candidates for Director are as follows:

| No. | Name | Position and Responsibilities in the Company | Status of attendance at Board of Directors meetings |
|-----|---|--|---|
| 1 | Kazunori Kajimoto (Re-election) | Representative Director Chairperson of the Board of Directors and Chief Executive Officer (CEO) | 100% (12/12) |
| 2 | Katsuhito Okuoka (Re-election) | President and Chief Operating Officer (COO) | 100% (12/12) |
| 3 | Yoshiyuki Amano (New election) | Executive Officer General Manager, Digital Strategy Department | – |
| 4 | Stefan Sacré (Re-election) (External Director candidate) (Independent Director candidate) | Director | 100% (12/12) |
| 5 | Koichi Hayashi (Re-election) (External Director candidate) (Independent Director candidate) | Director | 100% (12/12) |
| 6 | Hiroko Shimada (Re-election) (External Director candidate) (Independent Director candidate) | Director | 100% (10/10) |

*The attendance of Ms. Hiroko Shimada shows the number after her appointment as a Director on June 23, 2023.

| No. | Name (Date of birth) | Experience, positions, and responsibilities | | Number of shares of the Company held |
|-----|---|---|---|--|
| 1 | <p>Kazunori Kajimoto (November 22, 1956)</p> <p>Re-election</p> <p>Years in office as Director: 20 years (At the conclusion of this Annual General Meeting of Shareholders)</p> <p>Status of attendance at Board of Directors meetings 100% (12/12)</p> | <p>April 1980</p> <p>June 2004</p> <p>June 2005</p> <p>June 2008</p> <p>June 2021</p> <p>Reason for selection as a candidate for Director</p> | <p>Joined the Company</p> <p>Director & Executive Officer General Manager, Sales and Marketing Division</p> <p>Director & Managing Executive Officer General Manager, Sales and Marketing Division</p> <p>President</p> <p>Representative Director Chairperson of the Board of Directors and Chief Executive Officer (CEO) (to present)</p> <p>Mr. Kazunori Kajimoto has long experience in overseeing sales divisions and abundant experience and broad insight as a corporate executive. Therefore, we propose his re-election as Director because he will contribute to our management by utilizing the above.</p> | 90,817 |
| 2 | <p>Katsuhito Okuoka (August 23, 1967)</p> <p>Re-election</p> <p>Years in office as Director: 8 years (At the conclusion of this Annual General Meeting of Shareholders)</p> <p>Status of attendance at Board of Directors meetings 100% (12/12)</p> | <p>April 1991</p> <p>June 2016</p> <p>June 2018</p> <p>June 2019</p> <p>June 2020</p> <p>June 2021</p> <p>June 2022</p> <p>Reason for selection as a candidate for Director</p> | <p>Joined the Company</p> <p>Director & Executive Officer In charge of Quality and Safety General Manager, Components Business Division</p> <p>Director & Managing Executive Officer In charge of Quality Management General Manager, Components Business Division</p> <p>Representative Director and Senior Managing Executive Officer In charge of Quality and Environment General Manager, Components Business Division</p> <p>Representative Director and Senior Managing Executive Officer In charge of Administration General Manager, Corporate Planning Department</p> <p>President and Executive Officer Chief Operating Officer (COO)</p> <p>President and Chief Operating Officer (COO) (to present)</p> <p>Mr. Katsuhito Okuoka has long experience in overseeing production divisions, as well as abundant experience and broad insight as a manager. Therefore, we propose his re-election as Director because he will contribute to our management by utilizing the above.</p> | 38,311 |

| No. | Name (Date of birth) | Experience, positions, and responsibilities | Number of shares of the Company held |
|-----|--|--|--|
| 3 | <p>Yoshiyuki Amano (April 3, 1963)</p> <p>New election</p> | <p>April 1987 Joined Nippon Telegraph and Telephone Corporation</p> <p>July 2010 Senior Vice President General Manager, Network Business Department General Manager, Data Center Business Department, NTT PC Communications Incorporated</p> <p>July 2015 Senior Vice President (CTO) Senior Vice President, Service Creation Division Senior Vice President, Technology and Operations Development Division, NTT PC Communications Incorporated</p> <p>July 2018 Executive Counselor, Corporate Planning Department, the Company</p> <p>July 2019 General Manager, Information Resource Management Department</p> <p>June 2020 Executive Officer General Manager, Information Resource Management Department General Manager, Business Advancement Center</p> <p>January 2021 Executive Officer General Manager, Digital Strategy Department (to present)</p> <p>Reason for selection as a candidate for Director Mr. Yoshiyuki Amano has long experience in overseeing mainly the departments for technology development and service improvement and abundant experience and broad insight as a manager. Therefore, we propose his election as Director because he will contribute to our management by utilizing the above.</p> | 1,171 |
| 4 | <p>Stefan Sacré (March 9, 1963)</p> <p>Re-election External Director candidate Independent Director candidate</p> <p>Years in office as Director: 3 years (At the conclusion of this Annual General Meeting of Shareholders)</p> <p>Status of attendance at Board of Directors meetings 100% (12/12)</p> | <p>May 1991 Received Ph. D (Engineering) from the Technical University of Berlin</p> <p>August 1998 Representative Director, SICK Optic-Electronic K.K. (Japan)</p> <p>January 2006 President, Bosch Rexroth Corporation (Japan)</p> <p>January 2011 CEO, EagleBurgmann Germany GmbH & Co. KG</p> <p>January 2017 President and Representative Director, Carl ZEISS Co., Ltd. (Japan) President and Representative Director, Carl Zeiss Meditec Co., Ltd. (Japan)</p> <p>June 2021 External Director, the Company (to present)</p> <p>May 2024 Senior Advisor, Carl ZEISS Co., Ltd. (Japan) (to present)</p> <p>Reason for selection as a candidate for External Director and overview of the expected role Mr. Stefan Sacré appropriately performs his duties as an External 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 and he can be expected to oversee all aspects of the Company's operations as well as offer advice and opinions from broad management perspectives. We, therefore, propose his re- election as Director.</p> | 0 |

| No. | Name (Date of birth) | Experience, positions, and responsibilities | Number of shares of the Company held |
|-----|---|--|--|
| 5 | <p>Koichi Hayashi (October 28, 1964)</p> <p>Re-election External Director candidate Independent Director candidate</p> <p>Years in office as Director: 2 years (At the conclusion of this Annual General Meeting of Shareholders)</p> <p>Status of attendance at Board of Directors meetings 100% (12/12)</p> | <p>October 1990 Joined KPMG LLP, New York Office</p> <p>April 1997 Registered as a certified public accountant</p> <p>March 2008 Representative Director, Attax Co., Ltd. (to present)</p> <p>June 2010 Audit & Supervisory Board Member, the Company</p> <p>June 2013 External Audit & Supervisory Board Member, Plaza Create Co., Ltd. (currently, Plaza Holdings Co., Ltd.)</p> <p>June 2018 External Director</p> <p> Audit and Supervisory Committee Member, Plaza Create Co., Ltd. (currently, Plaza Holdings Co., Ltd.) (to present)</p> <p>June 2022 External Director, the Company (to present)</p> <p>Reason for selection as a candidate for External Director and overview of the expected role Mr. Koichi Hayashi appropriately performs his duties as an External 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. He can be expected to oversee all aspects of the Company's operations as well as offer advice and opinions from broad management perspectives. We, therefore, propose his re-election as Director.</p> | 0 |
| 6 | <p>Hiroko Shimada (February 13, 1964)</p> <p>Re-election External Director candidate Independent Director candidate</p> <p>Years in office as Director: 1 year (At the conclusion of this Annual General Meeting of Shareholders)</p> <p>Status of attendance at Board of Directors meetings 100% (10/10)</p> | <p>April 1986 Joined National Personnel Authority</p> <p>June 1990 Long-term overseas researcher in the United Kingdom (University of Oxford)</p> <p>April 2000 First Secretary, The Permanent Mission of Japan in Geneva, Ministry of Foreign Affairs of Japan</p> <p>April 2017 First Deputy Director General, Remuneration Bureau, National Personnel Authority</p> <p>April 2018 Deputy Director General, Human Resources Bureau, National Personnel Authority</p> <p>April 2019 Professor, School of Government, Kyoto University (to present)</p> <p>March 2023 External Director, SPACE CO., LTD. (to present)</p> <p>June 2023 External Director, the Company (to present)</p> <p>Reason for selection as a candidate for External Director and overview of the expected role Ms. Hiroko Shimada appropriately performs her duties as an External 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. For that reason, she can be expected to oversee all aspects of the Company's operations as well as offer advice and opinions from broad perspectives. We, therefore, propose her re-election as Director.</p> | 0 |

(Notes)

1. Special interests between candidates for Director and the Company.
 - (1) Mr. Stefan Sacré serves as Senior Advisor of Carl ZEISS Co., Ltd. (Japan). The Company and Carl ZEISS Co., Ltd. (Japan) have a business transaction relationship in purchasing manufactured goods, etc. However, the percentage of the amount of such transaction is tiny, at less than 1% of the consolidated net sales of the Company and Carl ZEISS Co., Ltd. (Japan).
 - (2) There are no special interests between the other candidates and the Company.
2. The Company has taken out a directors and officers liability insurance policy with an insurance company for Directors and Audit & Supervisory Board Members of the Company as the insureds. The policy is designed to cover damages resulting from the insured officers bearing liability with respect to the execution of their duties or being subject to claims related to the pursuit of such liability. However, there are specific exclusions, such as no coverage for liability arising from actions taken with the knowledge that they were in violation of laws and regulations. If each candidate is appointed Director, he or she will be insured under the above-mentioned insurance policy. Note that the Company bears the entire cost of insurance premiums. When the insurance policy next comes up for renewal, the Company plans to renew it with the same terms.
3. The Company entered into an indemnification agreement with each Director and each Audit & Supervisory Board Member, which provides that the Company will indemnify the Director against the expenses stipulated in Article 430-2, Paragraph 1, Item 1 of the Companies Act and the losses stipulated in Item 2 of the same Paragraph, to the extent provided for by law. Subject to the approval of the re-election of each person, the Company intends to continue the agreements with each person. In addition, subject to the approval of the election of Mr. Yoshiyuki Amano, the Company intends to conclude a similar liability limitation agreement with him.
4. Remarks in relation to the candidates for External Directors are stated below.
 - (1) The Company entered into an agreement with Mr. Stefan Sacré, Mr. Koichi Hayashi and Ms. Hiroko Shimada to limit their liabilities pursuant to Article 423, Paragraph 1 of the Companies Act to the minimum extent stipulated by Article 425, Paragraph 1 of the Companies Act. Subject to the approval of their re-election, the Company intends to continue the agreements with them.
 - (2) Mr. Stefan Sacré, Mr. Koichi Hayashi, and Ms. Hiroko Shimada are candidates for independent officers as stipulated by financial instruments exchanges.

Proposal 2:

Election of Two (2) Audit & Supervisory Board Members

The terms of office of Audit & Supervisory Board Members, Mr. Masafumi Kokubo and Mr. Shuzo Hashimoto, will expire at the conclusion of this Annual General Meeting of Shareholders. Accordingly, we propose to elect two (2) Audit & Supervisory Board Members.

This proposal has already been approved by the Audit & Supervisory Board.

The candidates for Audit & Supervisory Board Member are as follows:

| No. | Name (Date of birth) | Experience and positions | Number of shares of the Company held |
|-----|---|---|--|
| 1 | Toshiaki Sugiura (June 19, 1961) New election | April 1985 Joined the Company October 2000 Office Manager, Chiba Sales Office, Sales Department, CKD Tokyo Sales Co., Ltd. April 2003 Office Manager, Tokyo Sales Office, Tokyo Sales Department No.1, Tokyo Branch, Sales and Marketing Division, the Company March 2005 Group Leader, Secretary Group, General Affairs Department October 2009 General Manager, General Affairs Department April 2021 Representative Director, CKD GLOBAL SERVICE CORPORATION (to present) Reason for selection as a candidate for Audit & Supervisory Board Member Mr. Toshiaki Sugiura has long experience in overseeing the departments for staff workers' affairs and abundant experience and broad insight at sales departments. Therefore, we propose his election as Audit & Supervisory Board Member because he will appropriately audit management. | 11,727 |

| No. | Name (Date of birth) | Experience and positions | Number of shares of the Company held |
|-----|--|---|--|
| 2 | <p>Shuzo Hashimoto (April 5, 1956)</p> <p>Re-election</p> <p>External Audit & Supervisory Board Member candidate</p> <p>Independent Audit & Supervisory Board Member candidate</p> <p>Years in office as Audit & Supervisory Board Member: 4 years (At the conclusion of this Annual General Meeting of Shareholders)</p> <p>Status of attendance at Board of Directors meetings 100% (12/12)</p> <p>Status of attendance at Audit & Supervisory Board Members meetings 100% (12/12)</p> | <p>April 1987 Registered as an Attorney-at-Law Joined Oguri Law Office</p> <p>April 1992 Established Hashimoto Law Firm Director (to present)</p> <p>April 2004 Vice Chairman, Nagoya Bar Association (currently Aichi Bar Association)</p> <p>June 2020 External Audit & Supervisory Board Member, the Company (to present)</p> <p>Reason for selection as a candidate for External Audit & Supervisory Board Member Mr. Shuzo Hashimoto has abundant experience and professional expertise as an attorney-at-law. We propose his reelection because we believe he will appropriately perform his duties as External Audit & Supervisory Board Member.</p> | 0 |

(Notes)

1. There are no special interests between each candidate for Audit & Supervisory Board Member and the Company.
2. The Company has taken out a directors and officers liability insurance policy with an insurance company for Directors and Audit & Supervisory Board Members of the Company as the insureds. The policy is designed to cover damages resulting from the insured officers bearing liability with respect to the execution of their duties or being subject to claims related to the pursuit of such liability. However, there are specific exclusions, such as no coverage for liability arising from actions taken with the knowledge that they were in violation of laws and regulations. If each candidate is appointed Audit & Supervisory Board Member, he or she will be insured under the above-mentioned insurance policy. Note that the Company bears the entire cost of insurance premiums. When the insurance policy next comes up for renewal, the Company plans to renew it with the same terms.
3. The Company entered into an indemnification agreement with each Director and each Audit & Supervisory Board Member, which provides that the Company will indemnify the Audit & Supervisory Board Member against the expenses stipulated in Article 430-2, Paragraph 1, Item 1 of the Companies Act and the losses stipulated in Item 2 of the same Paragraph, to the extent provided for by law. Subject to the approval of the re-election of Mr. Shuzo Hashimoto, the Company intends to continue the agreements with him. In addition, subject to the approval of the election of Mr. Toshiaki Sugiura, the Company intends to conclude a similar liability limitation agreement with him.
4. The Company entered into an agreement with Mr. Shuzo Hashimoto to limit his liabilities pursuant to Article 423, Paragraph 1 of the Companies Act to the minimum extent stipulated by Article 425, Paragraph 1 of the Companies Act. Subject to the approval of his re-election, the Company intends to continue the agreements with him. In addition, subject to the approval of the election of Mr. Toshiaki Sugiura, the Company intends to conclude a similar liability limitation agreement with him.
5. Mr. Shuzo Hashimoto is a candidate for independent officer as stipulated by financial instruments exchanges.

(Reference)

Criteria for judging the independence of External Directors and External Audit & Supervisory Board Members of the Company

The Company deems an external officer or a candidate for the external officer to be independent of the Company if the officer or the candidate is judged to have no risk of generating conflicts of interest with ordinary shareholders of the Company. “No risk of generating conflicts of interest with ordinary shareholders of the Company” refers to the case where an external officer or a candidate for the external officer is deemed not to fall under any of the following items.

- (1) A person for which the Company and/or its affiliate (collectively, the “Group”) is a major business partner
- (2) A major shareholder (Note 1) of the Company or a person executing the operations (“Executing Person”) thereof (Note 2)
- (3) A person in which the Group holds 10% or more of the total voting rights directly or indirectly, or an Executing Person thereof
- (4) A major business partner (Note 3) of the Group or an Executing Person thereof
- (5) A person who belongs to an audit corporation which is an Accounting Auditor of the Company or its consolidated subsidiary
- (6) A consultant, an attorney, a certified public accountant, or a person providing other professional services who has received a large amount of money or other properties (Note 4) from the Group other than as compensation for being a Director or Audit & Supervisory Board Member (if the recipient of such properties is a corporation, partnership or any other organization, such as a consulting firm, law office, and accounting office, this item applies to any person belonging to such organizations)
- (7) A person who has received a large number of donations (Note 5) from the Group (if the recipient of such donations is a corporation, partnership, or an organization, this item applies to an Executing Person of such organization)
- (8) An Executing Person of a company that elects an Executing Person of the Group as its officer
- (9) A person that falls under any of the above items 2 to 8 in the past three (3) years
- (10) If a person that falls under any of the above items 1 to 8 is a person in an important position (Note 6), a spouse, or a relative within the second degree of kinship thereof
- (11) Other than the items set forth above, a person who is at risk of generating conflicts of interest with ordinary shareholders and is reasonably deemed to be in a situation where he/she is unable to perform duties as an independent external officer

(Notes)

1. “A major shareholder” refers to a shareholder who holds 10% or more of voting rights under the name of itself or another person at the end of the most recent fiscal year of the Company.
2. “Executing Person” refers to an executive director, executive officer, operating officer, and a person equivalent to that, as well as an employee of a corporation or an organization. A non-executive director shall also be included in the above in case of judging the independence of an External Audit & Supervisory Board Member.
3. As to “a major business partner,” the significance of such transaction for the Group and the major business partner shall be assessed using an appropriate index, and an outline of the result thereof shall be disclosed so that the Company may practically determine the degree of risk of generating conflicts of interest.
A major business partner refers to a person who makes a payment to the Company that accounts for 2% or more of the Company’s annual consolidated net sales in the most recent fiscal year.
4. As to “a large amount of money and other properties,” the significance of such money and properties for the Group and the recipient shall be assessed using an appropriate index, and an outline of the result thereof shall be disclosed.
5. As to “a large number of donations,” the significance of such donation for the Group and the recipient shall be assessed using an appropriate index, and an outline of the result thereof shall be disclosed.
6. “A person in an important position” refers to an executive director, executive officer, operating officer, or an employee in an upper management position such as a department manager or higher.

(Reference) Composition of Officers (after June 21, 2024)

Each Company Director and Audit & Supervisory Board Member elected by the approval for the proposal has the following expertise and experience.

| No. | Attribution | Name | Job title | Gender | Age | Years in office | Significant concurrent positions | | Committee belongs to |
|-----|------------------------|-------------------|---|--------|-----|-----------------|----------------------------------|--|--|
| | | | | | | | The number of companies | Of which, the number of listed companies | Nomination & Remuneration Advisory Committee |
| 1 | Internal | Kazunori Kajimoto | Chairperson of the Board of Directors and Chief Executive Officer | Male | 67 | 20 | | | ● |
| 2 | Internal | Katsuhito Okuoka | President and Chief Operating Officer | Male | 56 | 8 | | | |
| 3 | Internal | Yoshiyuki Amano | Director Executive Officer | Male | 61 | (New election) | | | |
| 4 | External (Independent) | Stefan Sacré | External Director | Male | 61 | 3 | 1 | | ● |
| 5 | External (Independent) | Koichi Hayashi | External Director | Male | 59 | 2 | 2 | 1 | ● (Chairperson) |
| 6 | External (Independent) | Hiroko Shimada | External Director | Female | 60 | 1 | 2 | 1 | |

| No. | Attribution | Name | Job title | Gender | Age | Years in office | Significant concurrent positions | | Committee belongs to |
|-----|------------------------|-------------------|---|--------|-----|-----------------|----------------------------------|--|--|
| | | | | | | | The number of companies | Of which, the number of listed companies | Nomination & Remuneration Advisory Committee |
| 1 | Internal | Toshiaki Sugiura | Standing Audit & Supervisory Board Member | Male | 63 | (New election) | | | |
| 2 | External (Independent) | Shuzo Hashimoto | External Audit & Supervisory Board Member | Male | 68 | 4 | 1 | | |
| 3 | External (Independent) | Kiyoshi Miura | External Audit & Supervisory Board Member | Male | 66 | 2 | 1 | | |
| 4 | External (Independent) | Tsuyoshi Takeuchi | External Audit & Supervisory Board Member | Male | 65 | 2 | 3 | 1 | |

| No. | Name | 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 |
|-----|-------------------|----------------------|---|--------------------|---------------------|------------------------|-----------------------------------|-----------|--------------------------------|--------------------------|
| 1 | Kazunori Kajimoto | • | | • | • | • | | | • | • |
| 2 | Katsuhito Okuoka | • | • | • | | • | • | • | • | |
| 3 | Yoshiyuki Amano | • | • | • | | | • | • | | |
| 4 | Stefan Sacré | • | • | • | • | | | • | | • |
| 5 | Koichi Hayashi | • | | | | • | • | | | • |
| 6 | Hiroko Shimada | | | | | | • | | • | • |

| No. | Name | 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 |
|-----|-------------------|----------------------|---|--------------------|---------------------|------------------------|-----------------------------------|-----------|--------------------------------|--------------------------|
| 1 | Toshiaki Sugiura | • | | | • | | • | | • | |
| 2 | Shuzo Hashimoto | | | | | | • | | | |
| 3 | Kiyoshi Miura | • | | | • | • | • | • | • | |
| 4 | Tsuyoshi Takeuchi | • | | | | • | • | | | • |

| | | | |
|---|---|-----------------------------------|---|
| 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 | 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 |
| 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 | Legal affairs and risk management | Experience and knowledge of legal affairs and risk management, which are necessary to develop a foundation for sustainable corporate value enhancement by establishing a governance system, improving compliance, and thoroughly managing risks |
| 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 | 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 |
| 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 | 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 |

(Appendix)

Business Report

(April 1, 2023 – March 31, 2024)

1. Current Status of the Corporate Group

(1) Business progress and results

General overview

During the consolidated fiscal year under review, the Japanese economy continued a moderate recovery amid the acceleration in normalization of social and economic activities. However, optimism remained difficult due to sluggish exports against the backdrop of a slowdown in overseas economies, sustained spikes in energy and raw material prices, and chronic labor shortages.

With regard to capital investment, although investment in software for saving labor and digitalization remained strong, caution continued about investment for production equipment in the manufacturing industry due to deterioration in economic sentiment in China. In addition, although the price of semiconductor memory has stopped falling due to rising demand associated with the spread of generative AI and there are signs of recovery, semiconductor capital investment continued to be restrained with prolonged inventory adjustments and other factors.

In the overseas economies, the Chinese economy was impacted by recession and investment in the manufacturing industry was sluggish. However, export restrictions on advanced semiconductors due to trade friction between the U.S. and China led to increased demand for legacy semiconductor manufacturing equipment.

Inflation in Europe and the U.S. continued to slow, and capital investment demand remained firm as consumption and employment remained strong in the U.S. In Southeast Asia, the impact of sluggish exports due to the global economic slowdown continued.

Under such circumstances, in results of the consolidated fiscal year under review, the CKD Group (the Group) recorded 134,425 million yen in net sales, down 15.7% year on year, 13,113 million yen in operating profit, down 38.1% year on year, 13,048 million yen in ordinary profit, down 38.4% year on year, and 8,338 million yen in profit attributable to owners of the parent, down 43.6% year on year.

Net sales by segment

| Segment | Amount | Change YoY | Composition ratio |
|---------------------|---------------------|------------|-------------------|
| Automatic Machinery | 17,674 million yen | Up 13.5% | 13.1% |
| Components | 116,750 million yen | Down 18.9% | 86.9% |
| Total | 134,425 million yen | Down 15.7% | 100.0% |

Overview by segment

<Automatic Machinery>

Main products

- Automatic packaging systems (pharmaceutical, food, and medical equipment)
- Image processing inspection systems
- Lithium-ion battery manufacturing systems
- 3D solder paste inspection machines

Overview of the fiscal year under review

In industrial machinery, sales of lithium-ion battery manufacturing systems and 3D solder paste inspection machines increased.

As a result, net sales amounted to 17,674 million yen, up 13.5% year on year, while segment profit was 2,964 million yen, up 47.6% year on year, due to the effect of improved earnings and the sales mix.

<Components>

Main products

- Drive components
- Assistance devices
- Pneumatic control components
- Pneumatic related components
- Fluid control components

Overview of the fiscal year under review

In the domestic market, sales of semiconductor manufacturing equipment declined due to prolonged inventory adjustments of final products and components on the back of lower demand for PCs and smartphones in reaction to the exceptional demand during the COVID-19 pandemic.

Similarly, in overseas markets, sales declined in North America and East Asia, where semiconductor capital investment demand was lower, while sales also decreased for the manufacturing industry in Europe, the U.S. and China, where adjustments continued, and in Southeast Asia which was impacted by economic slowdown.

As a result, net sales amounted to 116,750 million yen, down 18.9% year on year, while segment profit was 14,842 million yen, down 37.5% year on year, due to the effect of the decrease in sales.

(2) Status of capital investment

Capital expenditures during the fiscal year under review were 329 million yen in the Automatic Machinery segment, 20,463 million yen in the Components segment, 1,335 million yen in the Company-wide segment, and 22,128 million yen in total as a result of the construction of the Hokuriku Plant, construction of production plants at subsidiaries in Malaysia and India, opening of a showroom, and updates to machinery and metal molds.

(3) Status of financing

During the consolidated fiscal year under review, the Company entered into a syndicated term loan agreement, and procured 20,000 million yen to fund investments for plant construction aimed at business expansion.

Moreover, for the syndicated commitment line contracts entered into with three correspondent financial institutions to enable stable and flexible financing, the Company increased the maximum limit of overdraft from previous 10,000 million yen to 20,000 million yen on May 31, 2023. As of the end of the fiscal year under review, there were no outstanding borrowings based on these contracts.

(4) Issues to be addressed

[1] Initiatives for medium- to long-term growth

Amid the emergence of new values, in 2021, the Company revised its 10-Year Vision, which is the long-term management vision created in 2016, considering the business environment and societal changes.

To achieve this long-term management vision, the Company has also formulated Exciting CKD 2025, a medium-term management plan ending in fiscal 2025 which clarifies the direction the Company should take. The revision aims to accelerate globalization and establish a sustainable management foundation without changing the direction of the Vision's basic policies. In addition, a new basic policy was added to the three existing ones, making a total of four, further to clarify the Company's focus on human resources.

(a) Challenge new business activities and markets

The Company will take on a variety of challenges with the aims of launching new businesses and opening up new markets. The new business the Company is concentrating its efforts on the most is the electric motion product business. In this business, the Company will work to meet the increasingly diverse needs of its customers by combining the compact, powerful, and easy-to-maintain features of its conventional pneumatic components with the features of its electric components capable of high-accurate position control. The Company will also strengthen initiatives from development to sales by increasing synergy with CKD NIKKI DENSO CO., LTD., a Group company. In addition, the Company will contribute to the enrichment of society with new technologies, such as new inspection devices leveraging the inspection technologies cultivated in the pharmaceuticals market and assistance devices (PowerArm) to realize safe and comfortable working environments.

(b) Accelerate globalization and expand overseas markets

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

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

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

(c) Establish a sustainable management foundation

The Company will establish a management foundation for achieving sustainable growth while contributing to the environment and society through its businesses. To this end, the Company will leverage its digital technologies and ERP software system to improve productivity with an optimized organization further. In addition, the Company also aims to be a sustainable enterprise by advancing corporate social responsibility (CSR) activities and initiatives aimed at solving environmental and social issues.

(d) Build a corporate culture with faith in human resources

One of the Group's key corporate commitments is creating a "Corporate Culture with Faith in Human Resources." Human resources are valuable corporate assets and an essential management resource for the sustained development and growth of the Company. To promote management that utilizes the most of all employees in the CKD Group, in 2023 the Group newly launched the Human Resources Strategy Committee. Moreover, to create a company and workplace where all employees can work vigorously, the Future Human Resources Project was set up as a subordinate organization of the Committee, and tasked with envisioning our vision and promoting the ideal human resources strategies.

The Company's action plan for promoting women's career advancement has set a target of having at least 10% of managerial positions filled by women by fiscal 2030, and the Company is advancing this plan.

[2] Environment, Society, and Governance (ESG) initiatives

The Group carries out its business activities with a long-term perspective, considering changes in social conditions and the business environment. The Group will contribute to the development and solving of social issues through its businesses while working on initiatives to achieve the sustainable development goals (SDGs) and building a relationship of trust with its stakeholders.

In terms of environmentally friendly products, in the Automatic Machinery business the Company collaborated with two other companies on the practical use of environmentally friendly biomass-based plastic for blister packages. In February 2023, the project was awarded the Minister of the Environment Award as part of the Japan Open Innovation Prize. In the Components business, with a focus on energy and resource efficiency, as well the product lifecycle, the Company has developed and launched long-service-life pneumatic components that contribute to “Production equipment that never stops” and “Stable operation.” In doing so, the Company is committed to improving infrastructure and production processes while at the same time reducing energy usage.

Furthermore, toward achieving a carbon-neutral society, the Group has set medium- and long-term targets of reducing CO₂ emissions per unit of sales by 50% by fiscal 2030 (per unit of sales target: from fiscal 2013 levels and quantified target: compared with fiscal 2022 levels), and effectively to zero by fiscal 2050. In addition, the Group is endeavoring to promote thorough improvements in its energy conservation, expand solar power generation equipment, and utilize renewable energy by introducing green electricity. In June 2022, the Group announced its support for the TCFD recommendations and is disclosing information in line with its framework.

The Group will continue to contribute to the preservation of the global environment by developing environmentally friendly products that comply with relevant laws and regulations thanks to its years of experience in automation and fluid control technologies and supplying them to its customers.

(5) Status of assets and income

[1] Status of assets and income of the Group

| Item | 101st Fiscal Year (April 1, 2020 – March 31, 2021) | 102nd Fiscal Year (April 1, 2021 – March 31, 2022) | 103rd Fiscal Year (April 1, 2022 – March 31, 2023) | 104th Fiscal Year (April 1, 2023 – March 31, 2024) |
|---|--|--|--|--|
| Net sales (Million yen) | 106,723 | 142,199 | 159,457 | 134,425 |
| Ordinary profit (Million yen) | 7,823 | 18,043 | 21,181 | 13,048 |
| Profit attributable to owners of the parent (Million yen) | 5,273 | 12,567 | 14,788 | 8,338 |
| Basic earnings per share (Yen) | 80.23 | 188.58 | 221.76 | 124.94 |
| Total assets (Million yen) | 152,726 | 172,514 | 185,626 | 208,285 |
| Net assets (Million yen) | 97,617 | 109,571 | 119,730 | 129,098 |
| Net assets per share (Yen) | 1,463.15 | 1,643.36 | 1,794.44 | 1,933.58 |

(Notes) 1. Basic earnings per share is calculated based on the average number of shares issued during the period. Net assets per share is calculated based on the total number of shares issued at the end of the period. The total number of issued shares does not include treasury shares.

2. The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards have been applied from the beginning of the 102nd fiscal year, and the key management and other indicators for the 102nd fiscal year onward are those after the application of these accounting standards.

[2] Status of Company assets and income

| Item | 101st Fiscal Year (April 1, 2020 – March 31, 2021) | 102nd Fiscal Year (April 1, 2021 – March 31, 2022) | 103rd Fiscal Year (April 1, 2022 – March 31, 2023) | 104th Fiscal Year (April 1, 2023 – March 31, 2024) |
|--------------------------------|--|--|--|--|
| Net sales (Million yen) | 88,296 | 116,400 | 128,137 | 106,849 |
| Ordinary profit (Million yen) | 5,674 | 13,758 | 16,771 | 12,125 |
| Net income (Million yen) | 3,941 | 9,792 | 11,945 | 8,640 |
| Basic earnings per share (yen) | 59.98 | 146.94 | 179.12 | 129.47 |
| Total assets (Million yen) | 131,786 | 143,420 | 151,093 | 169,875 |
| Net assets (Million yen) | 86,019 | 92,726 | 99,701 | 105,723 |
| Net assets per share (Yen) | 1,290.90 | 1,390.72 | 1,494.24 | 1,583.48 |

- (Notes) 1. Basic earnings per share is calculated based on the average number of shares issued during the period. Net assets per share is calculated based on the total number of shares issued at the end of the period. The total number of issued shares does not include treasury shares.
2. The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards have been applied from the beginning of the 102nd fiscal year, and the key management and other indicators for the 102nd fiscal year onward are those after the application of these accounting standards.

(6) Major offices, plants, and other facilities

| | Name | location |
|-----------------------|-----------------------------------|----------------------------------|
| CKD Corporation | Headquarters/Komaki Plant | Komaki-shi, Aichi |
| | Tokyo Sales Office | Minato-ku, Tokyo |
| | Osaka Sales Office | Yodogawa-ku, Osaka-shi, Osaka |
| | Kasugai Plant | Kasugai-shi, Aichi |
| | Inuyama Plant | Fuso-cho, Niwa-gun, Aichi |
| | Yokkaichi Plant | Yokkaichi-shi, Mie |
| | Tohoku Plant | Ohira-mura, Kurokawa-gun, Miyagi |
| | Hokuriku Plant | Komatsu-shi, Ishikawa |
| Domestic subsidiaries | CKD SHIKOKU SEIKOU CORPORATION | Sukumo-shi, Kochi |
| | CKD GLOBAL SERVICE CORPORATION | Komaki-shi, Aichi |
| | CKD FIELD ENGINEERING CORPORATION | Komaki-shi, Aichi |
| | CKD NIKKI DENSO CO., LTD. | Kawasaki-shi, Kanagawa |
| Overseas subsidiaries | CKD THAI CORPORATION LTD. | Thailand |
| | CKD SINGAPORE PTE. LTD. | Singapore |
| | CKD USA CORPORATION | USA |
| | M-CKD PRECISION SDN. BHD. | Malaysia |
| | CKD MALAYSIA SDN. BHD. | Malaysia |
| | CKD (CHINA) CORPORATION | China |
| | CKD (SHANGHAI) CORPORATION | China |
| | CKD KOREA CORPORATION | Korea |
| | TAIWAN CKD CORPORATION | Taiwan |
| | CKD VIETNAM ENGINEERING CO., LTD. | Vietnam |
| | PT CKD TRADING INDONESIA | Indonesia |
| | PT CKD MANUFACTURING INDONESIA | Indonesia |
| | CKD MEXICO, S. de R.L. de C.V. | Mexico |
| | CKD INDIA PRIVATE LIMITED | India |
| | CKD EUROPE B.V. | The Netherlands |
| CKD ITALIA S.R.L. | Italy | |

(7) Status of employees

[1] Status of employees of the Group

| Business segment | Number of employees | Changes from the end of the previous fiscal year |
|-----------------------|---------------------|--|
| Automatic Machinery | 488 | Decrease of 12 |
| Components | 3,966 | Decrease of 29 |
| Company-wide (common) | 191 | Increase of 2 |
| Total | 4,645 | Decrease of 39 |

[2] Status of Company employees

| Number of employees | Changes from the end of the previous fiscal year | Average age | Average years of service |
|---------------------|--|-------------|--------------------------|
| 2,407 | Increase of 34 | 41.8 | 17.0 |

(Note) The number of employees does not include 352 employees hired on a contract or part-time basis.

(8) Status of principal subsidiaries

| Company name | Paid-in capital | Investment ratio | Principal business |
|----------------------------------|-----------------|------------------|---|
| | Million yen | % | |
| CKD (CHINA) CORPORATION | 5,773 | 100.0 | Manufacturing and sale of automatic machinery products and manufacturing of component products |
| CKD (SHANGHAI) CORPORATION | 531 | 100.0 | Sale of component products |

(9) Principal lenders of the Company and amount of borrowings

| Lender | Borrowings outstanding |
|-------------------------------------|------------------------|
| | Million yen |
| Sumitomo Mitsui Banking Corporation | 11,437 |
| Sumitomo Mitsui Trust Bank, Limited | 9,000 |
| MUFG Bank, Ltd. | 5,900 |

(Note) The outstanding balance of borrowings from Sumitomo Mitsui Banking Corporation, Sumitomo Mitsui Trust Bank, Limited, and MUFG Bank, Ltd. includes a portion the balance of 20,000 million yen of the loan with a syndicate of eight financial and other firms led by Sumitomo Mitsui Banking Corporation.

2. Matters Regarding Shares

(1) Status of shares

| | |
|---|--|
| [1] Total number of authorized shares | 233,000,000 shares |
| [2] Total number of issued shares | 66,766,436 shares (excluding 1,143,013 treasury shares) |
| [3] Number of shareholders at the end of the fiscal year under review | 10,483 persons |

(2) Major shareholders (top 10 shareholders)

| Shareholder name | Number of shares held | Shareholding ratio |
|--|-----------------------|--------------------|
| | Thousand shares | % |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 9,981 | 14.95 |
| Custody Bank of Japan, Ltd. (Trust Account) | 4,772 | 7.15 |
| JP MORGAN CHASE BANK 385839 | 2,892 | 4.33 |
| CKD Shareholding Association | 2,839 | 4.25 |
| SUMITOMO LIFE INSURANCE COMPANY | 1,914 | 2.87 |
| CKD Cooperative Companies Investment Association | 1,765 | 2.64 |
| Sumitomo Mitsui Banking Corporation | 1,581 | 2.37 |
| The Dai-ichi Life Insurance Company, Limited | 1,400 | 2.10 |
| THE BANK OF NEW YORK MELLON 140044 | 1,330 | 1.99 |
| STATE STREET BANK AND TRUST COMPANY 505025 | 1,038 | 1.56 |

(Note) The Company holds 1,143 thousand treasury shares but is excluded from the major shareholders above. Shareholding ratios are calculated excluding treasury shares.

(3) Status of shares granted to officers of the Company during the fiscal year under review as consideration for the execution of duties

| | Class and number of shares | Number of officers granted shares |
|---|---|-----------------------------------|
| Directors (excluding External Directors) | Ordinary shares of the Company 14,450 shares | 3 |

3. Matters Regarding Officers of the Company

(1) Status of Directors and Audit & Supervisory Board Members

| Position | Name | Responsibilities and significant concurrent positions |
|--|-------------------|---|
| Representative Director Chairperson of the Board of Directors | Kazunori Kajimoto | Chief Executive Officer (CEO) |
| Representative Director, President | Katsuhito Okuoka | Chief Operating Officer (COO) |
| Director | Yusuke Hirako | Managing Executive Officer, Chief Financial Officer (CFO), In charge of Administration |
| Director | Stefan Sacré | President and Representative Director, Carl ZEISS Co., Ltd. (Japan) President and Representative Director, Carl Zeiss Meditec Co., Ltd. (Japan) |
| Director | Koichi Hayashi | Certified public accountant Representative Director, Attax Co., Ltd. External Director and Audit & Supervisory Committee Member, Plaza Holdings Co., Ltd. |
| Director | Hiroko Shimada | Professor, School of Government, Kyoto University External Director, SPACE CO., LTD. |
| Standing Audit & Supervisory Board Member | Masafumi Kokubo | |
| Audit & Supervisory Board Member | Shuzo Hashimoto | Representative Attorney-at-Law, Hashimoto Law Firm |
| Audit & Supervisory Board Member | Kiyoshi Miura | Adviser, SAERA Pharmacies, Inc. |
| Audit & Supervisory Board Member | Tsuyoshi Takeuchi | Certified public accountant Representative Director, PM Business Solutions Inc. Principal, Takeuchi Tsuyoshi Certified Public Accountant Office Outside Auditor, Chugai Ro Co., Ltd. |

- (Notes) 1. Directors Mr. Stefan Sacré, Mr. Koichi Hayashi, and Ms. Hiroko Shimada are External Directors.
2. Audit & Supervisory Board Members Mr. Shuzo Hashimoto, Mr. Kiyoshi Miura, and Mr. Tsuyoshi Takeuchi are External Audit & Supervisory Board Members.
3. External Directors Mr. Stefan Sacré, Mr. Koichi Hayashi, and Ms. Hiroko Shimada, as well as External Audit & Supervisory Board Members Mr. Shuzo Hashimoto, Mr. Kiyoshi Miura, and Mr. Tsuyoshi Takeuchi are independent officers as stipulated by financial instruments exchanges.
4. External Director Ms. Hiroko Shimada was elected in the 103rd Annual General Meeting of Shareholders held on June 23, 2023, and assumed the position after that.
5. External Director Ms. Noriko Asai retired from her position at the conclusion of the 103rd Annual General Meeting of Shareholders held on June 23, 2023, due to the expiration of the term of office.
6. External Audit & Supervisory Board Member Mr. Shuzo Hashimoto is qualified as an Attorney-at-Law and has considerable knowledge of corporate legal affairs.
7. External Audit & Supervisory Board Member Mr. Kiyoshi Miura has many years of experience working for financial institutions and considerable knowledge of finance and accounting.
8. External Audit & Supervisory Board Member Mr. Tsuyoshi Takeuchi is qualified as a certified public accountant and has considerable knowledge of finance and accounting.
9. The Company has taken out a directors and officers liability insurance policy with an insurance company for Directors and Audit & Supervisory Board Members of the Company as the insureds. This policy is designed to cover damages resulting from the insured officers, etc., bearing liability with respect to the execution of their duties or being subject to claims

related to the pursuit of such liability. However, there are specific exclusions, such as no coverage for liability arising from actions taken with the knowledge that they were in violation of the laws and regulations. The Company fully pays the insurance premiums for this policy.

10. The Company entered into an indemnification agreement with each Director and each Audit & Supervisory Board Member listed in the above “(1) Status of Directors and Audit & Supervisory Board Members,” which provides that the Company will indemnify them against the expenses stipulated in Article 430-2, Paragraph 1, Item 1 of the Companies Act and the losses stipulated in Item 2 of the same Paragraph, to the extent provided for by law.
11. In accordance with the provisions of Article 28, Paragraph 2 and Article 36, Paragraph 2 of the Company’s Articles of Incorporation, as well as the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has agreed with each of External Directors Mr. Stefan Sacré, Mr. Koichi Hayashi, and Ms. Hiroko Shimada, and with each of Audit & Supervisory Board Members Mr. Masafumi Kokubo, Mr. Shuzo Hashimoto, Mr. Kiyoshi Miura, and Mr. Tsuyoshi Takeuchi, and to limit their liabilities for damages. The limit of liabilities under this agreement is the minimum liability amount as provided in laws and ordinances. However, the above-mentioned liability limitation is applied only when the duties giving rise to such liabilities were executed bona fide without gross negligence.

(2) Amount of remuneration, etc., for Directors and Audit & Supervisory Board Members

[1] Matters regarding policy on determining remuneration

Policy on determining the remuneration for Directors

1. Basic Policy

- (i) Design the system to motivate Directors to contribute to the enhancement of corporate value
- (ii) Ensure the appropriateness of the method for determining the remuneration and distribution
- (iii) Design the system to allow Directors to share their interests with shareholders through stock ownership

2. Determination process and details

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

In addition, 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 officer and the majority of which members are external officers, within the range approved by the General Meeting of Shareholders. The Board of Directors also determines the determination policy based on consultation with the Nomination & Remuneration Advisory Committee.

| Type of remuneration (composition ratio) | Remuneration details |
|---|--|
| Basic remuneration (about 30 to 70%) (Note) | <ul style="list-style-type: none"> • The amount is fixed by position according to responsibilities determined upon careful consideration while referring to employees’ salaries and remuneration levels at other companies. |
| Performance-linked remuneration (about 20 to 40%) (Note) | <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. |

| Type of remuneration (composition ratio) | Remuneration details |
|---|---|
| Restricted stock remuneration (about 5 to 20%) (Note) | <ul style="list-style-type: none"> • Restricted stock remuneration consists of restricted stock intended to raise further motivation to sustainably improve corporate value and shareholder value over the medium-to-long-term within the range approved at the General Meeting of Shareholders. • The number of shares to be granted to Directors is resolved by the Board of Directors. • The restrictions on shares are lifted when the Director retires. |

(Note) 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.

The amount of remuneration for Audit & Supervisory Board Members is determined by the Audit & Supervisory Board within the range approved at the General Meeting of Shareholders.

[2] The total amount of remuneration, etc., by officer category, the total amount of remuneration, etc., by type, and number of eligible officers

(Million yen)

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

(Notes) 1. Of the amount paid above, the total remuneration for four External Directors and three External Audit & Supervisory Board Members is 56 million yen.

2. There are six Directors (including three External Directors) and four Audit & Supervisory Board Members (including three External Audit & Supervisory Board Members) at the end of the fiscal year under review.

3. The retirement benefit plan was abolished at the conclusion of the 87th Annual General Meeting of Shareholders held on June 28, 2007.

4. The amount of remuneration, etc., for Directors does not include the portion of employee's salary payable to Directors who concurrently serve as employees.

(a) Matters regarding performance-linked remuneration

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

(b) Matters regarding stock remuneration

In fiscal 2023, 14,450 shares were granted as restricted stock remuneration to three Directors (excluding External Directors).

(c) Reasons why the Board of Directors judged that the contents of individual remuneration, etc., for Directors, conform to the policy

The Nomination & Remuneration Advisory Committee examines proposals for remuneration from various perspectives, including the consistency with the determination policy. Therefore, the Board of Directors basically respects the Committee's recommendations regarding determining the contents of individual remuneration, etc., for Directors, and thus judged that the contents conform to the determining policy.

(d) Date and details of resolution at the General Meeting of Shareholders regarding remuneration for officers

| | Type of remuneration | Limit of annual remuneration | Date of resolution at the General Meeting of Shareholders | Number of officers at the time of the resolution |
|-----------------------------------|---|------------------------------|---|--|
| Directors | Basic remuneration Performance-linked remuneration | Up to 600 million yen | The 87th Annual General Meeting of Shareholders (June 28, 2007) | 8 Directors (including 2 External Directors) |
| | Stock remuneration | Up to 120 million yen | The 98th Annual General Meeting of Shareholders (June 22, 2018) | 4 Directors (excluding 3 External Directors) |
| Audit & Supervisory Board Members | Basic remuneration | Up to 80 million yen | The 87th Annual General Meeting of Shareholders (June 28, 2007) | 4 Audit & Supervisory Board Members (including 3 External Audit & Supervisory Board Members) |

(e) Matters regarding the delegation of the determination of the amount of individual remuneration, etc., for Directors

Regarding the amount of individual remuneration for Directors, the Company calculates the amount of remuneration based on the computation criteria deliberated by the Nomination & Remuneration Advisory Committee chaired by an independent officer. The Committee assesses the adequacy of the calculated amount. The Board of Directors decided that individual remuneration shall be determined based on recommendations of the Nomination & Remuneration Advisory Committee.

(f) The Nomination & Remuneration Advisory Committee

The Nomination & Remuneration Advisory Committee was established in April 2018 to ensure transparency and objectivity of the procedures for determining remuneration for Directors and further enhancing the corporate governance structure. An independent external officer chairs the Committee.

| | |
|--|---|
| Composition of the Committee Members | The majority are independent officers. |
| Frequency of meeting | The Committee meets approximately 4 times a year but met 6 times in fiscal 2023. |
| Major deliberations pertaining to remuneration | <ul style="list-style-type: none"> • Policy regarding remuneration for Directors • Selection of evaluation indicators for calculating remuneration • Discussion of specific details of the remuneration structure • Consideration of and decision on amounts of individual remuneration • Decision on amounts of restricted stock remuneration |

(3) State of external officers

- [1] Relationships between the Company and the entities, etc., at which its external officers hold concurrent material positions

Director Stefan Sacré concurrently serves as a President and Representative Director of Carl ZEISS Co., Ltd. (Japan) and Carl Zeiss Meditec Co., Ltd. (Japan). The Company has a business transaction relationship in buying manufactured goods, etc., with Carl ZEISS Co., Ltd. (Japan). However, the percentage of such transactions is tiny, at less than 1% of the consolidated net sales of each of the Company and Carl ZEISS Co., Ltd. (Japan). The Company has no special relationships with Carl Zeiss Meditec Co., Ltd. (Japan).

Director Mr. Koichi Hayashi concurrently serves as a Representative Director of Attax Co., Ltd. and as an External Director and Audit & Supervisory Committee Member, Plaza Holdings Co., Ltd., respectively. There are no special relationships between the Company and each company.

Director Ms. Hiroko Shimada concurrently serves as a Professor of School of Government of Kyoto University and as an External Director of SPACE CO., LTD. There are no special relationships between the Company and the university and the company.

Audit & Supervisory Board Member Mr. Shuzo Hashimoto concurrently serves as the Representative Attorney-at-Law of Hashimoto Law Firm. The Company has no special relationships with the firm.

Audit & Supervisory Board Member Mr. Kiyoshi Miura concurrently serves as an Adviser, SAERA Pharmacies, Inc. The Company has no special relationships with the company.

Audit & Supervisory Board Member Mr. Tsuyoshi Takeuchi concurrently serves as the Representative Director of PM Business Solutions Inc., Principal of Takeuchi Tsuyoshi Certified Public Accountant Office and an Outside Auditor of Chugai Ro Co., Ltd. There are no special relationships between the Company and PM Business Solutions Inc. and Takeuchi Tsuyoshi Certified Public Accountant Office. The Company has a business transaction relationship in selling manufactured goods, etc. with Chugai Ro Co., Ltd. However, the percentage of such transactions is tiny, at less than 1% of the consolidated net sales of each of the Company and the company.

- [2] Status of main activities of external officers

| Position | Name | Status of attendance | | Status of main activities |
|-------------------|--------------|-----------------------------|------------------------------------|---|
| | | Board of Directors meetings | Audit & Supervisory Board meetings | |
| External Director | Stefan Sacré | 100% 12/12 | * 7 | Mainly from a professional perspective as a Doctor of Engineering and from the worldwide perspective of an overseas corporate manager, Mr. Stefan Sacré actively participates in vigorous deliberations at the Board of Directors meetings. He also offers advice and opinions necessary to ensure the appropriateness of the decision-making. In addition, he attends the Audit & Supervisory Board meetings as an observer as needed. |

| Position | Name | Status of attendance | | Status of main activities |
|-------------------|----------------|-----------------------------|------------------------------------|---|
| | | Board of Directors meetings | Audit & Supervisory Board meetings | |
| External Director | Koichi Hayashi | 100% 12/12 | * 7 | Mainly from a professional perspective as a certified public accountant and from the viewpoint of an experienced corporate executive, Mr. Koichi Hayashi actively participates in vigorous deliberations at the Board of Directors meetings. He also offers advice and opinions necessary to ensure the appropriateness of the decision-making. In addition, he attends the Audit & Supervisory Board meetings as an observer as needed. |
| External Director | Hiroko Shimada | 100% 10/10 | * 7 | Mainly from a viewpoint related to human resources policies, laws and regulations, primarily in recruitment and development, diversity, work style reform, and labor-related matters, utilizing insights gained from serving at National Personnel Authority and the Ministry of Foreign Affairs of Japan, Ms. Hiroko Shimada actively participates in vigorous deliberations at the Board of Directors meetings. She also offers advice and opinions necessary to ensure the appropriateness of the decision-making. In addition, she attends the Audit & Supervisory Board meetings as an observer as needed. |

(Notes) 1. * Denotes the number of meetings attended as an observer.

2. Since Ms. Hiroko Shimada assumed the position at the 103rd Annual General Meeting of Shareholders held on June 23, 2023, the Company states the number of meetings of the Board of Directors and the Audit & Supervisory Board held subsequent to her assuming the position.

| Position | Name | Status of attendance | | Status of main activities |
|---|-------------------|-----------------------------|------------------------------------|--|
| | | Board of Directors meetings | Audit & Supervisory Board meetings | |
| External Audit & Supervisory Board Member | Shuzo Hashimoto | 100% 12/12 | 100% 12/12 | Mainly from a professional perspective as an Attorney-at-Law, Mr. Shuzo Hashimoto offers advice and opinions necessary to ensure the appropriateness of the decision-making. Furthermore, he promotes strengthening the auditing system as an Audit & Supervisory Board Member, based on his extensive knowledge and objective standpoint. |
| External Audit & Supervisory Board Member | Kiyoshi Miura | 100% 12/12 | 100% 12/12 | Mainly from a professional perspective on the financial industry and from the viewpoint of an experienced corporate executive, Mr. Kiyoshi Miura offers advice and opinions necessary to ensure the appropriateness of the decision-making. Furthermore, he promotes strengthening the auditing system as an Audit & Supervisory Board Member, based on his extensive knowledge and objective standpoint. |
| External Audit & Supervisory Board Member | Tsuyoshi Takeuchi | 100% 12/12 | 100% 12/12 | Mainly from a professional perspective as a certified public accountant and based on his abundant overseas experience, Mr. Tsuyoshi Takeuchi offers advice and opinions necessary to ensure the appropriateness of the decision-making. Furthermore, he promotes the strengthening of the auditing system as an Audit & Supervisory Board Member, based on his extensive knowledge and objective standpoint. |

4. Matters Regarding the Accounting Auditor

(1) Name of the Accounting Auditor

Deloitte Touche Tohmatsu LLC

(2) Amount of remuneration, etc., for the Accounting Auditor for the fiscal year under review

| | Amount paid |
|---|----------------|
| [1] Remuneration, etc., payable to the Accounting Auditor for the fiscal year under review | 47 million yen |
| [2] The total amount of money and other property benefits payable by the Company and its subsidiaries | 47 million yen |

- (Notes) 1. In light of the Practical Guidelines for Collaboration with Accounting Auditors, published by the Japan Audit & Supervisory Board Members Association, the Audit & Supervisory Board has confirmed the performance records of auditing time by auditing item and level in the past fiscal years' auditing plan, changes in remuneration amounts paid, and the status of duties executed by the Accounting Auditor, and then has examined the reasonableness of the audit plan, the auditing time, and the amount of remuneration for the fiscal year under review. As a result of the confirmation and examination, the Audit & Supervisory Board has given consent on remuneration, etc., for the Accounting Auditor as prescribed in Article 399, Paragraph 1 of the Companies Act.
2. The audit agreement concluded between the Company and the Accounting Auditor does not clearly distinguish the amount of remuneration, etc., for audits by the accounting auditor under the Companies Act from that for audits under the Financial Instruments and Exchange Act. Also, it is practically impossible to separate these remunerations. Therefore, the amount of remuneration, etc., shown in [1] above is the total amount of these remunerations.
3. The Company's overseas subsidiaries are audited by audit corporations other than the Accounting Auditor of the Company.

(3) Policy for determination of dismissal or refusal of re-election of the Accounting Auditor

The Audit & Supervisory Board shall dismiss the Accounting Auditor with the consent of all Audit & Supervisory Board Members in the case when the Audit & Supervisory Board determines that the Accounting Auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act. In this case, the Audit & Supervisory Board shall report such fact and the reason for dismissal to the first General Meeting of Shareholders called after the dismissal. In addition, in cases when it is deemed to be difficult for the Accounting Auditor to execute its duties appropriately or judged to be reasonable to replace the Accounting Auditor with another firm, the Audit & Supervisory Board shall determine the contents of a proposal to be submitted to the General Meeting of Shareholders for resolution regarding the dismissal or refusal of re-election of the Accounting Auditor.

5. Systems to Ensure the Appropriateness of Operations

The Company’s systems to ensure the appropriateness of operations, and the status of such systems’ operations are as follows.

| | |
|--|--|
| | <p>[Basic policy]</p> <ol style="list-style-type: none"> 1) The Company shall establish the Code of Conduct to fulfill its corporate social responsibility and establish rules and regulations regarding related laws and regulations to ensure compliance. 2) The Company shall not have any relationship with antisocial forces, and will take a firm stand against them as an organization. 3) The Company shall establish a reporting contact point and implement a system to prevent and correct violations of laws and regulations. |
| <p>1. Compliance system (Article 362, Paragraph 4, Item 6 of the Companies Act; Article 100, Paragraph 1, Item 4 of the Regulation for Enforcement of the Companies Act)</p> | <p>[Overview of the status of operation]</p> <ol style="list-style-type: none"> 1) The Company has established the Compliance Committee as an organization to promote the enhancement of business ethic awareness of employees and the Company’s value and is conducting activities. 2) The Company clearly states its basic policy on antisocial forces in the Code of Conduct. In addition, this policy is made known to employees working at the Group through initiatives such as internal training. 3) The Company has established a reporting contact point as a whistle-blowing mechanism for employees, working in the Group. In addition to the internal reporting contact point, by setting up an external reporting contact point using independent attorney-at-law, the Company ensures the anonymity of the reporter and the confidentiality of reporting, giving consideration to the protection of the reporter and endeavoring to ensure the early detection and correction of any compliance violations. |

| | |
|--|---|
| <p>2. Risk management system (Article 100, Paragraph 1, Item 2 of the Regulation for Enforcement of the Companies Act)</p> | <p>[Basic policy] The Company identifies various risks ancillary to business activities to ensure business continuity and raise the corporate value, and based upon the proper assessment of such risks, undertakes efficient and effective management activities.</p> |
| | <p>[Overview of the status of operation] 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 in July 2022 and a monitoring system by the Internal Control Audit Office to further strengthen our risk management system. Specifically, the Risk Management Office comprehensively identifies and analyzes the risks for CKD, checks the status of each division's efforts to address each risk, and encourages improvements as necessary. It regularly reports to the Risk Management Committee. The Internal Control Audit Office, the third line of risk management, monitors the appropriateness of functions of each division, the first line of risk management, and the Risk Management Office, the second line. Additionally, the Internal Control Audit Office reports directly to the Board of Directors to share information to ensure that the Board of Directors and the Audit & Supervisory Board fulfill their functions. These three functions make up the Three Lines of Defense System.</p> |

| | |
|---|--|
| <p>3. Efficient execution of duties (Article 100, Paragraph 1, Item 3 of the Regulation for Enforcement of the Companies Act)</p> | <p>[Content of the basic policy]</p> <ol style="list-style-type: none"> 1) In principle, the Board of Directors convenes once a month, and the Board of Corporate Officers, composed mainly of Corporate officers, is convened as needed to facilitate swift management decision-making. 2) The Company holds business reporting meetings with directors and division heads in attendance on management issues at each business division, and shares information through reports on the analysis of the business environment and business planning progress, and reflects such information in management decisions. 3) With the introduction of the Executive Officer System, the Board of Directors will separate the functions previously held by the Board of Directors, such as managerial decision-making, supervision, and business execution. As a result, the Board of Directors makes accurate and prompt decisions by reducing the number of Directors. Regarding business execution, the Company will execute business flexibly by delegating authority to executive officers and clarifying responsibility. |
| | <p>[Overview of the system operations status]</p> <ol style="list-style-type: none"> 1) The Board of Directors' regulations clearly define the matters to be resolved and reported by the Board of Directors, and the Board of Directors held its meetings 12 times in the current fiscal year, discussed issues, and formulated management plans. 2) Important matters related to business execution are discussed at the Board of Corporate Officers and the Business Reporting Meeting just before reaching the Board of Directors meetings, and discussions are held to determine whether there are potential risks. Through these discussions, we are working to ensure the appropriateness and efficiency of business execution by directors. 3) Executive officers perform their duties under the supervision of the Board of Directors within the scope of their authority and responsibilities. |

| | |
|--|---|
| <p>4. System for the retention and management of information (Article 100, Paragraph 1, Item 1 of the Regulation for Enforcement of the Companies Act)</p> | <p>[Basic policy] Information concerning the execution of duties by Directors, including documents for obtaining management approval and minutes of various meetings, shall be stored and managed appropriately in accordance with laws and regulations and internal rules to ensure that the execution of duties by Directors is conducted appropriately.</p> |
| | <p>[Overview of the status of operation] Documents concerning the execution of duties by Directors, including documents for obtaining management approval and minutes of the Board of Directors meetings, are stored and managed appropriately in accordance with the document control regulations and other relevant internal rules.</p> |

| | |
|---|---|
| <p>5. Group management system (Article 100, Paragraph 1, Item 5 of the Regulation for Enforcement of the Companies Act)</p> | <p>[Basic policy]</p> <ol style="list-style-type: none"> 1) In addition to establishing approval rules for the execution of operations, the Company shall establish a system to ensure that essential management matters of subsidiaries shall be approved in advance by the Company or reported to the Company in accordance with internal regulations. 2) The scope of the Code of Conduct and the risk management system shall include subsidiaries to ensure that the operations of the Group as a whole are appropriate. 3) The Company shall ensure that the Group is fully aware of the Company's Purpose and ensure the appropriateness of its operations. In addition, the Company shall establish Subsidiary Management Regulations both in and outside of Japan to promote efficiency in the management of its subsidiaries. 4) In addition to establishing the Code of Conduct applicable to the Group as a whole, the Company shall adequately understand the actual conditions of its subsidiaries and provide necessary advice and guidance to ensure compliance thoroughly. |
| | <p>[Overview of the status of operation]</p> <ol style="list-style-type: none"> 1) The Management Regulations stipulate matters for which prior approval and reporting are required for subsidiaries. 2) The Company extends its Code of Conduct and risk management initiatives to its subsidiaries to ensure the appropriateness of operations. 3) The Company extends the dissemination of its Purpose and the Subsidiary Management Regulations to its subsidiaries, to promote more efficient management at subsidiaries. 4) The management status and other information are reported monthly to the Company's Board of Directors. In addition, the internal audit departments undertake timely audits, and the departments in charge provide guidance and support to enable appropriate business operations. 5) The internal audit departments have established an overseas department to strengthen group governance. |

| | |
|---|---|
| <p>6. System of Audits by Audit & Supervisory Board Members (Article 100, Paragraph 3 of the Regulation for Enforcement of the Companies Act)</p> | <p>[Basic policy]</p> <ol style="list-style-type: none"> 1) Whenever necessary, the Company shall appoint employees to assist the Audit & Supervisory Board Members in their duties and authorize those employees to conduct investigations at the direction of the Audit & Supervisory Board Members. In such cases, Directors and Audit & Supervisory Board Members shall discuss the personnel matters in advance. 2) Directors and employees of the Company and its subsidiaries shall provide necessary reports and information upon request of Audit & Supervisory Board Members in accordance with laws and regulations, and provisions stipulated by the Audit & Supervisory Board. No disadvantageous treatment shall be given to any employee for reporting or providing information to Audit & Supervisory Board Members. 3) Opportunities for Audit & Supervisory Board Members, the Accounting Auditor, and the Internal Control & Audit Office to exchange information shall be secured. In addition, Audit & Supervisory Board Members may consult with external experts in law, accounting, etc., as necessary, and the Company shall bear the cost of such consultations. |
| | <p>[Overview of the status of operation]</p> <ol style="list-style-type: none"> 1) Two dedicated employees have been appointed to assist the Audit & Supervisory Board Members in their duties. 2) Audit & Supervisory Board Members periodically exchange opinions with the Representative Director, other Directors, Executive Officers, etc., and participate in Board of Directors meetings and other important committees. They also check important material documents concerning the execution of duties, as necessary. 3) In fiscal 2023, the Company held 12 meetings of the Audit & Supervisory Board, which consists of four Audit & Supervisory Board Members, including three External Audit & Supervisory Board Members. During these meetings, Audit & Supervisory Board Members conducted discussions with Executive Officers on four occasions and with the Accounting Auditor on three occasions. In addition, the Audit & Supervisory Board also held 12 three-way audit meetings with the Accounting Auditor and internal audit departments to exchange audit information. |

6. Basic Policy Regarding Control of the Company

(1) Details of the basic policy

The Company believes that, since it, as a listed company, allows free trading of its shares, the decision as to whether or not to sell its shares in response to a large-scale purchase by a specific party (defined in (3) below) should ultimately be left to the Company's shareholders who hold its shares. However, in the management of the Company, its know-how and extensive experience accumulated over many years in fields such as automation and fluid control technologies, as well as relationships of trust built with its customers, business partners, employees, and other stakeholders in Japan and overseas, are indispensable. With sufficient information on these matters, the Company believes that it is possible to appropriately determine the corporate value that its shareholders can realize in the future and even the common interests of its shareholders. Furthermore, upon receiving a takeover proposal from an outside large-scale purchaser, the Company believes it is not always easy to appropriately judge the impact of such a large-scale purchase on the corporate value of the Company and even the common interests of its shareholders in a short time with complete understanding of some elements. These elements include tangible and intangible management resources of the Company, potential effects of future-oriented measures, synergies that could be realized through the organic combination of both business fields, and other factors that constitute the Company's corporate value.

(2) Effective use of assets, formation of appropriate corporate groups, and other efforts to contribute to the realization of the basic policy

Since its founding, the Company has consistently researched and developed automation and fluid control technologies to achieve high-quality, high-efficiency automation. In addition, the Company has developed automatic machinery and component products that consider resource and energy conservation, thereby contributing to automation and productivity improvement in all industries.

As a result, with regard to the automatic machinery, the Company holds the top share of the domestic market for automatic pharmaceutical packaging systems with high safety and environmental performance, and the Company also boasts a high market share for lithium-ion battery manufacturing systems and 3D solder paste inspection machines for electronic substrates. In the area of components products, the Company also maintains the top position in Japan for control components for chemical liquids, which are indispensable for semiconductor manufacturing, and fluid control components, which can be applied to all industries. In addition to building a broad sales network in Japan and overseas, the Company strives to improve customer satisfaction by establishing close relationships with its customers, building a world-class quality assurance system, and developing environmentally friendly products.

In addition, to fulfill its corporate social responsibility, the Company is deepening communication with its stakeholders by further promoting environmental conservation activities, contributing to society and supporting its employees' voluntary activities. The Company also enhances its internal control system by establishing various internal rules and regulations, including the Code of Conduct.

(3) Efforts to prevent decisions on the Company's financial and business policies from being controlled by inappropriate persons in light of the basic policy

In light of changes in the business environment surrounding the Company, the dissemination of regulations concerning large-scale purchases under the Financial Instruments and Exchange Act, and other factors, the Company has carefully made a great deal of consideration for handling the large-scale purchase rules. As a result, the Company abolished the large-scale purchase rules at the conclusion of the 99th Annual General Meeting of Shareholders on June 21, 2019.

Regardless of the large-scale purchase rules, the Company will continue to make group-wide efforts to secure and enhance the medium-to-long-term corporate value and even the common interests of its shareholders. In addition, even after the termination of the large-scale purchase rules, the Company will continue to request that any party who intends to conduct a large-scale purchase provide necessary and sufficient information for the shareholders to determine the appropriateness of the large-scale purchase properly. Moreover, the Company will disclose the opinions, etc., of the Company's Board of Directors, and strive to secure time and information for shareholders to consider the proposal. Through these efforts, the Company will take appropriate measures to the extent permitted by the Financial Instruments and Exchange Act, the Companies Act, and other related laws and regulations.

7. Policy on Determining Dividends of Surplus, etc.

In order to return profits to its shareholders, the Company aims to increase corporate value through capital investments and R&D investments to enhance its management foundation and further expand its business while aiming for a payout ratio of 40% in shareholder return.

Based on this policy, the Company has decided by resolution of the Board of Directors on May 10, 2024, to pay a year-end dividend of 26 yen per share with a payment date of June 6, 2024. As a result, the annual dividend for the fiscal year under review will be 50 yen per share, including the interim dividend of 24 yen per share paid in December 2023.

8. Matters Regarding Cross-shareholdings

(1) Policy and approach to reducing cross-shareholdings

In principle, the Company does not hold cross-shareholdings, except in cases where the Company judges that it will contribute to enhancing 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.

(2) Verifying the appropriateness of holding shares

Suppose the Company determines that it is necessary to hold shares. In that case, the Board of Directors examines the objectives and rationale for holding the shares by examining the market value evaluation, ROE, dividend yield, etc., of each stock every year, the need for business strategies, business alliances, and the maintenance and strengthening of business relationships.

(3) Criteria for exercising voting rights

With respect to exercising voting rights for shares held by the Company, the Company will exercise its voting rights by considering 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.

(4) Response when a company holding the Company's shares expresses intent to sell them, etc.

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

Figures presented in the Business Report are rounded down to the stated unit.

Consolidated Financial Statements

Consolidated Balance Sheets

(As of March 31, 2024)

(Million yen)

| Description | As of March 31, 2024 | As of March 31, 2023 (Reference) |
|---|----------------------|-------------------------------------|
| (Assets) | | |
| Current assets | 124,327 | 123,055 |
| Cash and deposits | 28,303 | 28,568 |
| Notes receivable - trade | 2,028 | 4,443 |
| Accounts receivable - trade | 21,366 | 23,574 |
| Contract assets | 3,083 | 2,148 |
| Electronically recorded monetary claims - operating | 7,003 | 6,318 |
| Trade accounts receivable | 186 | 241 |
| Merchandise and finished goods | 14,357 | 11,443 |
| Work in process | 5,572 | 5,090 |
| Raw materials and supplies | 40,114 | 38,848 |
| Other | 2,350 | 2,430 |
| Allowance for doubtful accounts | (39) | (53) |
| Non-current assets | 83,957 | 62,571 |
| Property, plant, and equipment | 65,685 | 49,331 |
| Buildings and structures | 36,870 | 24,899 |
| Machinery, equipment, and vehicles | 12,938 | 12,186 |
| Tools, furniture, and fixtures | 2,099 | 1,891 |
| Land | 9,601 | 8,242 |
| Leased assets | 2,337 | 1,071 |
| Construction in progress | 1,837 | 1,040 |
| Intangible assets | 1,630 | 1,524 |
| Investments and other assets | 16,641 | 11,714 |
| Investment securities | 11,497 | 8,509 |
| Retirement benefit asset | 3,601 | 1,749 |
| Deferred tax assets | 363 | 409 |
| Other | 1,217 | 1,081 |
| Allowance for doubtful accounts | (38) | (35) |
| Total assets | 208,285 | 185,626 |

(Note) Figures presented in the financial statements are rounded down to the nearest million yen.

(Million yen)

| Description | As of March 31, 2024 | As of March 31, 2023 (Reference) |
|---|----------------------|-------------------------------------|
| (Liabilities) | | |
| Current liabilities | 42,985 | 52,018 |
| Notes and accounts payable - trade | 15,325 | 22,017 |
| Electronically recorded obligations - operating | 4,351 | 5,349 |
| Short-term borrowings | 5,907 | 6,062 |
| Current portion of long-term borrowings | 1,166 | 2,398 |
| Lease obligations | 411 | 329 |
| Accrued expenses | 3,860 | 4,765 |
| Income taxes payable | 821 | 3,696 |
| Provision for bonuses | 463 | 574 |
| Provision for product warranties | 413 | 427 |
| Provision for loss on orders received | 55 | 11 |
| Other | 10,206 | 6,385 |
| Non-current liabilities | 36,201 | 13,877 |
| Long-term borrowings | 29,262 | 9,203 |
| Lease obligations | 783 | 633 |
| Deferred tax liabilities | 3,352 | 1,250 |
| Provision for environmental measures | 2 | 2 |
| Retirement benefit liability | 462 | 503 |
| Asset retirement obligations | 272 | 235 |
| Other | 2,066 | 2,049 |
| Total liabilities | 79,186 | 65,895 |
| (Net assets) | | |
| Shareholders' equity | 115,225 | 111,538 |
| Share capital | 11,016 | 11,016 |
| Capital surplus | 16,626 | 16,548 |
| Retained earnings | 88,386 | 84,807 |
| Treasury shares | (804) | (833) |
| Accumulated other comprehensive income | 13,873 | 8,192 |
| Valuation difference on available-for-sale securities | 5,498 | 3,486 |
| Foreign currency translation adjustment | 7,546 | 4,902 |
| Remeasurements of defined benefit plans | 827 | (196) |
| Total net assets | 129,098 | 119,730 |
| Total liabilities and net assets | 208,285 | 185,626 |

(Note) Figures presented in the financial statements are rounded down to the nearest million yen.

Consolidated Statements of Income

(April 1, 2023 - March 31, 2024)

(Million yen)

| Description | For the fiscal year ended March 31, 2024 | For the fiscal year ended March 31, 2023 (Reference) |
|---|---|--|
| Net sales | 134,425 | 159,457 |
| Cost of sales | 96,383 | 113,059 |
| Gross profit | 38,042 | 46,398 |
| Selling, general and administrative expenses | 24,928 | 25,227 |
| Operating profit | 13,113 | 21,170 |
| Non-operating income | 869 | 839 |
| Interest income | 90 | 94 |
| Dividend income | 271 | 222 |
| Administrative service fee income | 50 | 59 |
| Insurance claim income | 51 | 16 |
| Subsidy income | 88 | 145 |
| Other | 317 | 302 |
| Non-operating expenses | 934 | 829 |
| Interest expenses | 572 | 331 |
| Loss on the valuation of derivatives | 7 | 72 |
| Foreign exchange losses | 35 | 147 |
| Loss on retirement of non-current assets | 57 | 105 |
| Other | 261 | 171 |
| Ordinary profit | 13,048 | 21,181 |
| Extraordinary income | 20 | 233 |
| Gain on step acquisitions | - | 62 |
| Gain on sale of investment securities | 20 | 149 |
| Other | - | 21 |
| Extraordinary losses | 164 | 25 |
| Impairment losses | 151 | - |
| Loss on tax purpose reduction entry of non-current assets | - | 21 |
| Other | 12 | 4 |
| Profit before income taxes | 12,904 | 21,388 |
| Income taxes - current | 3,776 | 6,317 |
| Income taxes - deferred | 789 | 282 |
| Profit | 8,338 | 14,788 |
| Profit attributable to owners of the parent | 8,338 | 14,788 |

(Note) Figures presented in the financial statements are rounded down to the nearest million yen.

Consolidated Statements of Changes in Net Assets

(April 1, 2023 – March 31, 2024)

(Million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at the beginning of a period | 11,016 | 16,548 | 84,807 | (833) | 111,538 |
| Changes during period | | | | | |
| Dividends of surplus | | | (4,737) | | (4,737) |
| Profit attributable to owners of the parent | | | 8,338 | | 8,338 |
| Purchase of treasury shares | | | | (1) | (1) |
| Disposal of treasury shares | | 78 | | 30 | 108 |
| Employee incentive welfare funds | | | (21) | | (21) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during the period | – | 78 | 3,579 | 29 | 3,686 |
| Balance at the end of period | 11,016 | 16,626 | 88,386 | (804) | 115,225 |

| | Accumulated other comprehensive income | | | | Total net assets |
|--|---|---|---|--|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | |
| Balance at the beginning of a period | 3,486 | 4,902 | (196) | 8,192 | 119,730 |
| Changes during period | | | | | |
| Dividends of surplus | | | | | (4,737) |
| Profit attributable to owners of the parent | | | | | 8,338 |
| Purchase of treasury shares | | | | | (1) |
| Disposal of treasury shares | | | | | 108 |
| Employee incentive welfare funds | | | | | (21) |
| Net changes in items other than shareholders' equity | 2,011 | 2,644 | 1,024 | 5,680 | 5,680 |
| Total changes during the period | 2,011 | 2,644 | 1,024 | 5,680 | 9,367 |
| Balance at the end of period | 5,498 | 7,546 | 827 | 13,873 | 129,098 |

(Note) Amounts of less than one million yen are rounded down.

Notes to Consolidated Financial Statements

(Notes regarding material items that form the basis for the preparation of the consolidated financial statements)

1. Scope of consolidation

Consolidated subsidiaries: 21 companies

The names of companies:

(4 Japanese companies)

CKD Shikoku Seiko Corporation
CKD Global Service Corporation
CKD Field Engineering Corporation
CKD NIKKI DENSO CO., LTD.

(17 overseas companies)

CKD THAI CORPORATION LTD.
CKD SINGAPORE PTE. LTD.
CKD USA CORPORATION
CKD KOREA CORPORATION
M-CKD PRECISION SDN. BHD.
CKD (CHINA) CORPORATION
CKD (SHANGHAI) CORPORATION
TAIWAN CKD CORPORATION
CKD VIETNAM ENGINEERING CO., LTD.
PT CKD TRADING INDONESIA
PT CKD MANUFACTURING INDONESIA
CKD ILLINOIS LLC
CKD MEXICO, S. de R.L. de C.V.
CKD INDIA PRIVATE LIMITED
CKD EUROPE B.V.
CKD ITALIA S.R.L.
CKD MALAYSIA SDN. BHD.

From this fiscal year, CKD MALAYSIA SDN. BHD. was included in the scope of consolidation upon completion of the payment of capital at incorporation.

2. Application of equity method

Not applicable.

3. Fiscal year of consolidated subsidiaries

Out of our consolidated subsidiaries, the fiscal year-ends on December 31 for CKD (CHINA) CORPORATION, CKD (SHANGHAI) CORPORATION, and CKD MEXICO S. de R.L. de C.V., and we provisionally close their accounts on the consolidated closing date (March 31).

4. Accounting policies

(1) Basis and method of evaluation of significant assets

[1] Marketable Securities

Available-for-sale securities

Excluding shares, etc., without market prices:

At fair value as of the account closing date (changes in fair value are accounted for under the direct addition to the net assets method, and the moving average method is used to calculate the sale value.)

Shares, etc., without market prices:

At cost, as determined by the moving average method

[2] Derivatives

At fair value

[3] Inventories

| | | |
|-----------------------------------|---|--|
| a. Merchandise and finished goods | Automatic Machineries finished goods | Carried at cost using the individual method (values on the balance sheets are subject to the book value reduction method based on decreased profitability) |
| | Components, merchandise, and finished goods | Mainly carried at cost using the periodic average method (values on the balance sheets are subject to the book value reduction method based on decreased profitability) |
| b. Work in process | Automatic Machineries work in process | Carried at cost using the individual method (values on the balance sheets are subject to the book value reduction method based on decreased profitability) |
| | Components work in process | Mainly carried at cost using the periodic average method (values on the balance sheets are subject to the book value reduction method based on decreased profitability) |
| c. Raw materials and supplies | Raw materials | Mainly carried at cost using the periodic average method (values on the balance sheets are subject to the book value reduction method based on decreased profitability) |
| | Supplies | Mainly carried at cost using the last purchase price method (values on the balance sheets are subject to the book value reduction method based on decreased profitability) |

(2) Depreciation methods for material depreciable assets

[1] Property, plant, and equipment (excluding lease assets)

Mainly calculated by the declining-balance method.

Useful lives of property, plant, and equipment are as follows:

Buildings and structures: 3-50 years

Machinery, equipment, and vehicles: 3-17 years

[2] Intangible assets (excluding lease assets)

Calculated by the straight-line method.

Capitalized software for internal use is amortized by the straight-line method over the estimated internal useful life (5 years).

[3] Lease assets

The method employed is to take the asset's useful life as the lease term and depreciate the residual value to zero.

(3) Accounting for material reserves and allowances

[1] Allowance for doubtful accounts

Provisions for normal accounts in good standing are calculated using historical default ratios to prepare for the possible losses on doubtful accounts. Provisions for specific doubtful accounts are calculated by examining the probability of recovery for individual accounts and setting aside an amount equivalent to the portion deemed to be unrecoverable.

[2] Provision for bonuses

A provision for bonuses is made based on an estimated amount of payment for the consolidated fiscal year under review to cover bonus payments to employees.

[3] Provision for product warranties

A provision for a reasonably projectable amount of expenses to be incurred in the future is made to prepare for claims regarding products delivered to customers.

[4] Provision for losses on orders received

A provision for the estimated losses at the end of the current consolidated fiscal year is made to prepare for losses related to future order contracts.

[5] Provision for environmental Measures

A provision for a reasonably projectable amount of expenses is made to prepare for expenses related to waste management and removal of harmful substances obligated under laws and regulations.

(4) Accounting treatment of retirement benefits

[1] Method of attributing expected benefit to periods

In calculating retirement benefit obligations, expected benefits are attributed to periods on a payment calculation basis.

[2] Accounting method of actuarial gains and losses and prior service costs

Prior service costs are amortized on a straight-line basis over a certain period (12 years) within the average remaining service years for employees at the time of recognition.

Actuarial gains and losses are amortized on a straight-line basis over a certain period (12 years) within the average remaining service years for employees at the time of recognition and allocated proportionately from the consolidated fiscal year following the respective consolidated fiscal year of recognition.

[3] Adoption of a simplified method for small-scale companies

The simplified method of payment, which assumes benefit obligations to be equal to the benefits payable assuming the voluntary retirement of all employees at fiscal year-end, is applied to some consolidated subsidiaries in calculating liabilities regarding the payment of retirement benefits and retirement benefit expenses.

(5) Accounting method of material revenues and expenses

The Group applies the following five-step procedure for revenue recognition.

Step 1: Identify the contract with a customer.

Step 2: Identify performance obligations under the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to performance obligations.

Step 5: Recognize revenue when performance obligations are fulfilled or as they are fulfilled.

The Group's main businesses include the manufacture, sale, construction, maintenance, etc., of automatic machinery products and various components.

Regarding the timing of revenue recognition, the specific situation in each segment is described below.

(Automatic Machinery)

For automatic machinery products, in cases when the performance of an obligation under a contract with a customer results in an asset that cannot be converted to another use, and the Group has gained the right to payment for completed work, the Group estimates the percentage of performance obligations fulfilled and recognizes revenue over a period of time as performance obligations are fulfilled. The percentage of performance obligations fulfilled is calculated based on the ratio of the actual cost incurred to the estimated total cost required to fulfill the relevant performance obligation. For other contracts, revenue is recognized when the customer receives, inspects, and accepts the product.

However, in the case of parts sales for maintenance within Japan, where there is a normal period between shipment and the transfer of control to the customer, revenue is recognized at the time of shipment.

Export sales are mainly based on the terms of international trade defined in the Incoterms, etc., and revenue is recognized when control and risk have been transferred to the customer.

Considerations for fulfilling performance obligations are generally received within one year after the performance obligation is fulfilled, according to the payment terms, and do not contain any material financial elements.

(Components)

The Group deems performance obligations fulfilled when the customer gains control of the relevant products through delivery. Revenue is therefore recognized at the time of delivery. However, in the case of sales transactions within Japan, where there is a normal period of time between shipment and the transfer of control to the customer, revenue is recognized at the time of shipment.

Export sales are mainly based on the terms of international trade defined in the Incoterms, etc., and revenue is recognized when control and risk have been transferred to the customer.

Net sales are measured as the consideration promised in the contract with the customer after deducting incentives and discounts associated with the sales. Revenue is estimated based on past trends and other known factors at the time of sale and recognized to the extent that a material reversal

is highly unlikely.

In the case of paid receipt transactions that correspond to repurchase agreements, only a net amount equivalent to processing costs is recognized as revenue.

Considerations for fulfilling performance obligations are generally received within one year after the performance obligation is fulfilled, according to the payment terms, and do not contain any material financial elements.

(6) Foreign currency translation of material assets and liabilities

Monetary assets and liabilities denominated in foreign currencies are translated at the current exchange rates in effect at each fiscal year-end date. The resulting foreign exchange gains or losses are recognized as income or expenses.

Assets and liabilities of the foreign consolidated subsidiaries are translated at the current exchange rates in effect at each fiscal year-end date, and revenue and expense accounts are translated at the average rate of exchange in effect during the year. Accordingly, the amounts of translation adjustments are included in the foreign currency translation adjustments under net assets.

(7) Amortization method and amortization period of goodwill

Goodwill is amortized using the straight-line method over 10 years.

(Notes regarding changes in presentation method)

Consolidated statement of income

“Loss on retirement of non-current assets” under “extraordinary losses,” which was presented as a separate line item for the previous fiscal year, has been included in “other” this fiscal year due to the decreased materiality.

(Notes regarding accounting estimates)

Valuation of inventories in the Components segment of the Company and CKD (CHINA) CORPORATION

(1) The amount recorded on consolidated financial statements for the consolidated fiscal year under review
(Million yen)

| Account | The amount recorded on consolidated financial statements for the consolidated fiscal year under review (before write-downs) | Amount of write-downs in the consolidated fiscal year under review | The amount recorded on consolidated financial statements for the consolidated fiscal year under review |
|--------------------------------|---|--|--|
| Merchandise and finished goods | 7,212 | (488) | 6,723 |
| Work in process | 557 | – | 557 |
| Raw materials and supplies | 38,738 | (1,688) | 37,050 |
| Total | 46,508 | (2,176) | 44,332 |

(Note) The Company and CKD (CHINA) CORPORATION adopted the reversal method of previous write down. For that reason, the impact of the difference between the beginning and ending balances on operating profit in the current consolidated fiscal year is (408) million yen.

(2) Information concerning the content of significant accounting estimates for identified issues

Inventories in the Components segment of the Company and CKD (CHINA) CORPORATION are primarily composed of a wide variety of components. As many types and variations of products are produced, certain volumes of inventories are held for the leading components in order to respond to fluctuations in order volume and short delivery deadlines. Accordingly, a combined method is used to calculate inventory write-downs in the Components segment of the Company and CKD (CHINA) CORPORATION, comprising comparison with net selling prices in the market, automatic calculation through a system using write-down rates based on retention periods, etc., and the calculation of write-down amounts for inventories with declining turnover based on past shipment records, environmental transformation, and an assessment of the sales outlook.

The Company estimates the future sales prospects of inventories in this assumption based on conditions in the semiconductor, automobile, and machine tool markets to which the leading customers belong and customer investment plan forecasts associated with these factors.

When it is necessary to revise the assumptions used in these estimates due to deterioration in conditions in the semiconductor, automobile, machine tool, and other markets, there may be a material write-down of inventories judged to have no sales prospects in the following consolidated fiscal year.

(Notes regarding Consolidated Balance Sheets)

1. Allowances directly deducted from assets

Inventories likely to incur losses are shown by offsetting the correspondent provision for loss on orders received of 146 million yen (including provision for loss on orders received regarding merchandise and finished goods of 82 million and those regarding work in process of 64 million yen.)

2. Accumulated depreciation on property, plant, and equipment 78,652 million yen

(Notes regarding Consolidated Statements of Changes in Net Assets)

1. Class and the total number of issued shares at the end of the consolidated fiscal year
Common shares 67,909,449 shares

2. Matters regarding dividends

(1) Dividends paid

| Resolution | Class of shares | The total amount of dividends (million yen) | Dividend per share (yen) | Record date | Effective date |
|--|-----------------|---|--------------------------|--------------------|-------------------|
| Board of Directors meeting held on May 12, 2023 | Common shares | 3,136 | 47 | March 31, 2023 | June 5, 2023 |
| Board of Directors meeting held on November 10, 2023 | Common shares | 1,601 | 24 | September 30, 2023 | December 11, 2023 |
| Total | - | 4,737 | - | - | - |

(2) Among dividends whose record date falls under this consolidated fiscal year, those whose effective date falls under the subsequent period

| Resolution | Class of shares | The total amount of dividends (million yen) | Source of dividends | Dividend per share (yen) | Record date | Effective date |
|---|-----------------|---|---------------------|--------------------------|----------------|----------------|
| Board of Directors meeting held on May 10, 2024 | Common shares | 1,735 | Retained earnings | 26 | March 31, 2024 | June 6, 2024 |

(Notes regarding financial instruments)

1. Matters regarding the status of financial instruments

The Group procures necessary funds through borrowings from financial institutions. These borrowings are used for operating capital (mostly short-term) and capital expenditure (long-term).

Regarding fund management, the Group manages the funds in highly secure financial assets, such as deposits and negotiable deposits.

Derivatives are limited to within the range of actual demand in accordance with internal management regulations.

As for customer credit risk pertaining to notes and accounts receivable - trade and electronically recorded monetary claims - operating, efforts are made to reduce the risk pursuant to the credit management guidelines.

Investment securities are mostly shares, and the fair values of listed shares are understood each quarter.

2. Matters regarding fair values, etc., of financial instruments

The carrying amounts on the consolidated balance sheets, fair values, and differences between them as of the end of the consolidated fiscal year are as follows.

(Million yen)

| | Carrying amount on the consolidated balance sheets (*1) | Fair value (*1) | Difference |
|--|---|-----------------|------------|
| (1) Investment securities | | | |
| Available-for-sale securities (*3) | 10,534 | 10,534 | – |
| (2) Long-term borrowings (including the current portion of long-term borrowings) | (30,429) | (30,314) | 115 |
| (3) Derivative transactions | (118) | (118) | – |

(*1) Items recorded as liabilities are shown in parentheses.

(*2) Notes have been omitted for “cash and deposits,” notes receivable - trade,” “accounts receivable - trade,” “electronically recorded monetary claims - operating,” “trade accounts receivable,” “notes and accounts payable - trade,” “electronically recorded obligations - operating,” “short-term borrowings,” and “income taxes payable,” as these are settled over a short period, and carrying amount is approximately the same as fair value.

(*3) Shares, etc., without market prices are not included in “(1) Investment securities Available-for-sale securities.” The carrying amount of these financial instruments on the consolidated balance sheets is as follows.

| Class | Carrying amount on the consolidated balance sheets (Million yen) |
|-----------------|--|
| Unlisted shares | 962 |

3. Matters regarding breakdown, etc., of financial instruments for appropriate categories of fair value

The fair value of financial instruments is classified into the following three levels based on the observability and significance of the inputs used to calculate fair value.

Level 1 fair values: Fair values calculated using (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 fair values: Fair values calculated using directly or indirectly observable inputs other than those in Level 1

Level 3 fair values: Fair values calculated using significant unobservable inputs

When multiple inputs that may have a material impact on the calculation of fair value are used, the calculated fair value is classified at the lowest level of the inputs used.

(1) Financial instruments carried on the consolidated balance sheets at fair value

(Million yen)

| Class | Fair value | | | |
|-------------------------------|------------|---------|---------|--------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment securities | | | | |
| Available-for-sale securities | | | | |
| Shares | 10,246 | – | – | 10,246 |
| Bonds | – | 287 | – | 287 |
| Derivative transactions | – | (118) | – | (118) |

(2) Financial instruments apart from those carried on the consolidated balance sheets at fair value

(Million yen)

| Class | Fair value | | | |
|--|------------|----------|---------|----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Long-term borrowings (including the current portion of long-term borrowings) | – | (30,314) | – | (30,314) |

(Note) Explanation of the valuation techniques and inputs used to calculate fair value

Investment securities

The fair value of listed shares and bonds is calculated using market prices. The fair value of listed shares is classed as Level 1 fair value because these assets are traded in active markets. However, the fair value of bonds held by the Company is classified as Level 2 fair value, as market trading of these assets is infrequent, and they are not considered to have a market price in an active market.

Derivative transactions

The fair value of interest rates and currency swaps, and foreign exchange contracts is classified as Level 2 fair value because it is calculated with the discounted present value method using observable inputs such as exchange rates.

Long-term borrowings

The fair value of long-term borrowings is classified as Level 2 fair value because it is calculated using the discounted present value method based on an interest rate taking into account the sum of principal and interest amounts, the remaining time before payment is due, and the credit risk.

(Notes regarding revenue recognition)

1. Breakdown of revenue from contracts with customers

The Consolidated fiscal year under review (April 1, 2023 to March 31, 2024)

(Million yen)

| | Reporting segment | | | Other | Total |
|---------------------------------------|---------------------|------------|----------|-------|---------|
| | Automatic Machinery | Components | Subtotal | | |
| Packaging machines | 10,850 | – | 10,850 | – | 10,850 |
| Industrial machinery | 6,824 | – | 6,824 | – | 6,824 |
| Fluid control components | – | 61,774 | 61,774 | – | 61,774 |
| Pneumatic components | – | 54,975 | 54,975 | – | 54,975 |
| Revenue from contracts with customers | 17,674 | 116,750 | 134,425 | – | 134,425 |
| Other revenue | – | – | – | – | – |
| Net sales to external customers | 17,674 | 116,750 | 134,425 | – | 134,425 |

(Million yen)

| | Reporting segment | | | Other | Total |
|---------------------------------------|---------------------|------------|----------|-------|---------|
| | Automatic Machinery | Components | Subtotal | | |
| Japan | 14,292 | 73,097 | 87,390 | – | 87,390 |
| China | 434 | 22,237 | 22,672 | – | 22,672 |
| Asia (other) | 975 | 15,677 | 16,653 | – | 16,653 |
| Other | 1,971 | 5,737 | 7,709 | – | 7,709 |
| Revenue from contracts with customers | 17,674 | 116,750 | 134,425 | – | 134,425 |
| Other revenue | – | – | – | – | – |
| Net sales to external customers | 17,674 | 116,750 | 134,425 | – | 134,425 |

2. The information fundamental to an understanding of revenue

Presented in “(Notes regarding material items that form the basis for the preparation of the consolidated financial statements) 4. Accounting policies (5) Accounting method of material revenues and expenses.”

3. Information to enable an understanding of revenue for the current fiscal year and the next fiscal year onward

(1) Balance of contract assets and contract liabilities

The beginning and ending balances of claims arising from contracts with customers, contract assets, and contract liabilities of the Company and its consolidated subsidiaries in the fiscal year under review are as follows.

(Million yen)

| | The Consolidated fiscal year under review | |
|--|---|------------------------------|
| | Balance at the beginning of a period | Balance at the end of period |
| Claims arising from contracts with customers | 34,337 | 30,398 |
| Contract assets | 2,148 | 3,083 |
| Contract liabilities | 1,004 | 5,042 |

The contract assets are mainly consideration for construction contracts, etc., with customers that have fulfilled the performance obligation at the fiscal year-end date but have yet to be billed.

The contract assets are reclassified to claims arising from contracts with customers mainly upon transfer of control of promised goods or services to customers.

The consideration for the construction contracts, etc., is billed and received upon transfer of control of promised goods or services to customers in accordance with the payment terms determined in the respective contract.

The contract liabilities are mainly related to advances received from customers based on the payment terms and are reversed upon recognition of revenue.

The contract liabilities are included in "Other" under current liabilities in the consolidated balance sheets.

Revenue recognized in the consolidated fiscal year under review included in the contract liability balance at the beginning of the period was 806 million yen.

The revenue recognized in the current fiscal year from performance obligations fulfilled (or partially fulfilled) in previous periods is also immaterial.

(2) Transaction price allocated to remaining performance obligations

The Company has applied practical expediency and omitted the presentation of the transaction price allocated to remaining performance obligations because there are no material contracts for which the initially expected contract term exceeds one year.

Moreover, no material amounts of consideration arise from contracts with customers that are not included in the transaction price.

(Notes regarding per-share information)

1. Net assets per share 1,933.58 yen
2. Basic earnings per share 124.94 yen

(Notes regarding subsequent material events)

Not applicable.

Non-consolidated Financial Statements

Non-consolidated Balance Sheets

(As of March 31, 2024)

(Million yen)

| Description | As of March 31, 2024 | As of March 31, 2023 (Reference) |
|---|----------------------|-------------------------------------|
| (Assets) | | |
| Current assets | 91,765 | 91,166 |
| Cash and deposits | 14,754 | 17,168 |
| Notes receivable - trade | 120 | 875 |
| Electronically recorded monetary claims - operating | 5,633 | 5,013 |
| Accounts receivable - trade | 18,771 | 20,752 |
| Contract assets | 3,083 | 2,148 |
| Merchandise and finished goods | 9,769 | 6,993 |
| Work in process | 4,841 | 4,490 |
| Raw materials and supplies | 30,446 | 28,561 |
| Prepaid expenses | 413 | 433 |
| Other | 3,931 | 4,729 |
| Non-current assets | 78,110 | 59,927 |
| Property, plant, and equipment | 46,620 | 33,947 |
| Buildings | 26,906 | 16,824 |
| Structures | 1,037 | 598 |
| Machinery and equipment | 9,231 | 9,104 |
| Vehicles | 7 | 9 |
| Tools, furniture, and fixtures | 1,050 | 1,080 |
| Land | 7,320 | 6,026 |
| Leased assets | 33 | — |
| Construction in progress | 1,033 | 304 |
| Intangible assets | 1,335 | 1,232 |
| Software | 1,301 | 1,032 |
| Other | 33 | 200 |
| Investments and other assets | 30,154 | 24,747 |
| Investment securities | 11,495 | 8,507 |
| Shares of subsidiaries and associates | 8,741 | 6,682 |
| Investments in the capital of subsidiaries and associates | 6,809 | 6,510 |
| Prepaid pension costs | 2,409 | 2,033 |
| Deferred tax assets | — | 251 |
| Other | 726 | 788 |
| Allowance for doubtful accounts | (26) | (26) |
| Total assets | 169,875 | 151,093 |

(Note) Figures presented in the financial statements are rounded down to the nearest million yen.

(Million yen)

| Description | As of March 31, 2024 | As of March 31, 2023 (Reference) |
|---|----------------------|-------------------------------------|
| (Liabilities) | | |
| Current liabilities | 36,084 | 44,636 |
| Notes payable - trade | 135 | 190 |
| Electronically recorded obligations - operating | 3,591 | 4,437 |
| Accounts payable - trade | 4,867 | 7,119 |
| Trade accounts payable | 10,143 | 14,247 |
| Short-term borrowings | 4,837 | 4,668 |
| Current portion of long-term borrowings | 120 | 1,800 |
| Lease obligations | 6 | – |
| Accounts payable - other | 2,812 | 2,575 |
| Accrued expenses | 3,313 | 4,212 |
| Income taxes payable | 348 | 3,103 |
| Advances received | 4,858 | 890 |
| Deposits received | 173 | 158 |
| Unearned revenue | 0 | 0 |
| Provision for product warranties | 394 | 409 |
| Provision for loss on orders received | 55 | 12 |
| Other | 426 | 810 |
| Non-current liabilities | 28,068 | 6,755 |
| Long-term borrowings | 25,470 | 5,490 |
| Lease obligations | 29 | – |
| Deferred tax liabilities | 1,226 | – |
| Provision for environmental measures | 2 | 2 |
| Other | 1,340 | 1,263 |
| Total liabilities | 64,152 | 51,392 |
| (Net assets) | | |
| Shareholders' equity | 100,224 | 96,214 |
| Share capital | 11,016 | 11,016 |
| Capital surplus | 16,618 | 16,539 |
| Legal capital surplus | 11,797 | 11,797 |
| Other capital surpluses | 4,820 | 4,742 |
| Retained earnings | 73,394 | 69,491 |
| Legally retained earnings | 1,286 | 1,286 |
| Other retained earnings | 72,107 | 68,205 |
| General reserve | 51,500 | 51,500 |
| Retained earnings brought forward | 20,607 | 16,705 |
| Treasury shares | (804) | (833) |
| Valuation and translation adjustments | 5,498 | 3,486 |
| Valuation difference on available-for-sale securities | 5,498 | 3,486 |
| Total net assets | 105,723 | 99,701 |
| Total liabilities and net assets | 169,875 | 151,093 |

(Note) Figures presented in the financial statements are rounded down to the nearest million yen.

Non-consolidated Statements of Income

(April 1, 2023 - March 31, 2024)

(Million yen)

| Description | For the fiscal year ended March 31, 2024 | For the fiscal year ended March 31, 2023 (Reference) |
|---|---|--|
| Net sales | 106,849 | 128,137 |
| Cost of sales | 80,367 | 95,002 |
| Gross profit | 26,482 | 33,135 |
| Selling, general and administrative expenses | 16,484 | 17,235 |
| Operating profit | 9,998 | 15,899 |
| Non-operating income | 2,692 | 1,355 |
| Interest and dividend income | 2,233 | 907 |
| Other | 458 | 447 |
| Non-operating expenses | 565 | 483 |
| Interest expenses | 260 | 70 |
| Commission for syndicated loans | 86 | 11 |
| Other | 217 | 401 |
| Ordinary profit | 12,125 | 16,771 |
| Extraordinary income | 20 | 170 |
| Gain on sale of investment securities | 20 | 149 |
| Subsidy income | - | 21 |
| Extraordinary losses | 164 | 25 |
| Impairment losses | 151 | - |
| Loss on tax purpose reduction entry of non-current assets | - | 21 |
| Other | 12 | 4 |
| Profit before income taxes | 11,981 | 16,916 |
| Income taxes - current | 2,749 | 4,887 |
| Income taxes - deferred | 591 | 83 |
| Profit | 8,640 | 11,945 |

(Note) Figures presented in the financial statements are rounded down to the nearest million yen.

Non-consolidated Statements of Changes in Net Assets

(April 1, 2023 – March 31, 2024)

(Million yen)

| | Shareholders' equity | | | | | | | | | |
|--|----------------------|-----------------------|-------------------------|-----------------------|---------------------------|-------------------------|-----------------------------------|-------------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | | | Retained earnings | | | | Treasury shares | Total shareholders' equity |
| | | Legal capital surplus | Other capital surpluses | Total capital surplus | Legally retained earnings | Other retained earnings | | Total retained earnings | | |
| | | | | | | General reserve | Retained earnings brought forward | | | |
| Balance at the beginning of a period | 11,016 | 11,797 | 4,742 | 16,539 | 1,286 | 51,500 | 16,705 | 69,491 | (833) | 96,214 |
| Changes during period | | | | | | | | | | |
| Dividends of surplus | | | | | | | (4,737) | (4,737) | | (4,737) |
| Net income | | | | | | | 8,640 | 8,640 | | 8,640 |
| Purchase of treasury shares | | | | | | | | | (1) | (1) |
| Disposal of treasury shares | | | 78 | 78 | | | | | 30 | 108 |
| Net changes in items other than shareholders' equity | | | | | | | | | | |
| Total changes during the period | – | – | 78 | 78 | – | – | 3,902 | 3,902 | 29 | 4,010 |
| Balance at the end of period | 11,016 | 11,797 | 4,820 | 16,618 | 1,286 | 51,500 | 20,607 | 73,394 | (804) | 100,224 |

| | Valuation and translation adjustments | | Total net assets |
|--|---|---|------------------|
| | Valuation difference on available-for-sale securities | Total valuation and translation adjustments | |
| Balance at the beginning of a period | 3,486 | 3,486 | 99,701 |
| Changes during period | | | |
| Dividends of surplus | | | (4,737) |
| Net income | | | 8,640 |
| Purchase of treasury shares | | | (1) |
| Disposal of treasury shares | | | 108 |
| Net changes in items other than shareholders' equity | 2,011 | 2,011 | 2,011 |
| Total changes during the period | 2,011 | 2,011 | 6,022 |
| Balance at the end of period | 5,498 | 5,498 | 105,723 |

(Note) Amounts of less than one million yen are rounded down.

Notes to Non-consolidated Financial Statements

(Notes regarding significant accounting policies)

1. Basis and method of evaluation of marketable securities
 - (1) Shares of subsidiaries and associates
At cost, as determined by the moving average method
 - (2) Available-for-sale securities
Excluding shares, etc., without market prices:
At fair value as of the account closing date (changes in fair value are accounted for under the direct addition to the net assets method, and the moving average method is used to calculate the sale value.)
Shares, etc., without market prices:
At cost, as determined by the moving average method
2. Basis and method of evaluation of derivatives, etc.
Derivatives
At fair value

3. Basis and method of evaluation of inventories

| | | |
|------------------------------------|---|--|
| (1) Merchandise and finished goods | Automatic Machineries finished goods | Carried at cost using the individual method (values on the balance sheet are subject to the book value reduction method based on decreased profitability) |
| | Components, merchandise, and finished goods | Carried at cost using the periodic average method (values on the balance sheet are subject to the book value reduction method based on decreased profitability) |
| (2) Work in process | Automatic Machineries work in process | Carried at cost using the individual method (values on the balance sheet are subject to the book value reduction method based on decreased profitability) |
| | Components work in process | Carried at cost using the periodic average method (values on the balance sheet are subject to the book value reduction method based on decreased profitability) |
| (3) Raw materials and supplies | Raw materials | Carried at cost using the periodic average method (values on the balance sheet are subject to the book value reduction method based on decreased profitability) |
| | Supplies | Carried at cost using the last purchase price method (values on the balance sheet are subject to the book value reduction method based on decreased profitability) |

4. Depreciation methods for non-current assets
 - (1) Property, plant, and equipment (excluding lease assets)
Calculated by the declining-balance method. However, the straight-line method is applied for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and for facilities attached to buildings and structures acquired on or after April 1, 2016.
Useful lives of property, plant, and equipment are as follows:
Buildings: 3-50 years
Machinery and equipment: 3-17 years
 - (2) Intangible assets (excluding lease assets)
Calculated by the straight-line method.
Capitalized software for internal use is amortized by the straight-line method over the estimated internal useful life (5 years).
 - (3) Lease assets
The method employed is to take the asset's useful life as the lease term and depreciate the residual value to zero.

5. Accounting for reserves and allowances

(1) Allowance for doubtful accounts

Provisions for normal accounts in good standing are calculated using historical default ratios to prepare for the possible losses on doubtful accounts. Provisions for specific doubtful accounts are calculated by examining the probability of recovery for individual accounts and setting aside an amount equivalent to the portion deemed to be unrecoverable.

(2) Provision for retirement benefits

A provision for retirement benefits is made based on the estimated retirement benefit obligations and pension assets as of the end of the current fiscal year to prepare for retirement benefits of employees.

[1] Method of attributing expected benefit to periods

In calculating retirement benefit obligations, expected benefits are attributed to periods on a payment calculation basis.

[2] Accounting method of actuarial gains and losses and prior service costs

Prior service costs are amortized on a straight-line basis over a certain period (12 years) within the average remaining service years for employees at the time of recognition.

Actuarial gains and losses are amortized on a straight-line basis over a certain period (12 years) within the average remaining service years for employees at the time of recognition and allocated proportionately from the fiscal year following the respective fiscal year of recognition.

If the pension assets exceeded the estimated amount of retirement benefit obligations (excluding unrecognized actuarial gains and losses and unrecognized past service costs), the excess amount is shown in investment and other assets as prepaid pension costs.

[3] Provision for product warranties

A provision for a reasonably projectable amount of expenses to be incurred in the future is made to prepare for claims regarding products delivered to customers.

[4] Provision for losses on orders received

A provision for the estimated losses at the end of the current fiscal year is made to prepare for losses related to future order contracts.

[5] Provision for environmental Measures

To prepare for expenses related to waste management and removal of harmful substances obligated under laws and regulations, a provision for a reasonably projectable amount of expenses is made.

6. Accounting method of material revenues and expenses

The Company applies the following five-step procedure for revenue recognition.

Step 1: Identify the contract with a customer.

Step 2: Identify performance obligations under the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to performance obligations.

Step 5: Recognize revenue when performance obligations are fulfilled or as they are fulfilled.

The Company's main businesses include the manufacture, sale, construction, maintenance, etc., of automatic machinery products and various components.

Regarding the timing of revenue recognition, the specific situation in each segment is described below.

(Automatic Machinery)

For automatic machinery products, in cases when the performance of an obligation under a contract with a customer results in an asset that cannot be converted to another customer or to another use, and the Group has gained the right to payment for completed work, the Group estimates the percentage of performance obligations fulfilled and recognizes revenue over a period of time as performance obligations are fulfilled. The percentage of performance obligations fulfilled is calculated based on the ratio of the actual cost incurred to the estimated total cost required to fulfill the relevant performance obligation. For other contracts, revenue is recognized when the customer receives, inspects, and accepts the product.

However, in the case of parts sales for maintenance within Japan, where there is a normal period between shipment and the transfer of control to the customer, revenue is recognized at the time of shipment.

Export sales are mainly based on the terms of international trade defined in the Incoterms, etc., and revenue is recognized when control and risk have been transferred to the customer.

Considerations for fulfilling performance obligations are generally received within one year after the

performance obligation is fulfilled, according to the payment terms, and do not contain any material financial elements.

(Components)

The Group deems performance obligations fulfilled when the customer gains control of the relevant products through delivery. Revenue is therefore recognized at the time of delivery. However, in the case of sales transactions within Japan, where there is a normal period of time between shipment and the transfer of control to the customer, revenue is recognized at the time of shipment.

Export sales are mainly based on the terms of international trade defined in the Incoterms, etc., and revenue is recognized when control and risk have been transferred to the customer.

Net sales are measured as the consideration promised in the contract with the customer after deducting incentives and discounts associated with the sales. Revenue is estimated based on past trends and other known factors at the time of sale and recognized to the extent that a material reversal is highly unlikely.

In the case of paid receipt transactions that correspond to repurchase agreements, only a net amount equivalent to processing costs is recognized as revenue.

Considerations for fulfilling performance obligations are generally received within one year after the performance obligation is fulfilled, according to the payment terms, and do not contain any material financial elements.

7. Foreign currency translation of assets and liabilities

Monetary assets and liabilities denominated in foreign currencies are translated at the current exchange rates in effect at each fiscal year-end date. The resulting foreign exchange gains or losses are recognized as income or expenses.

8. Other material items that form the basis for preparing the non-consolidated financial statements

Accounting treatment of retirement benefits

The accounting treatment for unrecognized actuarial gains and losses in retirement benefits and unrecognized past service costs is different from the accounting treatment for those used in the consolidated financial statements.

(Notes regarding changes in presentation method)

Matters related to the statement of income

“Commission for syndicated loans” (11 million yen in the previous fiscal year), which was included in “other” in “non-operating expenses” in the previous fiscal year, has been presented as a separate line item from this fiscal year as it has grown in materiality.

“Foreign exchange losses” and “loss on retirement of non-current assets” in “non-operating expenses,” and “loss on retirement of non-current assets” in “extraordinary losses,” which were presented as separate line items for the previous fiscal year, have been included in “other” in “non-operating expenses” and “other” in “extraordinary losses” from this fiscal year due to the decreased materiality.

(Notes regarding accounting estimates)

Valuation of inventories in the Company's Components segment

(1) The amount recorded on non-consolidated financial statements for the fiscal year under review

(Million yen)

| Account | The amount recorded on consolidated financial statements for the consolidated fiscal year under review (before write-downs) | Amount of write-downs in the consolidated fiscal year under review | The amount recorded on consolidated financial statements for the consolidated fiscal year under review |
|--------------------------------|---|--|--|
| Merchandise and finished goods | 6,886 | (473) | 6,412 |
| Work in process | 557 | – | 557 |
| Raw materials and supplies | 31,950 | (1,515) | 30,435 |
| Total | 39,394 | (1,988) | 37,406 |

(Note) The Company has adopted the reversal method of previous write down. For that reason, the impact of the difference between the beginning and ending balances on operating profit in the current fiscal year is (390) million yen.

(2) Information concerning the content of significant accounting estimates for identified issues

Inventories in the Company's Components segment are primarily composed of a wide variety of components. As many types and variations of products are produced, certain volumes of inventories are held for the leading components in order to respond to fluctuations in order volume and short delivery deadlines. Accordingly, a combined method is used to calculate inventory write-downs in the Company's Components segment, comprising comparison with net selling prices in the market, automatic calculation through a system using write-down rates based on retention periods, etc., and the calculation of write-down amounts for inventories with declining turnover based on past shipment records, environmental transformation, and an assessment of the sales outlook.

The Company estimates the future sales prospects of inventories in this assumption based on conditions in the semiconductor, automobile, and machine tool markets to which the leading customers belong and customer investment plan forecasts associated with these factors.

When it is necessary to revise the assumptions used in these estimates due to deterioration in conditions in the semiconductor, automobile, machine tool, and other markets, there may be a material write-down of inventories judged to have no sales prospects in the next fiscal year.

(Notes regarding Non-consolidated Balance Sheets)

- | | |
|---|--------------------|
| 1. Short-term monetary claims to affiliates | 9,830 million yen |
| 2. Short-term monetary obligations affiliates | 11,048 million yen |
| 3. Accumulated depreciation on property, plant, and equipment | 61,483 million yen |
| 4. Contingent liabilities | |

The Company guarantees debts or makes commitments of guarantee against borrowing obligations of other companies from financial institutions.

| | |
|---------------------------|-------------------|
| CKD (CHINA) CORPORATION | 3,033 million yen |
| CKD THAI CORPORATION LTD. | 2,283 million yen |
| M-CKD PRECISION SDN. BHD. | 175 million yen |
| Total | 5,492 million yen |

5. Allowances directly deducted from assets

Inventories likely to incur losses are shown by offsetting the correspondent provision for loss on orders received of 107 million yen (including provision for loss on orders received regarding merchandise and finished goods of 82 million yen and those regarding work in process of 24 million yen.)

(Notes regarding Non-consolidated Statements of Income)

| | |
|--|--------------------|
| Amount of transactions with associates | |
| Net sales | 23,011 million yen |
| Purchase of goods | 9,386million yen |
| Other cost of sales | 435 million yen |
| Selling, general and administrative expenses | 179 million yen |
| Amount of transactions other than operating transactions | 2,217 million yen |

(Notes regarding Non-consolidated Statements of Changes in Net Assets)

Class and number of treasury shares as of the end of the current fiscal year

| | The number of shares as of the beginning of the current fiscal year (thousand shares) | Increase in the number of shares for the current fiscal year (thousand shares) | Decrease in the number of shares for the current fiscal year (thousand shares) | The number of shares as of the end of the current fiscal year (thousand shares) |
|-------------------------------|---|--|--|---|
| Common shares (Notes) 1, 2 | 1,186 | 0 | 43 | 1,143 |
| Total | 1,186 | 0 | 43 | 1,143 |

(Notes) 1. The increase of 0 thousand shares in the treasury shares of common shares is due to increases associated with the purchase of amounts of shares less than one trading unit of 0 thousand shares.

2. The decrease of 43 thousand shares in the treasury shares of common shares is due to restricted stock remuneration of 43 thousand shares.

(Notes regarding tax effect accounting)

Breakdown of main causes for deferred tax assets and deferred tax liabilities

| | |
|--|---------------------|
| Deferred tax assets | |
| Accounts payable - bonuses | 719 million yen |
| Inventories | 711 million yen |
| Amount of contribution of securities to retirement benefit trust | 482 million yen |
| Provision for product warranties | 120 million yen |
| Accrued social insurance contributions | 106 million yen |
| Software | 104 million yen |
| Accrued enterprise tax | 64 million yen |
| Other | 790 million yen |
| Subtotal deferred tax assets | 3,099 million yen |
| Valuation allowance | (930) million yen |
| Total deferred tax assets | 2,168 million yen |
| Deferred tax liabilities | |
| Valuation difference on available-for-sale securities | (2,409) million yen |
| Prepaid pension costs | (737) million yen |
| Gain on the contribution of securities to retirement benefit trust | (219) million yen |
| Other | (28) million yen |
| Total deferred tax liabilities | (3,395) million yen |
| Deferred tax liabilities, net | (1,226) million yen |

(Notes regarding transactions with related parties)**(1) Subsidiaries and associates, etc.**

(Million yen)

| Category | Name of company | Voting rights, etc., ownership (owned) ratio | Relationship with related party | Transaction content | Transaction amount | Account item | Ending balance |
|------------|--------------------------------|--|--|---|--------------------|---|----------------|
| Subsidiary | CKD Global Service Corporation | Direct 100% | Business outsourcing/ Concurrent officers | Factoring services (Note) 1 | 40,581 | Trade accounts payable | 10,143 |
| Subsidiary | CKD NIKKI DENSO CO., LTD. | Direct 100% | Manufacturing and sale of equipment products/Financial assistance | Loan of funds (Note) 2 | 1,800 | Current portion of long-term loans receivable from subsidiaries and associates (Note) 5 | 60 |
| | | | | Collection of funds (Note) 2 | 2,040 | Accrued interest from subsidiaries and associates (Note) 5 | 0 |
| | | | | Receipt of interest (Note) 2 | 4 | Short-term loans receivable from subsidiaries and associates (Note) 5 | 1,800 |
| Subsidiary | CKD THAI CORPORATION LTD. | Direct 100% | Provision and purchase of automatic machinery and equipment products/ Concurrent officers | Debt guarantees (Note) 3 | 2,283 | Accrued interest from subsidiaries and associates (Note) 5 | 0 |
| | | | | Receipt of guarantee commission (Note) 3 | 2 | | |
| Subsidiary | CKD (CHINA) CORPORATION | Direct 100% | Provision and purchase of automatic machinery and equipment products/ Concurrent officers | Debt guarantees (Note) 3 | 3,033 | Accrued interest from subsidiaries and associates (Note) 5 | 0 |
| | | | | Receipt of guarantee commission (Note) 3 | 3 | | |
| Subsidiary | CKD (Shanghai) CORPORATION | Direct 100% | Sale of equipment products/ Concurrent officers | Sale of equipment products (Note) 4 | 9,176 | Accounts receivable - trade | 2,483 |
| Subsidiary | CKD USA CORPORATION | Direct 100% | Sale of equipment products/ Concurrent officers | Sale of equipment products (Note) 4 | 2,297 | Accounts receivable - trade | 2,124 |
| Subsidiary | CKD MALAYSIA SDN. BHD. | Direct 100% | Underwriting of capital increase/ Concurrent officers | Underwriting of capital increase (Note) 6 | 2,059 | - | - |

Transaction terms and policy for determining transaction terms

- (Notes) 1. With regard to trade accounts payable, the Company, its suppliers, and CKD Global Service Corporation have executed a basic agreement and are settling by factoring.
2. Loan of funds to CKD NIKKI DENSO CO., LTD. is determined after taking market rates into account.
3. The debt guarantees provided to CKD THAI CORPORATION LTD. and CKD (CHINA) CORPORATION guarantee the loans taken out by each company with financial institutions. The Company receives a guarantee commission calculated based on the amount guaranteed.
4. The transaction prices and other transaction terms with CKD (Shanghai) Corporation and CKD USA

CORPORATION are determined by price negotiations based on the Company's submission of preferred prices after taking actual market conditions into account.

5. Accrued interest from subsidiaries and associates are included and presented in other current assets.
6. Given the demand for funds and other factors, the Company underwrote the capital increase made by the subsidiary.

(2) Officers and individual major shareholders, etc.

(Million yen)

| Category | Name of company | Voting rights, etc., ownership (owned) ratio | Relationship with related party | Transaction content | Transaction amount | Account item | Ending balance |
|----------|-------------------|--|--|---|--------------------|--------------|----------------|
| Officer | Kazunori Kajimoto | Owned directly 0.1% | Representative Director, Chairperson of the Board of Directors | In-kind contribution of monetary remuneration claims (Note) | 17 | - | - |
| Officer | Katsuhito Okuoka | Owned directly 0.1% | President | In-kind contribution of monetary remuneration claims (Note) | 13 | - | - |

Transaction terms and policy for determining transaction terms

(Note) Transactions are in-kind contribution of monetary remuneration claims associated mainly with restricted stock remuneration.

(Notes regarding revenue recognition)

The information fundamental to an understanding of revenue

As presented in the Notes to Consolidated Financial Statements.

(Notes regarding per-share information)

1. Net assets per share 1,583.48 yen
2. Basic earnings per share 129.47 yen

(Notes regarding subsequent material events)

Not applicable.

Amounts less than one million yen are rounded down, except for "Notes regarding per share information."

Independent Auditor's Report
(English Translation)

May 10, 2024

To the Board of Directors
CKD Corporation

Deloitte Touche Tohmatsu LLC
Nagoya Office

Designated Engagement Partner Makoto Imaizumi, CPA
Designated Engagement Partner Takashi Horiba, CPA

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, and the notes to the consolidated financial statements of CKD Corporation (the "Company") for the fiscal year from April 1, 2023 through March 31, 2024.

The above consolidated financial statements present fairly, in all material respects, the financial position and results of operations of the corporate Group, which consists of the Company and its consolidated subsidiaries, for the period covered by the consolidated financial statements, in conformity with accounting principles generally accepted in Japan.

The basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan and are fulfilling other ethical responsibilities as an auditor. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Other Descriptions

The other descriptions consist of the business report and the supplementary schedules. Management is responsible for preparing and disclosing the other descriptions. The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of the Directors' duties related to designing and operating the reporting process of the other descriptions.

The subject of our audit opinion on the consolidated financial statements does not include the other descriptions. Therefore, we do not express an opinion on the other descriptions.

In auditing the consolidated financial statements, we are responsible for reading through the other descriptions and in the process of reading through them, reviewing whether there are any material discrepancies between the other descriptions and the consolidated financial statements or the knowledge that we gained during our auditing process, and paying attention to any signs of material misstatement in other descriptions in addition to such material discrepancies.

When we determine any material misstatement in other descriptions based on the tasks we performed, we are required to report such a fact.

We have found no matters to report with regard to the other descriptions.

Responsibilities of Management, Audit & Supervisory Board Members, and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern and for disclosing matters relating to a going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of the Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report based on our audit. Misstatements can occur as a result of fraud or error and are deemed material if they can be reasonably expected to, individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgments in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances. However, the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management, the method of their application, the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is significant uncertainty in regard to events or conditions that may cast substantial doubt on the entity's ability to continue as a going concern. Suppose there is significant uncertainty concerning the premise of a going concern. In that case, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the auditor's conclusions are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements, including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements and is solely responsible for the audit opinion.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings, including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and, if applicable, details of any measures that are taken to remove obstacles or any safeguards that are applied to reduce obstacles to an acceptable level.

Interest

Our firm and engagement partners have no interest in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

Independent Auditor's Report
(English Translation)

May 10, 2024

To the Board of Directors
CKD Corporation

Deloitte Touche Tohmatsu LLC
Nagoya Office

Designated Engagement Partner Makoto Imaizumi, CPA
Designated Engagement Partner Takashi Horiba, CPA

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, and the related notes, and the accompanying supplementary schedules of CKD Corporation (the "Company") for the 104th fiscal year from April 1, 2023 through March 31, 2024.

The financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2024, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

The basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan and are fulfilling other ethical responsibilities as an auditor. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Other Descriptions

The other descriptions consist of the business report and the supplementary schedules. Management is responsible for preparing and disclosing the other descriptions. The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of the Directors' duties related to designing and operating the reporting process of the other descriptions.

The subject of our audit opinion on the financial statements does not include the other descriptions. Therefore, we do not express an opinion on the other descriptions.

In auditing the financial statements, we are responsible for reading through the other descriptions and in the process of reading through them, reviewing whether there are any material discrepancies between the other descriptions and the financial statements or the knowledge that we gained during our auditing process, and paying attention to any signs of material misstatement in other descriptions in addition to such material discrepancies.

When we determine any material misstatement in other descriptions based on the tasks we performed, we are required to report such a fact.

We have found no matters to report with regard to the other descriptions.

Responsibilities of Management, Audit & Supervisory Board Members, and the Audit & Supervisory Board for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern and for disclosing matters relating to a going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of the Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report based on our audit. Misstatements can occur as a result of fraud or error and are deemed material if they can be reasonably expected to, individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

We make professional judgments in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances. However, the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management, the method of their application, the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is significant uncertainty in regard to events or conditions that may cast substantial doubt on the entity's ability to continue as a going concern. Suppose there is significant uncertainty concerning the premise of a going concern. In that case, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the auditor's conclusions are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules, including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings, including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and, if applicable, details of any measure that are taken to remove obstacles or any safeguards that are applied to reduce obstacles to an acceptable level.

Interest

Our firm and engagement partners have no interest in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

Audit Report (English Translation)

Regarding the execution of Directors' duties for the 104th fiscal year from April 1, 2023 through March 31, 2024, the Audit & Supervisory Board hereby submits, as a collective opinion of all Audit & Supervisory Board Members, its audit report, which has been prepared through discussions at the 248th Audit & Supervisory Board meeting held on May 10, 2024 based on the audit reports by each Audit & Supervisory Board Member, as follows:

1. Method and Details of Audits by Audit & Supervisory Board Members and the Audit & Supervisory Board

- (1) The Audit & Supervisory Board determined audit policies, an audit plan, and the division of duties, etc., received reports on the status of performance and the results of audits from each Audit & Supervisory Board Member, received reports from Directors, other relevant employees and the Accounting Auditor regarding the execution of their duties, and requested explanation as necessary.
- (2) In conformity with the standards for audits by Audit & Supervisory Board Members specified by the Audit & Supervisory Board and in accordance with the audit policies, the audit plan, and the division of duties, etc., each Audit & Supervisory Board Member communicated with Directors, employees in the Internal Control & Audit Office and other relevant employees by various means including the telephone and the Internet, made efforts to collect necessary information and improve the audit environment, and conducted the audit in the following methods.
 - (i) We attended Board of Directors meetings and other essential meetings, received reports and explanations from Directors and other relevant employees regarding the execution of their duties, inspected important approval documents, etc., and examined the status of operations and assets at the Company's head office and principal business offices.
As for the subsidiaries in Japan and overseas, we communicated and exchanged information with directors and other personnel of subsidiaries and received reports from them regarding their business as necessary.
 - (ii) With respect to the Board of Directors' resolutions concerning the development of the internal control system, described in the business report as the system to ensure compliance with laws and regulations and the Articles of Incorporation in the execution of duties by Directors and other systems to ensure the appropriateness of business in a corporate group comprising a stock company and its subsidiaries, as stipulated as essential systems in Article 100, Paragraphs 1 and 3 of the Regulations for Enforcement of the Companies Act, as well as such systems developed based on the resolutions, we received reports and explanations from Directors and other relevant employees regarding the status of development and operation of the systems as necessary and expressed our opinion.
 - (iii) We verified whether the Accounting Auditor had maintained its independence and conducted audits appropriately, received reports regarding the performance of their duties, and requested explanations as necessary. We received notification from the Accounting Auditor that "systems for ensuring that the performance of the duties of the financial auditor is being carried out correctly" (matters provided in each item of Article 131 of the Regulations on Corporate Accounting) were established in accordance with "Quality Control Standard for Audit" (issued by the Business Accounting Council), etc., and requested explanations as necessary. With respect to key audit matters, we consulted with the Accounting Auditor while receiving reports on the status of audits and requesting explanations as necessary.

Based on the above, on May 10, 2024, we received and examined the business report and the supplementary schedules, the non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, and the notes to the non-consolidated financial statements) and the supplementary schedules, and the consolidated financial statements (the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, and the notes to the consolidated financial statements) for the fiscal year under review.

2. Results of Audit

(1) Results of Audit of Business Report and Other Relevant Documents

- (i) The business report and the supplementary schedules are in accordance with the related laws and regulations and the Articles of Incorporation and fairly represent the Company's condition.
- (ii) No inappropriate conduct concerning the execution of Directors' duties or material facts in violation of laws, regulations, or the Articles of Incorporation were found.
- (iii) We found that the Board of Directors' resolutions concerning the internal control system are appropriate in content. We also found no matters requiring note on our part with respect to the execution of Directors' duties concerning the internal control system or the content of the business report concerning the internal control system.

(2) Results of Audit of Non-Consolidated Financial Statements and Supplementary Schedules

We found that the methods and the results of the audit conducted by the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

(3) Results of Audit of Consolidated Financial Statements

We found that the methods and the results of the audit conducted by the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are appropriate.

May 10, 2024

Audit & Supervisory Board, CKD Corporation

| | |
|---|-------------------|
| Standing Audit & Supervisory Board Member | Masafumi Kokubo |
| External Audit & Supervisory Board Member | Shuzo Hashimoto |
| External Audit & Supervisory Board Member | Kiyoshi Miura |
| External Audit & Supervisory Board Member | Tsuyoshi Takeuchi |