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Stock Exchange Code: 6407  
(June 8, 2022)

**To Shareholders with Voting Rights:**

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

**NOTICE OF  
THE 102ND ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would like to express our appreciation for your continuous support.

The 102nd Annual General Meeting of Shareholders of CKD Corporation (the “Company”) will be held for the purposes as described below.

If you are unable to attend the meeting, you can exercise your voting rights by mailing the Voting Rights Exercise Form or via the Internet. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:00 p.m. (Japan time) on Thursday, June 23, 2022 in accordance with the following procedures.

**1. Date and Time:** Friday, June 24, 2022 at 10:00 a.m. Japan time

**2. Place:** “Versailles”  
3rd floor, NAGOYA TOKYU HOTEL  
4-6-8 Sakae, Naka-ku, Nagoya, Aichi, Japan

**3. Meeting Agenda:**

- Matters to be reported:**
1. The Business report, Consolidated Financial Statements for the Company’s 102nd Fiscal Year (April 1, 2021 – March 31, 2022) 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 102nd Fiscal Year (April 1, 2021 – March 31, 2022)

**Proposal to be resolved:**

- Proposal 1:** Partial Revision of Articles of Incorporation  
**Proposal 2:** Election of Six (6) Directors  
**Proposal 3:** Election of Two (2) Audit & Supervisory Board Members

- As a preventive measure for the spread of Novel Coronavirus Disease 2019, shareholders attending the meeting are requested to cooperate in wearing facial masks and using alcohol sanitizer. We will measure the body temperature of shareholders at the reception desk, and those who appear to be unwell may be asked to refrain from entering the venue. We ask for your kind understanding in advance.
- Our staff attending to their duties at the meeting will wear facial masks. We appreciate your understanding.
- When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
- Kindly note that we will be in light clothing (cool business attire) in consideration for the environment. We would appreciate if the shareholders will attend the meeting in light clothing.
- Should the Reference Documents for the General Meeting of Shareholders, the Business Report, Consolidated Financial Statements and Non-consolidated Financial Statements require revisions, the revised versions will be posted on the Company's website (<https://www.ckd.co.jp/>).

# Reference Documents for the General Meeting of Shareholders

Proposal 1: Partial Revision of Articles of Incorporation

## 1. Reasons for Proposal

- (1) To ensure flexible and agile management of General Meeting of Shareholders and the Board of Directors, the Company proposes to amend Article 12 and Article 14 of the current Articles of Incorporation.
- (2) The amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) will be enforced on September 1, 2022. Accordingly, to prepare for the introduction of the system for providing materials for General Meetings of Shareholders in electronic format, the Company proposes to amend the Article of Incorporation as follows.
  - (a) The proposed Article 15, Paragraph 1 stipulates that information contained in the Reference Documents, etc. for General Meeting of Shareholders shall be provided in electronic format.
  - (b) The proposed Article 15, Paragraph 2 establishes a provision to limit the scope of matters that will be included in the paper-based format to be sent to shareholders who have requested it.
  - (c) Disclosure on the Internet and Deemed Provision of Reference Documents, etc. for General Meeting of Shareholders (Articles 15 of the current Articles of Incorporation) will become unnecessary and therefore be deleted.
  - (d) In line with the aforementioned establishment and deletion of the provisions, supplementary provisions related to the effective date, etc. shall be established.
- (3) With the enforcement of the “Act Partially Amending the Companies Act” (Act No. 90 of 2014) that came into effect on May 1, 2015, it is now possible to enter into a liability limitation agreement with Audit & Supervisory Board Members who are not External Audit & Supervisory Board Members, pursuant to the Articles of Incorporation. Accordingly, to ensure that Audit & Supervisory Board Members will fulfill their expected roles, the Company proposes to partially amend Article 36 (Exemption from Liabilities of Audit & Supervisory Board Members).

## 2. Details of changes

The details of changes are as follows.

(Underlined parts indicate changes.)

Current Articles of Incorporation	Proposed Changes
<p style="text-align: center;">CHAPTER III GENERAL MEETING OF SHAREHOLDERS</p> <p>(Convocation of General Meeting of Shareholders) Article 12</p> <p>(1) The Ordinary General Meeting of Shareholders shall be convened in June each year, and the Extraordinary General Meeting of Shareholders may be convened as required, either in the City of Komaki or in the City of Nagoya, Aichi Prefecture.</p> <p>(2) Unless otherwise specifically provided by laws or ordinances, a General Meeting of Shareholders shall be convened by the President-Director pursuant to a resolution of the Board of Directors. In case the President-Director is unable to act, one of the other Directors, in the order of priority predetermined by the resolution of the Board of Directors shall convene such a meeting.</p> <p>Article 13 &lt;Omitted&gt;</p> <p>(Chairperson) Article 14</p> <p>The President-Director shall act as chairperson of a General Meeting of Shareholders. In case the President-Director is unable to act, one of the other Directors, in the order of priority predetermined by the resolution of the Board of Directors shall act in his place.</p>	<p style="text-align: center;">CHAPTER III GENERAL MEETING OF SHAREHOLDERS</p> <p>(Convocation of General Meeting of Shareholders) Article 12</p> <p>(1) The Ordinary General Meeting of Shareholders shall be convened in June each year, and the Extraordinary General Meeting of Shareholders may be convened as required, either in the City of Komaki or in the City of Nagoya, Aichi Prefecture.</p> <p>(2) Unless otherwise specifically provided by laws or ordinances, a General Meeting of Shareholders shall be convened by <u>the Chairperson of the Board of Directors</u> or the President-Director pursuant to a resolution of the Board of Directors. In case <u>the Chairperson of the Board of Directors or the President-Director is unable to act and in other cases</u>, as necessary, one of the other Directors, in the order of priority predetermined by the resolution of the Board of Directors shall convene such a meeting.</p> <p>Article 13 &lt;Unchanged&gt;</p> <p>(Chairperson) Article 14</p> <p><u>The Chairperson of the Board of Directors</u> or the President-Director shall act as chairperson of a General Meeting of Shareholders. In case <u>the Chairperson of the Board of Directors</u> or the President-Director is unable to act <u>and in other cases, as necessary</u>, one of the other Directors, in the order of priority predetermined by the resolution of the Board of Directors shall act in his place.</p>
<p><u>(Disclosure on the Internet and Deemed Provision of Reference Documents, etc. for General Meeting of Shareholders)</u> <u>Article 15</u></p> <p><u>Upon convocation of the General Meeting of Shareholders, it may be deemed that the Company has provided the shareholders with necessary information that should be described or presented in the reference documents for the General Meeting of Shareholders, business reports, financial documents and consolidated financial statements, by disclosing the same on the Internet in accordance with the Order of the Ministry of Justice.</u></p> <p style="text-align: center;">&lt;Newly established&gt;</p>	<p style="text-align: center;">&lt;Deleted&gt;</p> <p><u>(Measures for Electronic Provision, etc.)</u> <u>Article 15</u></p> <p>(1) <u>The Company shall, when convening a General Meeting of Shareholders, provide information contained in the reference documents, etc. for the General Meeting of Shareholders in electronic format.</u></p> <p>(2) <u>Among the matters to be provided in electronic format, the Company may choose not to include all or part of the matters stipulated in the Order of the Ministry of Justice in the paper-based format to be sent to shareholders who have requested it by the record date for voting rights.</u></p>

Current Articles of Incorporation	Proposed Changes
<p>Article 16 - 35 &lt;Omitted&gt;</p> <p>(Exemption from Liabilities of Audit &amp; Supervisory Board Members)</p> <p>Article 36</p> <p>(1) The Company may, by a resolution of the Board of Directors, exempt Audit &amp; Supervisory Board Members (including a person who was an Audit &amp; Supervisory Board Member) from their liabilities for damages stipulated in Article 423, Paragraph 1 of Companies Act to the extent permitted by the provisions of Article 426, Paragraph 1 of Companies Act.</p> <p>(2) The Company may enter into an agreement with <u>External</u> Audit &amp; Supervisory Board Members which limits liability for damages stipulated in Article 423, Paragraph 1 of Companies Act in accordance with the provisions of Article 427, Paragraph 1 of Companies Act; provided, however, that the limitation of liability under such agreement shall be limited to the extent permitted by law.</p>	<p>Article 16 - 35 &lt;Unchanged&gt;</p> <p>(Exemption from Liabilities of Audit &amp; Supervisory Board Members)</p> <p>Article 36</p> <p>(1) The Company may, by a resolution of the Board of Directors, exempt Audit &amp; Supervisory Board Members (including a person who was an Audit &amp; Supervisory Board Member) from their liabilities for damages stipulated in Article 423, Paragraph 1 of Companies Act to the extent permitted by the provisions of Article 426, Paragraph 1 of Companies Act.</p> <p>(2) The Company may enter into an agreement with Audit &amp; Supervisory Board Members which limits liability for damages stipulated in Article 423, Paragraph 1 of Companies Act in accordance with the provisions of Article 427, Paragraph 1 of Companies Act; provided, however, that the limitation of liability under such agreement shall be limited to the extent permitted by law.</p>

Current Articles of Incorporation	Proposed Changes
<p style="text-align: center;">&lt;Newly established&gt;</p>	<p><u>Supplementary provisions</u></p> <p>(1) <u>The amendments to Article 15 of the Articles of Incorporation shall come into effect on September 1, 2022, the date of enforcement of the amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (the “Effective Date”).</u></p> <p>(2) <u>Notwithstanding the provisions of the preceding paragraph, Article 15 (Disclosure on the Internet and Deemed Provision of Reference Documents, etc. for General Meeting of Shareholders) of the Articles of Incorporation shall remain in force with respect to a General Meeting of Shareholders to be held on a date within six months from the Effective Date.</u></p> <p>(3) <u>These supplementary provisions shall be deleted after the lapse of six months from the Effective Date or the lapse of three months from the date of the General Meeting of Shareholders set forth in the preceding paragraph, whichever is later.</u></p>

Proposal 2: Election of Six (6) Directors

The terms of office of all seven (7) 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	100% (12/12)
2	Katsuhito Okuoka (Re-election)	President and Chief Operating Officer In charge of Administration	100% (12/12)
3	Yusuke Hirako (New election)	Advisor	—
4	Noriko Asai (Re-election) (External Director candidate) (Independent Director candidate)	Director	100% (12/12)
5	Stefan Sacré (Re-election) (External Director candidate) (Independent Director candidate)	Director	100% (10/10)
6	Koichi Hayashi (New election) (External Director candidate) (Independent Director candidate)	Audit & Supervisory Board Member	100% (12/12)

No.	Name (Date of birth)	Past 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: 18 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 June 2004</p> <p>June 2005</p> <p>June 2008 June 2021</p>	<p>Joined the Company Director &amp; Executive Officer General Manager, Sales and Marketing Division</p> <p>Director &amp; Managing Executive Officer General Manager, Sales and Marketing Division</p> <p>President Representative Director Chairperson of the Board of Directors and Chief Executive Officer (to present)</p> <p>Reason for selection as candidate for Director Mr. Kazunori Kajimoto has long experience in overseeing sales divisions as well as abundant experience and broad insight as a corporate executive. We propose his re-election as Director because we believe he will contribute to our management by utilizing the above.</p>	73,210
2	<p>Katsuhito Okuoka (August 23, 1967)</p> <p>Re-election</p> <p>Years in office as Director: 6 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 October 2008</p> <p>June 2015</p> <p>June 2016</p> <p>June 2018</p> <p>June 2019</p> <p>June 2020</p> <p>June 2021</p>	<p>Joined the Company General Manager, Production Control Department, Komaki Plant - General &amp; Control Equipment, Production and Engineering Division</p> <p>Executive Officer General Manager, Components Business Division</p> <p>Director &amp; Executive Officer In charge of Quality and Safety General Manager, Components Business Division</p> <p>Director &amp; 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 Chief Operating Officer In charge of Administration (to present)</p> <p>Reason for selection as candidate for Director Mr. Katsuhito Okuoka has long experience in overseeing production divisions as well as abundant experience and broad insight as a manager and in overseeing corporate planning divisions. We propose his re-election as Director because we believe he will contribute to our management by utilizing the above.</p>	26,248



No.	Name (Date of birth)	Past experience, positions and responsibilities	Number of shares of the Company held
3	Yusuke Hirako (February 28, 1963)  New election	<p>April 1986    Joined Mitsui Bank</p> <p>April 2015    Executive Officer General Manager, Tokyo Banking Department VII, Sumitomo Mitsui Banking Corporation</p> <p>April 2017    Executive Officer, General Manager, Eastern Japan Corporate Banking Division IV</p> <p>January 2018    Managing Executive Officer General Manager, Nagoya Corporate Banking Division, in charge of Nagoya Banking Department, Nagoya Banking Division</p> <p>April 2020    Managing Executive Officer, Sumitomo Mitsui Financial Group, Inc. Managing Executive Officer, Sumitomo Mitsui Banking Corporation</p> <p>January 2022    Advisor, the Company (to present)</p> <p>Reason for selection as candidate for Director Mr. Yusuke Hirako has extensive experience developed over the years in financial institutions and broad insight into finance and accounting. We propose his election as Director because we believe he will contribute to our management by utilizing the above.</p>	10,000
4	<p>Noriko Asai (July 25, 1964)</p> <p>Re-election External Director candidate Independent Director candidate</p> <p>Years in office as Director: 7 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 1997    Research Assistant, School of Economics, Nagoya University</p> <p>March 1999    Received Ph.D. (Economics)</p> <p>April 2007    Professor, School of Management, Chukyo University</p> <p>June 2015    Director, the Company (to present)</p> <p>June 2020    External Director, Ibiden Co., Ltd. (to present)</p> <p>June 2021    External Senior Director, Okuma Corporation (to present)</p> <p>October 2021    Guest Professor (production control), Graduate School of Economics, Nagoya University (to present)</p> <p>Reason for selection as candidate for External Director and overview of expected role Ms. Noriko Asai appropriately performs her duties as an External Director by making important managerial decisions and overseeing business execution from an independent and impartial standpoint. Furthermore, she has abundant experience as a Doctor of Economics (production control), including analyzing management practice in numerous manufacturing plants, and 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

No.	Name (Date of birth)	Past experience, positions and responsibilities	Number of shares of the Company held
5	<p>Stefan Sacré (March 9, 1963)</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>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 &amp; Co. KG</p> <p>January 2017 President and Representative Director, Carl ZEISS Co., Ltd. (Japan) (to present)</p> <p>President and Representative Director, Carl Zeiss Meditec Co. Ltd. (to present)</p> <p>June 2021 Director, the Company (to present)</p> <p>Reason for selection as candidate for External Director and overview of expected role Mr. Stefan Sacré appropriately performs his duties as an External Director by making important managerial decisions and overseeing business execution from an independent and impartial standpoint. Furthermore, he has high academic knowledge as a Doctor of Engineering and abundant experience as manager in the manufacturing sector in Japan and overseas, and 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>Koichi Hayashi (October 28, 1964)</p> <p>New election External Director candidate Independent Director candidate</p> <p>Years in office as Audit &amp; Supervisory Board Member: 12 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 &amp; Supervisory Board Member, the Company (to present)</p> <p>June 2013 External Audit &amp; Supervisory Board Member, Plaza Create Co., Ltd.</p> <p>June 2018 External Director, Plaza Create Co., Ltd. (to present)</p> <p>Reason for selection as candidate for External Director and overview of expected role Mr. Koichi Hayashi has professional knowledge as a certified public accountant and abundant experience as a manager, and 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 election as Director.</p>	0

(Notes)

1. Special interests between the candidates for Directors and the Company
  - (1) Ms. Noriko Asai serves as External Director of Ividen Co., Ltd. and External Senior Director of Okuma Corporation. The Company and Ividen Co., Ltd. have a business transaction relationship in selling 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 Ividen Co., Ltd. The Company and Okuma Corporation also have a business transaction relationship in selling 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 Okuma Corporation.
  - (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 certain 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 as Director, he or she will be insured under the aforementioned 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 will enter into an indemnification agreement with each candidate, 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.
4. Remarks in relation to the candidates for External Directors are stated below.
  - (1) The Company entered into an agreement with Ms. Noriko Asai and Mr. Stefan Sacré 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 reelection, the Company intends to continue the agreements with both of them. Subject to the approval of the election of Mr. Koichi Hayashi, the Company intends to conclude a similar liability limitation agreement with him.
  - (2) Ms. Noriko Asai, Mr. Stefan Sacré, and Mr. Koichi Hayashi are candidates for independent officers as stipulated by financial instruments exchanges.

Proposal 3: Election of Two (2) Audit & Supervisory Board Members

The terms of office of Audit & Supervisory Board Members, Mr. Koichi Hayashi and Mr. Takeshi Sawaizumi, 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)	Past experience and positions	Number of shares of the Company held
1	<p>Kiyoshi Miura (July 3, 1957)</p> <p>New election</p> <p>External Audit &amp; Supervisory Board Member candidate</p> <p>Independent Audit &amp; Supervisory Board Member candidate</p>	<p>April 1980    Joined Sumitomo Bank</p> <p>April 2010    Executive Officer General Manager, North Osaka Corporate Banking Division, Sumitomo Mitsui Banking Corporation</p> <p>April 2012    Managing Executive Officer secondarily responsible for Corporate Divisions In charge of Western Japan Region</p> <p>June 2014    Representative Director and Executive Deputy President, Kansai Urban Banking Corporation</p> <p>April 2019    Representative Director and Executive Deputy President, Kansai Mirai Bank, Limited</p> <p>April 2020    Director Chairperson of the Board of Directors, SMBC Human Career, Co., Ltd. (to present) (scheduled to retire in June 2022)</p> <p>Reason for selection as candidate for External Audit &amp; Supervisory Board Member Mr. Kiyoshi Miura has experience developed over the years in financial institutions as well as abundant experience and broad insight as a corporate manager. We therefore propose his election as External Audit &amp; Supervisory Board Member in order for him to apply his experience and insight to the Company's audit.</p>	0
2	<p>Tsuyoshi Takeuchi (May 15, 1959)</p> <p>New election</p> <p>External Audit &amp; Supervisory Board Member candidate</p> <p>Independent Audit &amp; Supervisory Board Member candidate</p>	<p>October 1983    Joined Peat Marwick Mitchell, Osaka Office (currently, KPMG)</p> <p>April 1988    Registered as certified public accountant</p> <p>September 1993    Head of ASEAN Japan Center, KPMG Singapore Office</p> <p>June 1999    Representative Partner, Century Audit Corporation</p> <p>June 2003    Representative Partner, Azsa Audit Corporation (currently, KPMG AZSA LLC)</p> <p>July 2021    Representative Director, PM Business Solutions Inc. (to present)</p> <p>Reason for selection as candidate for External Audit &amp; Supervisory Board Member Mr. Tsuyoshi Takeuchi has professional knowledge as a certified public accountant and abundant overseas experience. We therefore propose his election as External Audit &amp; Supervisory Board Member in order for him to apply his experience and insight to the Company's audit.</p>	0

(Notes)

1. There are no special interests between each candidate for Audit & Supervisory Board Member and the Company.
2. Mr. Kiyoshi Miura and Mr. Tsuyoshi Takeuchi are candidates for External Audit & Supervisory Board Members.
3. 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 covers 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 certain 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 as Audit & Supervisory Board Member, he or she will be insured under the aforementioned 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.
4. The Company will enter into an indemnification agreement with each candidate, 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.
5. Remarks in relation to the candidates for External Audit & Supervisory Board Members are stated below.
  - (1) Subject to the approval of the election of Mr. Kiyoshi Miura and Mr. Tsuyoshi Takeuchi, the Company intends to conclude liability limitation agreements with them 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.
  - (2) Mr. Kiyoshi Miura and Mr. Tsuyoshi Takeuchi are candidates for independent officers 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 external officer to be independent from the Company if the officer or the candidate are 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 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 organization)
- (7) A person who has received a large amount 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 thereto as well as an employee of a corporation or an organization. A non-executive director shall be also 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 for 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 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 for the recipient shall be assessed using an appropriate index, and an outline of the result thereof shall be disclosed.
5. As to “a large amount of donations,” the significance of such donation for the Group and for 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 who is in an upper management position such as department manager or higher.

(Reference) Composition of Officers (after June 24, 2022)

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	
							The number of companies	Of which, the number of listed companies
1	Internal	Kazunori Kajimoto	Representative Director Chairperson of the Board of Directors and Chief Executive Officer	Male	65	18		
2	Internal	Katsuhito Okuoka	President and Chief Operating Officer	Male	54	6		
3	Internal	Yusuke Hirako	Director Managing Executive Officer	Male	59	(New election)		
4	External (Independent)	Noriko Asai	External Director	Female	57	7	3	2
5	External (Independent)	Stefan Sacré	External Director	Male	59	1	2	
6	External (Independent)	Koichi Hayashi	External Director	Male	57	(New election)	2	1

No.	Attribution	Name	Job title	Gender	Age	Years in office	Significant concurrent positions	
							The number of companies	Of which, the number of listed companies
1	Internal	Masafumi Kokubo	Standing Audit & Supervisory Board Member	Male	61	2		
2	External (Independent)	Shuzo Hashimoto	External Audit & Supervisory Board Member	Male	66	2	1	
3	External (Independent)	Kiyoshi Miura	External Audit & Supervisory Board Member	Male	64	(New election)	1	
4	External (Independent)	Tsuyoshi Takeuchi	External Audit & Supervisory Board Member	Male	63	(New election)	1	

(Note) Mr. Kiyoshi Miura will retire as Director and Chairperson of the Board of Directors of SMBC Human Career, Co., Ltd. in June 2022.

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	Yusuke Hirako	•			•	•	•	•		
4	Noriko Asai		•					•	•	
5	Stefan Sacré	•	•	•	•					•
6	Koichi Hayashi	•				•	•			•

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	Masafumi Kokubo	•			•	•	•	•		•
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, practice the Corporate Philosophy of “contributing to building rich society,” 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

# Business Report

(April 1, 2021 – March 31, 2022)

## 1. Current Status of the Corporate Group

### (1) Business progress and results

#### General overview

During the fiscal year under review, the Japanese economy recovered gradually as normalization from the coronavirus (COVID-19) pandemic progressed, and production activities in the manufacturing industry continued to improve, despite the impact of constraints on the supply of semiconductors and other components and raw materials.

The recovery of capital investment progressed as corporate earnings picked up and efforts were made in growth areas such as the environment, although there were some strengths and weaknesses depending on the industry. In addition, investment in the electronics industry remained strong, driven by growing applications of information and communications technologies such as 5G and IoT.

The outlook for overseas economies remained uncertain due to a resurgence of COVID-19. However, the U.S. economy was on an expansion trend, backed by the vaccine rollout and investment to address labor shortages, and demand in the semiconductor and automobile markets remained high. In China, meanwhile, demand was strong in many markets, including 5G and rechargeable batteries, and capital investment continued to be active in the manufacturing industry as a whole. As for Southeast Asia, production recovered due to the gradual easing of activity restrictions, which supported the economy as exports increased.

Under such circumstances, in results for the consolidated fiscal year under review, the CKD Group (the “Group”) recorded 142,199 million yen in net sales, up 33.2% year on year, 17,879 million yen in operating profit, up 132.2% year on year, 18,043 million yen in ordinary profit, up 130.6% year on year, and 12,567 million yen in profit attributable to owners of parent, up 138.3% year on year.

#### Net sales by segment

Segment	Amount	Change YoY	Composition ratio
Automatic Machinery	16,808 million yen	Up 18.7%	11.8%
Components	125,390 million yen	Up 35.5%	88.2%
Total	142,199 million yen	Up 33.2%	100.0%

#### Overview by segment

##### <Automatic Machinery>

#### Main products

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

#### Overview of the fiscal year under review

With regard to the Automatic Machinery segment, in industrial machinery, sales of 3D solder paste inspection machines rose, but sales of lithium-ion battery manufacturing systems fell. As for automatic packaging systems, sales to the pharmaceutical industry increased, although sales to the food industry decreased.

As a result, net sales amounted to 16,808 million yen, up 18.7% year on year, while segment profit was 2,413 million yen, up 45.4% year on year.

## <Components>

### Main products

- Drive components
- Pneumatic control components
- Pneumatic related components
- Fluid control components

### Overview of the fiscal year under review

With regard to the Components segment, sales for semiconductor manufacturing equipment increased in the domestic market as a result of strong demand for semiconductors due to the rollout of 5G and other factors. In the automotive market, sales for manufacturing equipment related to environmentally friendly vehicles rose, as did sales to the machine tools industry, where demand is strong for semiconductors and automotive equipment.

As for overseas markets, sales increased in China, where capital investment continued in the manufacturing industry as a whole, and in South Korea and Taiwan, where semiconductor capital investment was steady. Sales also grew in Europe and the U.S., where economic activity has continued to recover, and in Southeast Asia due to the easing of activity restrictions.

As a result, net sales amounted to 125,390 million yen, up 35.5% year on year, while segment profit was 19,443 million yen, up 93.0% year on year thanks to increased sales and the impact of productivity improvements.

### (2) Status of capital investment

Regarding capital expenditures during the fiscal year under review, as a result of acquisition of land and buildings for a production plant in Thailand, investment in semiconductors at a plant in the United States, investment in increased production at a plant in China, expansion of clean room floorspace at the Tohoku Plant, and updates to machinery and metal molds, capital expenditures were 325 million yen in the Automatic Machinery segment, 9,037 million yen in the Components segment, and 9,596 million yen in total.

### (3) Status of financing

The Company has entered into syndicated commitment line contracts totaling 10,000 million yen with three correspondent financial institutions on June 18, 2020, for the purpose of enabling stable and flexible financing in preparation for changes in the business environment due to the spread of COVID-19. 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 in response to the New Normal

The impact of COVID-19 has massively changed society's values and the markets themselves. As the New Normal is causing new values to take root, the Company will continue to take measures to prevent infection, and work to streamline its operations while advancing digitization and flexible work styles such as remote work. In addition, the Company will steadily make capital expenditures essential for medium-to-long-term growth while focusing on the situation. In order to fulfill its corporate social responsibility, the Company will contribute to the environment and society while linking this to continuous growth.

Specifically, in the Automatic Machinery business, the Company will enhance its services in close collaboration with its customers, promoting web-based remote functional and factory acceptance tests (FAT) for automatic packaging machines for pharmaceuticals, in order to prepare for movement restrictions in various countries due to the impact of COVID-19.

In the Components business, the Company will further enhance digital content to enable remote product introductions and virtual factory tours in order to reduce lost opportunities such as sales through face-to-face meetings and participation in trade shows. Furthermore, progress in automation and labor saving at production sites are expected to accelerate in the future with the aim of solving social issues such as labor shortages, and the Company will contribute to development and solving social issues through this business by developing IoT-related equipment, sensors, image processing software, and other products that contribute to automation and labor saving.

## **[2] 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, in consideration of the business environment and changes in society.

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, in order to further 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 that are 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. 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 (powerful arm) to realize safe and comfortable working environments.

### **(b) Accelerate globalization and expand overseas markets**

The Company aims to expand overseas markets by advancing selection and concentration of highly competitive products by region. In the Automatic Machinery business, in order to enter the Chinese pharmaceutical manufacturing market, the Company will locally develop dedicated machines for the Chinese market, and enhance its local support capabilities, including service. In the Components business, the Company will leverage the Tohoku Plant 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 planning and development of products closely attuned to its customers, and support local needs by opening a new production base. In the European market, the Company will actively pursue market development, including through alliances. 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 the culture and human resources of each country.

### **(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 further improve productivity with an optimized organization. In addition, the Company also aims to be a sustainable enterprise by advancing corporate social responsibility (CSR) activities and initiatives aimed at solving environment 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 a key management resource for the sustained development and growth of the Company. Therefore, in 2021 the Company has revised its long-term management vision, 10-Year Vision, adding a fourth basic policy, "build a corporate culture with faith in human resources" in order to overcome major societal change and harness it for growth.

The Company believes that its human resources are the most important key to improving its operations. The Company therefore will focus on creating workplaces that increase employee engagement by systematically developing digital human resources in addition to the next generation of leaders and global human resources, and creating environments and systems that enable all employees to play an active role.

The Company's action plan relating to 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.

### [3] Environment, Society, and Governance (ESG) initiatives

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

The Group is working to develop and expand sales of environmentally friendly products, taking into consideration the perspectives of energy and resource efficient as well the product life-cycle. The Group is also committed to reducing its energy usage by improving its infrastructure and product processes.

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% (from fiscal 2013 levels) by fiscal 2030, and effectively to zero by fiscal 2050. The Group is endeavoring to promote thorough improvements in its energy conservation, expand solar power generation equipment, and utilize renewable energy, such as by introducing green electricity.

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	99th Fiscal Year (April 1, 2018 – March 31, 2019)	100th Fiscal Year (April 1, 2019 – March 31, 2020)	101st Fiscal Year (April 1, 2020 – March 31, 2021)	102nd Fiscal Year (April 1, 2021 – March 31, 2022)
Net sales (Million yen)	115,665	100,717	106,723	142,199
Ordinary profit (Million yen)	5,425	5,374	7,823	18,043
Profit attributable to owners of parent (Million yen)	4,793	3,689	5,273	12,567
Basic earnings per share (Yen)	77.42	59.56	80.23	188.58
Total assets (Million yen)	136,961	136,059	152,726	172,514
Net assets (Million yen)	80,444	82,465	97,617	109,571
Net assets per share (Yen)	1,296.94	1,321.28	1,463.15	1,643.36

- (Notes) 1. Basic earnings per share is calculated based on the average number of shares issued during the period, and 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 are those after the application of these accounting standards.

### [2] Status of assets and income of the Company

Item	99th Fiscal Year (April 1, 2018 – March 31, 2019)	100th Fiscal Year (April 1, 2019 – March 31, 2020)	101st Fiscal Year (April 1, 2020 – March 31, 2021)	102nd Fiscal Year (April 1, 2021 – March 31, 2022)
Net sales (Million yen)	97,175	84,861	88,296	116,400
Ordinary profit (Million yen)	3,394	4,155	5,674	13,758
Net income (Million yen)	3,609	3,058	3,941	9,792
Basic earnings per share (Yen)	58.30	49.37	59.98	146.94
Total assets (Million yen)	120,882	120,807	131,786	143,420
Net assets (Million yen)	71,918	74,606	86,019	92,726
Net assets per share (Yen)	1,161.46	1,196.78	1,290.90	1,390.72

- (Notes) 1. Basic earnings per share is calculated based on the average number of shares issued during the period, and 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 are those after the application of these accounting standards.

**(6) Major offices, plants, and other facilities**

	Name	location
CKD Corporation	Headquarters	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
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.	Miyamae-ku, 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 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

**(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	511	Decrease of 11
Components	3,984	Increase of 147
Company-wide (common)	165	Increase of 9
Total	4,660	Increase of 145

## [2] Status of employees of the Company

Number of employees	Changes from the end of the previous fiscal year	Average age	Average years of service
2,431	Decrease of 38	41.5	17.1

(Note) The number of employees does not include 297 employees who are hired on a contract or part-time basis.

**(8) Status of principal subsidiaries**

Company name	Paid-in capital	Investment ratio	Principal business
CKD CHINA CORPORATION	Million yen 5,773	% 100.0	Manufacturing/sale of automatic machinery, and manufacturing of components

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

Lender	Borrowings outstanding
Sumitomo Mitsui Banking Corporation	Million yen 6,650
Sumitomo Mitsui Trust Bank, Limited	4,000
MUFG Bank, Ltd.	1,225

## 2. Matters Regarding Shares

### (1) Status of shares

[1] Total number of authorized shares	233,000,000 shares
[2] Total number of issued shares	66,675,375 shares (excluding 1,234,074 treasury shares)
[3] Number of shareholders at the end of the fiscal year under review	13,274 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)	10,165	15.25
Custody Bank of Japan, Ltd. (Trust Account)	4,593	6.89
JP MORGAN CHASE BANK 385839	4,277	6.41
CKD Shareholding Association	2,813	4.22
SUMITOMO LIFE INSURANCE COMPANY	1,914	2.87
CKD Cooperative Companies Investment Association	1,670	2.51
Sumitomo Mitsui Banking Corporation	1,581	2.37
The Dai-ichi Life Insurance Company, Limited	1,400	2.10
OLD WESTBURY SMALL AND MID CAP STRATEGIES FUND	1,150	1.73
STATE STREET BANK AND TRUST COMPANY 505025	1,090	1.64

(Note) The above shareholding ratio is calculated excluding treasury shares.

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

	Class and number of shares	Number of officers granted shares
Directors (excluding External Directors)	Ordinary shares of the Company 9,244 shares	4



### 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	
Representative Director	Katsuhito Okuoka	Chief Operating Officer In charge of Administration
Director	Katsunori Hayashida	Managing Executive Officer In charge of Quality, Safety, and Environment General Manager, Components Business Division
Director	Shinji Yuhara	Executive Officer Deputy General Manager, Components Business Division General Manager, Components Sales and Marketing Department
Director	Noriko Asai	Professor, School of Management, Chukyo University Guest Professor, Graduate School of Economics, Nagoya University External Director, Ibiden Co., Ltd. External Senior Director, Okuma Corporation
Director	Kazumasa Uemura	Professor, Faculty of Health and Medical Sciences, Aichi Shukutoku University Professor Emeritus, Nagoya University
Director	Stefan Sacré	President and Representative Director, Carl ZEISS Co., Ltd. (Japan) President and Representative Director, Carl Zeiss Meditec Co. Ltd.
Standing Audit & Supervisory Board Member	Masafumi Kokubo	
Audit & Supervisory Board Member	Koichi Hayashi	Certified public accountant Representative Director, Attax Co., Ltd. External Director, Plaza Create Co., Ltd.
Audit & Supervisory Board Member	Takeshi Sawaizumi	
Audit & Supervisory Board Member	Shuzo Hashimoto	Attorney-at-Law Director, Hashimoto Law Firm

- (Notes) 1. Directors Ms. Noriko Asai, Mr. Kazumasa Uemura, and Mr. Stefan Sacré are External Directors.
2. Audit & Supervisory Board Members Mr. Koichi Hayashi, Mr. Takeshi Sawaizumi, and Mr. Shuzo Hashimoto are External Audit & Supervisory Board Members.
3. External Directors Ms. Noriko Asai, Mr. Kazumasa Uemura, and Mr. Stefan Sacré and External Audit & Supervisory Board Members Mr. Koichi Hayashi, Mr. Takeshi Sawaizumi, and Mr. Shuzo Hashimoto are independent officers as stipulated by financial instruments exchanges.
4. Director Mr. Stefan Sacré was elected at the 101st Annual General Meeting of Shareholders held on June 25, 2021, and assumed the position thereafter.
5. External Director Mr. Junichi Kagawa retired from his position at the conclusion of the 101st Annual General Meeting of Shareholders held on June 25, 2021 due to the expiration of the term of office.
6. Audit & Supervisory Board Member Mr. Koichi Hayashi is qualified as a certified public accountant, and has considerable knowledge of finance and accounting.
7. Audit & Supervisory Board Member Mr. Takeshi Sawaizumi has many years of experience in working for financial institutions, and has considerable knowledge of finance and accounting.

8. Audit & Supervisory Board Member Mr. Shuzo Hashimoto is qualified as an Attorney-at-Law, and has considerable knowledge of corporate legal affairs.
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 certain 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 insurance premiums for this policy are fully paid by the Company.

**(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 the interests with shareholders through stock ownership

2. Determination process and details

Remuneration for Directors consists of basic remuneration, performance-linked remuneration, and stock remuneration, while 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 greater the proportion of performance-linked remuneration. The amount of remuneration for officers is determined by the Board of Directors based on recommendations 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 determination policy is also determined by the Board of Directors based on recommendations of 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"> <li>• The amount is fixed by position according to responsibilities determined upon comprehensive consideration while referring to the levels of employees' salaries and remuneration levels at other companies.</li> </ul>
Performance-linked remuneration (about 20 to 40%) (Note)	<ul style="list-style-type: none"> <li>• To raise awareness on improving performance each fiscal year, performance-linked remuneration is paid in cash in an amount reflecting the results of the performance indicator in the previous fiscal year.</li> <li>• The target performance indicator and its amount are consulted with the Nomination &amp; Remuneration Advisory Committee as necessary in accordance with changes in the environment and are reviewed based on its recommendations.</li> <li>• Officers other than those with titles are eligible for bonuses, to be paid at a certain time each year in an amount obtained reflecting the degree of targets achieved for each individual.</li> </ul>

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

(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] Total amount of remuneration, etc., by officer category, 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	236	143	72	20	8
Audit & Supervisory Board Members	43	43	—	—	4
Total	280	187	72	20	12

(Notes) 1. Of the amount paid above, the total amount of remuneration for four External Directors and three External Audit & Supervisory Board Members is 40 million yen.

2. There are seven Directors (including three External Directors) and four Audit & Supervisory Board Members (including three External Audit & Supervisory Board Members) as of 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 40% to 70% of the evaluation indicators, i.e. consolidated net sales, consolidated operating profit, ROE, development investment, and environmental initiatives for the previous fiscal year, which are linked to the Medium-Term Management Plan.

(b) Matters regarding stock remuneration

In fiscal 2021, 9,244 shares were granted as restricted stock remuneration to four Directors (excluding External Directors), accounting for 10% of the total remuneration.

Outline of restricted stock remuneration

Grant date	July 21, 2021
Class and number of shares	9,244 ordinary shares of the Company
Value	2,336 yen per share
Total value	21,593,984 yen
Eligible officers	4 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 the determination of 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

With regard to the amount of individual remuneration for Directors, the Company calculates the amount of remuneration based on the computation criteria that has been 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 for the purpose of ensuring transparency and objectivity of the procedures for determining remuneration for Directors, and further enhancing the corporate governance structure. The Committee is chaired by an independent external officer.

Composition of the Committee members	The majority are independent officers.
Frequency of meeting	The Committee meets approximately 4 times a year, and met 6 times in fiscal 2021.
Major deliberations pertaining to remuneration	<ul style="list-style-type: none"> <li>• Policy regarding remuneration for Directors</li> <li>• Deliberations on establishing and revising the remuneration structure</li> <li>• Specific details of the stock remuneration</li> </ul>

### (3) State of external officers

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

Director Ms. Noriko Asai concurrently serves as a Guest Professor of the Graduate School of Economics at Nagoya University, as a Professor of the School of Management at Chukyo University, as an External Director of Ibiden Co., Ltd., and as an External Senior Director of Okuma Corporation, respectively. The Company has no special relationships with Chukyo University or Nagoya University. The Company has a business transaction relationship in selling manufactured goods, etc., with Ibiden Co., Ltd. and with Okuma Corporation. However, the percentage of the amount of such transaction is tiny, at less than 1% of the consolidated net sales of each of the Company, Ibiden, Co., Ltd., and Okuma Corporation.

Director Mr. Kazumasa Uemura concurrently serves as a Professor of the Faculty of Health and Medical Sciences at Aichi Shukutoku University and as a Professor Emeritus at Nagoya University, respectively. There are no special relationships between the Company and each university.

Director Mr. 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 no special relationships with each company.

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

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

[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	Noriko Asai	100% 12/12	* 7	From a professional perspective, including extensive experience in analyzing management practices in numerous manufacturing plants, mainly as a Doctor of Economics (production management), Ms. Noriko Asai 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 on a regular basis.

Position	Name	Status of attendance		Status of main activities
		Board of Directors meetings	Audit & Supervisory Board meetings	
External Director	Kazumasa Uemura	100% 12/12	* 7	Mainly from a professional perspective on health and healthcare as a medical doctor and a university professor, and from the viewpoint of an experienced manager of university hospitals, Mr. Kazumasa Uemura 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 on a regular basis.
External Director	Stefan Sacré	100% 10/10	* 7	Mainly from a professional perspective as a Doctor of Engineering, and from the world-wide 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 on a regular basis.
External Audit & Supervisory Board Member	Koichi Hayashi	100% 12/12	100% 12/12	Mainly from a professional perspective as a certified public accountant, and from the viewpoint of an experienced corporate executive, Mr. Koichi Hayashi 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.

Position	Name	Status of attendance		Status of main activities
		Board of Directors meetings	Audit & Supervisory Board meetings	
External Audit & Supervisory Board Member	Takeshi Sawaizumi	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. Takeshi Sawaizumi 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.
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 the strengthening of the auditing system as an Audit & Supervisory Board Member, based on his extensive knowledge and objective standpoint.

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

2. Since External Director Mr. Stefan Sacré assumed the position at the 101st Annual General Meeting of Shareholders held on June 25, 2021, the Company states the numbers of meetings of the Board of Directors and the Audit & Supervisory Board held subsequent to his assuming the position.

[3] Outline of the contents of limited liability agreements concluded with external officers

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 entered into an agreement with each of External Directors Ms. Noriko Asai, Mr. Kazumasa Uemura, and Mr. Stefan Sacré, and with each of External Audit & Supervisory Board Members Mr. Koichi Hayashi, Mr. Takeshi Sawaizumi, and Mr. Shuzo Hashimoto 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 aforementioned liability limitation is applied only when the duties giving rise to such liabilities were executed bona fide without gross negligence.

#### 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	44 million yen
[2] Total amount of money and other property benefits payable by the Company and its subsidiaries	44 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 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, and 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 in accordance with the provisions of Article 340 of the Companies Act, in cases when the Company determines that the fact that the Accounting Auditor is a corporate auditor of the Company would pose a material impediment to the Company, such as when the Accounting Auditor breaches its professional obligations, neglects its duties, or commits any misconduct inappropriate to the position. 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 in order to enhance the adequacy of audits, the Audit & Supervisory Board shall determine the contents of a proposal for resolution regarding the appointment, dismissal, or refusal of re-election of the Accounting Auditor.



## 5. 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. Without sufficient information on these matters, the Company believes that it is impossible 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 that it is not always easy to appropriately judge the impact of such large-scale purchase on the corporate value of the Company and even the common interests of its shareholders in a short time with full 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 corporate value of the Company.

### (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 engaged in research and development of 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 is striving 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, in order to fulfill its corporate social responsibility, the Company is deepening communication with its stakeholders by further promoting environmental conservation activities and supporting its employees' voluntary activities. The Company is also enhancing 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 the handling of the large-scale purchase rules. As a result, the Company has decided not to continue (abolish) the large-scale purchase rules at the conclusion of the 99th Annual General Meeting of Shareholders on June 21, 2019.

Regardless of the existence 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 appropriately determine the appropriateness of the large-scale purchase. Moreover, the Company will disclose the opinions, etc., of the Board of Directors of the Company, 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.

## **6. 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 13, 2022 to pay a year-end dividend of 39 yen per share with a payment date of June 9, 2022. As a result, the annual dividend for the fiscal year under review will be 67 yen per share, including the interim dividend of 28 yen per share paid in December 2021.

## **7. 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 the enhancement of its corporate value from the perspective of business strategies, business alliances with business partners, and the maintenance and strengthening of business relationships. If the significance of the shares held by the Company has diminished, the Company will sell them in a phased manner, taking into account the circumstances of the company concerned.

### **(2) Verifying appropriateness of holding shares**

If the Company determines that it is necessary to hold shares, the Board of Directors examines the objectives and rationale for holding the shares by examining 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.**

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

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

# Consolidated Financial Statements

## Consolidated Balance Sheets

(As of March 31, 2022)

(Million yen)

Description	As of March 31, 2022	As of March 31, 2021 (Reference)
<b>(Assets)</b>		
<b>Current assets</b>	<b>116,188</b>	<b>101,789</b>
Cash and deposits	34,527	36,375
Notes and accounts receivable - trade	—	23,492
Notes receivable - trade	4,291	—
Accounts receivable - trade	23,554	—
Contract assets	856	—
Electronically recorded monetary claims - operating	5,961	4,134
Trade accounts receivable	243	227
Merchandise and finished goods	10,468	10,018
Work in process	4,159	4,012
Raw materials and supplies	30,135	22,298
Other	2,044	1,286
Allowance for doubtful accounts	(55)	(55)
<b>Non-current assets</b>	<b>56,326</b>	<b>50,936</b>
<b>Property, plant and equipment</b>	<b>44,019</b>	<b>38,992</b>
Buildings and structures	21,510	19,443
Machinery, equipment and vehicles	11,362	10,392
Tools, furniture and fixtures	1,760	1,655
Land	6,940	6,191
Leased assets	652	594
Construction in progress	1,792	715
<b>Intangible assets</b>	<b>1,107</b>	<b>1,433</b>
<b>Investments and other assets</b>	<b>11,199</b>	<b>10,510</b>
Investment securities	8,124	8,182
Retirement benefit asset	1,543	812
Deferred tax assets	328	263
Other	1,237	1,287
Allowance for doubtful accounts	(34)	(35)
<b>Total assets</b>	<b>172,514</b>	<b>152,726</b>

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

(Million yen)

Description	As of March 31, 2022	As of March 31, 2021 (Reference)
<b>(Liabilities)</b>		
<b>Current liabilities</b>	<b>53,503</b>	<b>41,640</b>
Notes and accounts payable - trade	20,354	15,360
Electronically recorded obligations - operating	4,387	2,833
Short-term borrowings	5,665	6,158
Current portion of bonds payable	—	16
Current portion of long-term borrowings	6,070	3,520
Lease obligations	255	218
Accrued expenses	4,741	3,472
Income taxes payable	3,908	1,624
Provision for bonuses	495	389
Provision for product warranties	374	344
Provision for loss on order received	11	69
Provision for environmental measures	1	71
Other	7,236	7,561
<b>Non-current liabilities</b>	<b>9,439</b>	<b>13,468</b>
Long-term borrowings	5,634	10,244
Lease obligations	269	254
Deferred tax liabilities	847	635
Provision for environmental measures	2	4
Retirement benefit liability	458	424
Asset retirement obligations	233	229
Other	1,994	1,675
<b>Total liabilities</b>	<b>62,942</b>	<b>55,108</b>
<b>(Net assets)</b>		
<b>Shareholders' equity</b>	<b>101,954</b>	<b>92,401</b>
Share capital	11,016	11,016
Capital surplus	16,364	16,358
Retained earnings	75,440	65,921
Treasury shares	(867)	(895)
<b>Accumulated other comprehensive income</b>	<b>7,617</b>	<b>5,095</b>
Valuation difference on available-for-sale securities	3,274	3,386
Foreign currency translation adjustment	4,429	1,845
Remeasurements of defined benefit plans	(85)	(136)
<b>Non-controlling interests</b>	<b>—</b>	<b>120</b>
<b>Total net assets</b>	<b>109,571</b>	<b>97,617</b>
<b>Total liabilities and net assets</b>	<b>172,514</b>	<b>152,726</b>

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

## Consolidated Statements of Income

(April 1, 2021 - March 31, 2022)

(Million yen)

Description	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2021 (Reference)
<b>Net sales</b>	<b>142,199</b>	<b>106,723</b>
<b>Cost of sales</b>	<b>101,308</b>	<b>77,950</b>
<b>Gross profit</b>	<b>40,890</b>	<b>28,773</b>
<b>Selling, general and administrative expenses</b>	<b>23,011</b>	<b>21,074</b>
<b>Operating profit</b>	<b>17,879</b>	<b>7,698</b>
<b>Non-operating income</b>	<b>579</b>	<b>746</b>
Interest income	19	16
Dividend income	151	125
Share of profit of entities accounted for using equity method	3	—
Administrative service fee income	58	62
Insurance claim income	17	73
Gain on valuation of derivatives	—	25
Subsidy income	99	198
Other	229	243
<b>Non-operating expenses</b>	<b>414</b>	<b>621</b>
Interest expenses	228	205
Sales discounts	—	138
Share of loss of entities accounted for using equity method	—	1
Loss on valuation of derivatives	102	—
Foreign exchange losses	15	134
Other	67	142
<b>Ordinary profit</b>	<b>18,043</b>	<b>7,823</b>
<b>Extraordinary income</b>	<b>286</b>	<b>527</b>
Gain on sale of non-current assets	5	1
Gain on sale of investment securities	0	—
Gain on sale of shares of subsidiaries and associates	3	—
Subsidy income	276	525
<b>Extraordinary losses</b>	<b>382</b>	<b>622</b>
Loss on sale of non-current assets	0	4
Loss on retirement of non-current assets	138	96
Loss on tax purpose reduction entry of non-current assets	242	505
Loss on sale of investment securities	0	—
Loss on valuation of investment securities	—	1
Provision for environmental measures	—	15
<b>Profit before income taxes</b>	<b>17,947</b>	<b>7,727</b>
Income taxes - current	5,201	2,180
Income taxes - deferred	145	264
<b>Profit</b>	<b>12,600</b>	<b>5,282</b>
<b>Profit attributable to non-controlling interests</b>	<b>32</b>	<b>8</b>
<b>Profit attributable to owners of parent</b>	<b>12,567</b>	<b>5,273</b>

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

# Non-consolidated Financial Statements

## Non-consolidated Balance Sheets

(As of March 31, 2022)

(Million yen)

Description	As of March 31, 2022	As of March 31, 2021 (Reference)
<b>(Assets)</b>		
<b>Current assets</b>	<b>89,909</b>	<b>79,928</b>
Cash and deposits	25,124	26,715
Notes receivable - trade	741	1,202
Electronically recorded monetary claims - operating	4,696	3,200
Accounts receivable - trade	21,243	17,536
Contract assets	856	—
Trade accounts receivable	243	227
Merchandise and finished goods	6,539	7,154
Work in process	3,656	3,676
Raw materials and supplies	21,526	16,771
Prepaid expenses	389	419
Short-term loans receivable from subsidiaries and associates	2,145	1,690
Current portion of long-term loans receivable from subsidiaries and associates	240	240
Other	2,506	1,093
<b>Non-current assets</b>	<b>53,511</b>	<b>51,858</b>
<b>Property, plant and equipment</b>	<b>30,053</b>	<b>28,439</b>
Buildings	14,297	13,719
Structures	485	527
Machinery and equipment	8,594	8,047
Vehicles	3	2
Tools, furniture and fixtures	1,102	1,132
Land	4,784	4,802
Construction in progress	784	207
<b>Intangible assets</b>	<b>993</b>	<b>1,334</b>
Software	958	1,305
Other	35	29
<b>Investments and other assets</b>	<b>22,464</b>	<b>22,084</b>
Investment securities	8,123	8,181
Shares of subsidiaries and associates	4,862	4,862
Investments in capital of subsidiaries and associates	6,405	6,405
Long-term loans receivable from subsidiaries and associates	300	540
Prepaid pension costs	1,667	1,008
Deferred tax assets	428	344
Other	704	770
Allowance for doubtful accounts	(26)	(28)
<b>Total assets</b>	<b>143,420</b>	<b>131,786</b>

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

(Million yen)

Description	As of March 31, 2022	As of March 31, 2021 (Reference)
<b>(Liabilities)</b>		
<b>Current liabilities</b>	<b>47,517</b>	<b>36,529</b>
Notes payable - trade	197	163
Electronically recorded obligations - operating	3,599	2,306
Accounts payable - trade	7,151	5,754
Trade accounts payable	13,116	8,567
Short-term borrowings	4,695	5,419
Current portion of long-term borrowings	6,070	3,520
Accounts payable - other	2,609	2,161
Accrued expenses	4,247	3,096
Income taxes payable	3,290	1,103
Advances received	1,284	3,487
Provision for product warranties	354	322
Provision for loss on order received	11	69
Provision for environmental measures	1	71
Other	887	484
<b>Non-current liabilities</b>	<b>3,176</b>	<b>9,238</b>
Long-term borrowings	1,900	7,970
Provision for environmental measures	2	4
Other	1,274	1,264
<b>Total liabilities</b>	<b>50,693</b>	<b>45,767</b>
<b>(Net assets)</b>		
<b>Shareholders' equity</b>	<b>89,452</b>	<b>82,632</b>
<b>Share capital</b>	<b>11,016</b>	<b>11,016</b>
<b>Capital surplus</b>	<b>16,356</b>	<b>16,347</b>
Legal capital surplus	11,797	11,797
Other capital surplus	4,558	4,549
<b>Retained earnings</b>	<b>62,947</b>	<b>56,164</b>
Legal retained earnings	1,286	1,286
Other retained earnings	61,661	54,877
General reserve	49,500	49,500
Retained earnings brought forward	12,161	5,377
<b>Treasury shares</b>	<b>(867)</b>	<b>(895)</b>
<b>Valuation and translation adjustments</b>	<b>3,274</b>	<b>3,386</b>
Valuation difference on available-for-sale securities	3,274	3,386
<b>Total net assets</b>	<b>92,726</b>	<b>86,019</b>
<b>Total liabilities and net assets</b>	<b>143,420</b>	<b>131,786</b>

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

## Non-consolidated Statements of Income

(April 1, 2021 - March 31, 2022)

(Million yen)

Description	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2021 (Reference)
<b>Net sales</b>	<b>116,400</b>	<b>88,296</b>
<b>Cost of sales</b>	<b>87,439</b>	<b>68,263</b>
<b>Gross profit</b>	<b>28,960</b>	<b>20,033</b>
<b>Selling, general and administrative expenses</b>	<b>16,155</b>	<b>15,220</b>
<b>Operating profit</b>	<b>12,804</b>	<b>4,813</b>
<b>Non-operating income</b>	<b>1,297</b>	<b>1,287</b>
Interest and dividend income	868	826
Other	429	461
<b>Non-operating expenses</b>	<b>344</b>	<b>427</b>
Interest expenses	42	50
Sales discounts	—	138
Other	302	238
<b>Ordinary profit</b>	<b>13,758</b>	<b>5,674</b>
<b>Extraordinary income</b>	<b>282</b>	<b>527</b>
Gain on sale of non-current assets	4	1
Gain on sale of investment securities	0	—
Subsidy income	276	525
<b>Extraordinary losses</b>	<b>381</b>	<b>764</b>
Loss on sale of non-current assets	0	0
Loss on retirement of non-current assets	137	94
Loss on tax purpose reduction entry of non-current assets	242	505
Loss on sale of investment securities	0	—
Loss on valuation of investment securities	—	1
Loss on valuation of shares of subsidiaries and associates	—	147
Provision for environmental measures	—	16
<b>Profit before income taxes</b>	<b>13,659</b>	<b>5,436</b>
Income taxes - current	3,896	1,479
Income taxes - deferred	(30)	14
<b>Profit</b>	<b>9,792</b>	<b>3,941</b>

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



Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect, or any other forms of damages arising from the translation.

Stock Exchange Code: 6407

(June 2, 2023)

Date of commencement of electronic provision measures: May 31, 2023

**To Shareholders with Voting Rights:**

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

**NOTICE OF  
THE 103RD ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

The 103rd 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 103rd 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 soukai-portal net (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 22, 2023, in accordance with the following procedures.

- 1. Date and Time:** Friday, June 23, 2023, at 10:00 a.m. Japan time
- 2. Place:** “The Grand Court III”  
7th floor, ANA Crowne Plaza Hotel Grand Court Nagoya  
1-1-1 Kanayama - Cho, Naka-ku, Nagoya, Aichi, Japan  
(Please note that the venue of the meeting 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 103rd Fiscal Year (April 1, 2022 – March 31, 2023), 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 103rd Fiscal Year (April 1, 2022 – March 31, 2023)

**Proposal to be resolved:**

**Proposal:** Election of Six (6) Directors

- 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.
- 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: 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	Yusuke Hirako (Re-election)	Director & Managing Executive Officer and Chief Financial Officer (CFO) In charge of Administration	100% (10/10)
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 (New election) (External Director candidate) (Independent Director candidate)	–	–

\*The attendance of Mr. Yusuke Hirako shows the number after his appointment as a Director on June 24, 2022.

\*The attendance of Mr. Koichi Hayashi includes the number of meetings attended as an Audit & Supervisory Board Member prior to his appointment as a Director on June 24, 2022.

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: 19 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    Joined the Company</p> <p>June 2004    Director &amp; Executive Officer General Manager, Sales, and Marketing Division</p> <p>June 2005    Director &amp; Managing Executive Officer General Manager, Sales, and Marketing Division</p> <p>June 2008    President</p> <p>June 2021    Representative Director Chairperson of the Board of Directors and Chief Executive Officer (CEO) (to present)</p> <p>Reason for selection as a candidate for Director Mr. Kazunori Kajimoto has long experience 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>	83,171
2	<p>Katsuhito Okuoka (August 23, 1967)</p> <p>Re-election</p> <p>Years in office as Director: 7 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    Joined the Company</p> <p>October 2008    General Manager, Production Control Department, Komaki Plant - General &amp; Control Equipment, Production, and Engineering Division</p> <p>June 2015    Executive Officer General Manager, Components Business Division</p> <p>June 2016    Director &amp; Executive Officer In charge of Quality and Safety General Manager, Components Business Division</p> <p>June 2018    Director &amp; Managing Executive Officer, in charge of Quality Management General Manager, Components Business Division</p> <p>June 2019    Representative Director and Senior Managing Executive Officer, in charge of Quality and Environment, General Manager, Components Business Division</p> <p>June 2020    Representative Director and Senior Managing Executive Officer, In charge of Administration General Manager, Corporate Planning Department</p> <p>June 2021    President and Chief Operating Officer In charge of Administration</p> <p>June 2022    President and Chief Operating Officer (COO) (to present)</p> <p>Reason for selection as a candidate for Director 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>	32,156

No.	Name (Date of birth)	Experience, positions, and responsibilities	Number of shares of the Company held
3	<p>Yusuke Hirako (February 28, 1963)</p> <p>Re-election</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 The Mitsui Bank, Limited</p> <p>April 2015     Executive Officer General Manager, Tokyo Banking Department VII, Sumitomo Mitsui Banking Corporation</p> <p>April 2017     Executive Officer, General Manager, Eastern Japan Corporate Banking Division IV</p> <p>January 2018   Managing Executive Officer General Manager, Nagoya Corporate Banking Division, in charge of Nagoya Banking Department, Nagoya Banking Division</p> <p>April 2020     Managing Executive Officer, Sumitomo Mitsui Financial Group, Inc. Managing Executive Officer, Sumitomo Mitsui Banking Corporation</p> <p>January 2022   Advisor, the Company</p> <p>June 2022     Director &amp; Managing Executive Officer and Chief Financial Officer (CFO) (to present)</p> <p>Reason for selection as a candidate for Director Mr. Yusuke Hirako has extensive experience developed over the years in financial institutions and broad insight into finance and accounting. Therefore we propose his re-election as Director because he will contribute to our management by utilizing the above.</p>	12,307
4	<p>Stefan Sacré (March 9, 1963)</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>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 &amp; Co. KG</p> <p>January 2017   President and Representative Director, Carl ZEISS Co., Ltd. (Japan) (to present) President and Representative Director, Carl Zeiss Meditec Co., Ltd. (to present)</p> <p>June 2021     Director, the Company (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: 1 year (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 &amp; Supervisory Board Member, the Company</p> <p>June 2013     External Audit &amp; Supervisory Board Member, Plaza Create Co., Ltd.</p> <p>June 2018     External Director, Plaza Create Co., Ltd. (to present)</p> <p>June 2022     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>New election External Director candidate Independent Director candidate</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>Reason for selection as a candidate for External Director and overview of the expected role Ms. Hiroko Shimada 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 election as Director.</p>	0

(Notes)

1. Special interests between the candidates for Directors and the Company
  - (1) Mr. Stefan Sacré serves as President and Representative Director of Carl ZEISS Co., Ltd. (Japan) and Carl Zeiss Meditec Co., Ltd. The Company and Carl ZEISS Co., Ltd. (Japan) have a business transaction relationship in selling manufactured goods, etc. However, the percentage of such transactions is tiny, at less than 1% of the consolidated net sales of the Company and Carl ZEISS Co., Ltd. (Japan). Therefore, there are no particular conflicts of interest between the Company and Carl Zeiss Meditec Co., Ltd.
  - (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 Ms. Hiroko Shimada, the Company intends to conclude a similar liability limitation agreement with her.
4. Remarks in relation to the candidates for External Directors are stated below.
  - (1) The Company entered into an agreement with Mr. Stefan Sacré and Mr. Koichi Hayashi 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. In addition, subject to the approval of the election of Ms. Hiroko Shimada, the Company intends to conclude a similar liability limitation agreement with her.
  - (2) Mr. Stefan Sacré, Mr. Koichi Hayashi, and Ms. Hiroko Shimada are candidates for independent officers 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 23, 2023)

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	
							The number of companies	Of which, the number of listed companies
1	Internal	Kazunori Kajimoto	Representative Director Chairperson of the Board of Directors and Chief Executive Officer	Male	66	19		
2	Internal	Katsuhito Okuoka	President and Chief Operating Officer	Male	55	7		
3	Internal	Yusuke Hirako	Director Managing Executive Officer	Male	60	1		
4	External (Independent)	Stefan Sacré	External Director	Male	60	2	2	
5	External (Independent)	Koichi Hayashi	External Director	Male	58	1	2	1
6	External (Independent)	Hiroko Shimada	External Director	Female	59	(New election)	2	1

No.	Attribution	Name	Job title	Gender	Age	Years in office	Significant concurrent positions	
							The number of companies	Of which, the number of listed companies
1	Internal	Masafumi Kokubo	Standing Audit & Supervisory Board Member	Male	62	3		
2	External (Independent)	Shuzo Hashimoto	External Audit & Supervisory Board Member	Male	67	3	1	
3	External (Independent)	Kiyoshi Miura	External Audit & Supervisory Board Member	Male	65	1		
4	External (Independent)	Tsuyoshi Takeuchi	External Audit & Supervisory Board Member	Male	64	1	2	

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	Yusuke Hirako	•			•	•	•	•		
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	Masafumi Kokubo	•			•	•	•	•		•
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, practice the Corporate Philosophy of “contributing to building a rich society,” 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

# Business Report

(April 1, 2022 – March 31, 2023)

## 1. Current Status of the Corporate Group

### (1) Business progress and results

#### General overview

During the fiscal year under review, the Japanese economy recovered moderately against the backdrop of the easing of restrictions by balancing COVID-19 countermeasures and socioeconomic activities. However, it was affected by soaring raw material prices and constraints on supply of semiconductors and other components.

In addition, the economic outlook remains uncertain due to rising energy prices caused by the prolonged situation between Russia and Ukraine and rising prices stemming from the weak yen.

Capital investment trended as corporate earnings picked up and efforts were made in growth areas such as the environment. In addition, investment in automation in the manufacturing industry as a whole and investment against the background of a growing range of applications in information and communications technology in the electronics industry continued to be strong. However, investment was restrained toward the end of the period owing to inventory adjustments caused by the decline in semiconductor memory prices and other factors.

In Europe and the U.S., corporate capital investment was firm for the overseas economy despite uncertainty about the future economic outlook. In Southeast Asia, the normalization of economic activity progressed thanks to easing restrictions on activities, and economic recovery continued with an increase in exports. In China, capital investment, mainly in the semiconductor and battery industries, continued amid a slowdown of capital investment in the overall market.

Under such circumstances, in results for the consolidated fiscal year under review, the CKD Group (the “Group”) recorded 159,457 million yen in net sales, up 12.1% year on year, 21,170 million yen in operating profit, up 18.4% year on year, 21,181 million yen in ordinary profit, up 17.4% year on year, and 14,788 million yen in profit attributable to owners of the parent, up 17.7% year on year.

#### Net sales by segment

Segment	Amount	Change YoY	Composition ratio
Automatic Machinery	15,566 million yen	Up 7.4%	9.8%
Components	143,891 million yen	Up 14.8%	90.2%
Total	159,457 million yen	Up 12.1%	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
- Systems for making lamps and bulbs

#### Overview of the fiscal year under review

With regard to the Automatic Machinery segment, in industrial machinery, sales of lithium-ion battery manufacturing systems and 3D solder paste inspection machines rose. As for automatic packaging systems, sales to the pharmaceutical industry increased.

As a result, net sales amounted to 15,566 million yen, down 7.4% year on year, while segment profit was 2,008 million yen, down 16.8% year on year due to changes in the sales mix.

## <Components>

### Main products

- Drive components
- Pneumatic control components
- Pneumatic related components
- Fluid control components

### Overview of the fiscal year under review

With regard to the Components segment, sales for semiconductor manufacturing equipment increased in the domestic market due to the demand for semiconductors in data centers and automotive applications. Sales for manufacturing equipment related to environmentally friendly vehicles remained steady.

In the overseas markets, sales increased in China, where investment continued mainly in the semiconductor and battery industries using mature technology, and in South Korea and Taiwan, where semiconductor capital investment was steady despite declining demand toward the end of the period. Sales also grew in Europe and the U.S., where capital investment was firm, and Southeast Asia, where the recovery from the COVID-19 pandemic continued.

As a result, net sales amounted to 143,891 million yen, up 14.8% year on year, while segment profit was 23,741 million yen, up 22.1% year on year, thanks to increased sales and the effect of the exchange rate on a weak yen.

## (2) Status of capital investment

Capital expenditures during the fiscal year under review were 505 million yen in the Automatic Machinery segment, 10,387 million yen in the Components segment, and 11,447 million yen in total as a result of the acquisition of land and buildings for the Tohoku Plant and updates to machinery and metal molds.

## (3) Status of financing

During the consolidated fiscal year under review, the Company procured 5,000 million yen as a necessary fund from financial institutions using the sustainability-linked loan.

The Company has also entered into syndicated commitment line contracts totaling 10,000 million yen with three correspondent financial institutions on June 18, 2020, to enable stable and flexible financing. As of the end of the current consolidated fiscal year, there were no outstanding borrowings based on these contracts.

## (4) Issues to be addressed

### [1] Initiatives to gradual transition to our society after the COVID-19 pandemic

We are at a turning point in time where the impact of COVID-19 has massively changed society's values and the markets themselves, and new values take hold. As the movement toward normalization of social and economic activities progresses step by step, the Company will continue to improve operational efficiency while promoting flexible work styles such as remote work and digitalization, as well as creating an environment that facilitates resilience with an awareness of human connections. In addition, the Company will steadily make capital expenditures essential for medium-to-long-term growth while focusing on the situation. In order to fulfill its corporate social responsibility, the Company will contribute to the environment and society while linking this to continuous growth.

Specifically, in the Automatic Machinery business, the Company will enhance its services in close collaboration with its customers, keeping web-based remote functional and factory acceptance tests (FAT) for automatic pharmaceutical packaging systems in order to prepare for movement restrictions in various countries due to the impact of COVID-19.

In the Components business, the Company will further enhance digital content to enable remote product introductions and virtual factory tours and work to improve our communication and digital usage skills. Furthermore, progress in automation and labor saving at production sites are expected to accelerate in the future with the aim of solving social issues such as labor shortages. The Company will contribute to the development and solving of social issues through this business by developing IoT-related equipment, sensors, image processing software, and other products that contribute to automation and labor saving.

## **[2] 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.

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 advancing the selection and concentration of highly competitive products by region. In the Automatic Machinery business, to enter the Chinese pharmaceutical manufacturing market, the Company will locally develop dedicated machines for the Chinese market and enhance its local support capabilities, including service. The Company will leverage the Tohoku Plant in the Components business, to boost its global rollout of high-performance products further. In the U.S., the Company will enhance the functions of the Technical Center to promote planning and development of products closely attuned to its customers and support local needs with North America Plant, a new production base. The Company will actively pursue market development in the European market, including through alliances. 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. Therefore, in 2021, the Company revised its long-term management vision, 10-Year Vision, adding a fourth basic policy, "build a corporate culture with faith in human resources," to overcome significant societal change and harness it for growth.

The Company believes its human resources are the most important key to improving its operations. The Company, therefore, will focus on creating workplaces that increase employee engagement by systematically developing digital human resources in addition to the next generation of leaders and global human resources and creating environments and systems that enable all employees to play an active role.

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.

### [3] 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.

The Group is working to develop and expand sales of environmentally friendly products, considering the perspectives of energy and resource efficiency as well the product life-cycle. The Group is also committed to reducing energy usage by improving its infrastructure and product processes.

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.

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	100th Fiscal Year (April 1, 2019 – March 31, 2020)	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)
Net sales (Million yen)	100,717	106,723	142,199	159,457
Ordinary profit (Million yen)	5,374	7,823	18,043	21,181
Profit attributable to owners of the parent (Million yen)	3,689	5,273	12,567	14,788
Basic earnings per share (Yen)	59.56	80.23	188.58	221.76
Total assets (Million yen)	136,059	152,726	172,514	185,626
Net assets (Million yen)	82,465	97,617	109,571	119,730
Net assets per share (Yen)	1,321.28	1,463.15	1,643.36	1,794.44

- (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	100th Fiscal Year (April 1, 2019 – March 31, 2020)	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)
Net sales (Million yen)	84,861	88,296	116,400	128,137
Ordinary profit (Million yen)	4,155	5,674	13,758	16,771
Net income (Million yen)	3,058	3,941	9,792	11,945
Basic earnings per share (yen)	49.37	59.98	146.94	179.12
Total assets (Million yen)	120,807	131,786	143,420	151,093
Net assets (Million yen)	74,606	86,019	92,726	99,701
Net assets per share (Yen)	1,196.78	1,290.90	1,390.72	1,494.24

- (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
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.	Miyamae-ku, 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 (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	500	Decrease of 11
Components	3,995	Increase of 11
Company-wide (common)	189	Increase of 24
Total	4,684	Increase of 24

[2] Status of Company employees

Number of employees	Changes from the end of the previous fiscal year	Average age	Average years of service
2,373	Decrease of 58	41.8	17.3

(Note) The number of employees does not include 328 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/sale of automatic machinery and manufacturing of components
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 Trust Bank, Limited	7,200
Sumitomo Mitsui Banking Corporation	3,023
MUFG Bank, Ltd.	1,025

## 2. Matters Regarding Shares

### (1) Status of shares

[1] Total number of authorized shares	233,000,000 shares
[2] Total number of issued shares	66,723,413 shares (excluding 1,186,036 treasury shares)
[3] Number of shareholders at the end of the fiscal year under review	15,784 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)	9,765	14.64
Custody Bank of Japan, Ltd. (Trust Account)	4,066	6.09
JP MORGAN CHASE BANK 385839	3,768	5.65
CKD Shareholding Association	2,835	4.25
SUMITOMO LIFE INSURANCE COMPANY	1,914	2.87
CKD Cooperative Companies Investment Association	1,737	2.60
Sumitomo Mitsui Banking Corporation	1,581	2.37
THE BANK OF NEW YORK MELLON 140042	1,411	2.12
The Dai-ichi Life Insurance Company, Limited	1,400	2.10
STATE STREET BANK AND TRUST COMPANY 505025	1,187	1.78

(Note) The above shareholding ratio is 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 16,327 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	Noriko Asai	Guest Professor, Graduate School of Economics, Nagoya University External Director, Ibiden Co., Ltd. External Senior Director, Okuma Corporation
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, Plaza Create Co., Ltd.
Standing Audit & Supervisory Board Member	Masafumi Kokubo	
Audit & Supervisory Board Member	Shuzo Hashimoto	Attorney-at-Law Director, Hashimoto Law Firm
Audit & Supervisory Board Member	Kiyoshi Miura	
Audit & Supervisory Board Member	Tsuyoshi Takeuchi	Certified public accountant Representative Director, PM Business Solutions Inc. Principal, Takeuchi Tsuyoshi Certified Public Accountant Office

- (Notes)
1. Directors Ms. Noriko Asai, Mr. Stefan Sacré, and Mr. Koichi Hayashi 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 Ms. Noriko Asai, Mr. Stefan Sacré, and Mr. Koichi Hayashi, 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 Audit & Supervisory Board Member Mr. Koichi Hayashi retired from his position at the conclusion of the 102nd Annual General Meeting of Shareholders held on June 24, 2022, due to the expiration of the term of office, and assumed the position of External Director on the day.
  5. External Audit & Supervisory Board Members Mr. Kiyoshi Miura and Mr. Tsuyoshi Takeuchi were elected in the 102nd Annual General Meeting of Shareholders held on June 24, 2022, and assumed the position after that.
  6. Directors Mr. Katsunori Hayashida and Mr. Shinji Yuhara and External Director Mr. Kazumasa Uemura retired from their position at the conclusion of the 102nd Annual General Meeting of Shareholders held on June 24, 2022, due to the expiration of the term of office.
  7. External Audit & Supervisory Board Member Mr. Takeshi Sawaizumi retired at the conclusion of the 102nd Annual General Meeting of Shareholders held on June 24, 2022, due to the expiration of the term of office.
  8. External Audit & Supervisory Board Member Mr. Shuzo Hashimoto is qualified as an Attorney-at-Law and has considerable knowledge of corporate legal affairs.
  9. External Audit & Supervisory Board Member Mr. Kiyoshi Miura has many years of experience working for financial institutions and considerable knowledge of finance and

accounting.

10. External Audit & Supervisory Board Member Mr. Tsuyoshi Takeuchi is qualified as a certified public accountant and has considerable knowledge of finance and accounting.
11. The Company has removed 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.
12. 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.
13. 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 Ms. Noriko Asai, Mr. Stefan Sacré, and Mr. Koichi Hayashi, 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"> <li>• The amount is fixed by position according to responsibilities determined upon careful consideration while referring to employees' salaries and remuneration levels at other companies.</li> </ul>
Performance-linked remuneration (about 20 to 40%) (Note)	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The target performance indicator and its amount are consulted with the Nomination &amp; Remuneration Advisory Committee as necessary in accordance with environmental</li> </ul>

	<p>changes and are reviewed based on its recommendations.</p> <ul style="list-style-type: none"><li>• 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.</li></ul>
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Type of remuneration (composition ratio)	Remuneration details
Restricted stock remuneration (about 5 to 20%) (Note)	<ul style="list-style-type: none"> <li>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.</li> <li>The number of shares to be granted to Directors is resolved by the Board of Directors.</li> <li>The restrictions on shares are lifted when the Director retires.</li> </ul>

(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	238	132	80	26	9
Audit & Supervisory Board Members	49	49	–	–	6
Total	287	181	80	26	15

(Notes) 1. Of the amount paid above, the total remuneration for four External Directors and five External Audit & Supervisory Board Members is 52 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 40% to 60% 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 2022, 16,327 shares were granted as restricted stock remuneration to three Directors (excluding External Directors), accounting for 13% of the total remuneration.

Outline of restricted stock remuneration

Grant date	July 22, 2022
Class and number of shares	16,327 ordinary shares of the Company
Value	1,727 yen per share
Total value	28,196,729 yen
Eligible officers	3 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 5 times in fiscal 2022.
Major deliberations pertaining to remuneration	<ul style="list-style-type: none"> <li>• Policy regarding remuneration for Directors</li> <li>• Selection of evaluation indicators for calculating remuneration</li> <li>• Discussion of specific details of the remuneration structure</li> <li>• Consideration of and decision on amounts of individual remuneration</li> <li>• Decision on amounts of restricted stock remuneration</li> </ul>

**(3) State of external officers**

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

Director Ms. Noriko Asai concurrently serves as a Guest Professor of the Graduate School of Economics at Nagoya University, as an External Director of Ibiden Co., Ltd., and as an External Senior Director of Okuma Corporation, respectively. The Company has no unique relationships with Nagoya University. The Company has a business transaction relationship in selling manufactured goods, etc., with Ibiden Co., Ltd. and Okuma Corporation. However, the percentage of such transactions is tiny, at less than 1% of the consolidated net sales of each of the Company, Ibiden, Co., Ltd., and Okuma Corporation.

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 of Plaza Create Co., Ltd., respectively. Accordingly, there are no special relationships between the Company and each company.

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

Audit & Supervisory Board Member Mr. Tsuyoshi Takeuchi concurrently serves as the Representative Director of PM Business Solutions Inc. and Principal of Takeuchi Tsuyoshi Certified Public Accountant Office. Accordingly, there are no special relationships between the Company and PM Business Solutions Inc. and Takeuchi Tsuyoshi Certified Public Accountant Office.

[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	Noriko Asai	92% 11/12	* 5	From a professional perspective, including extensive experience in analyzing management practices in numerous manufacturing plants, mainly as a Doctor of Economics, and her background as an external director of each manufacturer, Ms. Noriko Asai 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.



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.
External Director	Koichi Hayashi	100% 12/12	2 * 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.

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

2. Mr. Koichi Hayashi, External Audit & Supervisory Board Member, retired from his position at the conclusion of the 102nd Annual General Meeting of Shareholders held on June 24, 2022, due to the expiration of the term of office and assumed the position of External Director on the same day. As such, he has attended two meetings of the Audit & Supervisory Board as an Audit & Supervisory Board Member and seven meetings of the Audit & Supervisory Board as an observer since his appointment as a Director.

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% 10/10	100% 10/10	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% 10/10	100% 10/10	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.

(Note) Since External Audit & Supervisory Board Members Mr. Kiyoshi Miura and Mr. Tsuyoshi Takeuchi assumed the position at the 102nd Annual General Meeting of Shareholders held on June 24, 2022, the Company states the number of meetings of the Board of Directors and the Audit & Supervisory Board held subsequent to their assuming the position.

#### 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	44 million yen
[2] The total amount of money and other property benefits payable by the Company and its subsidiaries	44 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>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>[Basic policy]</p> <ol style="list-style-type: none"> <li>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.</li> <li>2) The Company shall not have any relationship with antisocial forces, and will take a firm stand against them as an organization.</li> <li>3) The Company shall establish a reporting contact point and implement a system to prevent and correct violations of laws and regulations.</li> </ol>
	<p>[Overview of the status of operation]</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ol>

<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 &amp; 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"> <li>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.</li> <li>2) The Company shall hold business reporting meetings with directors and division heads in attendance. Management issues at each business division, and share information through reports on the analysis of the business environment and business planning progress, and reflect such information in management decisions.</li> <li>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.</li> </ol>
	<p>[Overview of the system operations status]</p> <ol style="list-style-type: none"> <li>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 as needed.</li> <li>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.</li> <li>3) Executive officers perform their duties under the supervision of the Board of Directors within the scope of their authority and responsibilities.</li> </ol>

<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"> <li>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.</li> <li>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.</li> <li>3) The Company shall ensure that the Group is fully aware of the Company's corporate commitment 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.</li> <li>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.</li> </ol>
	<p>[Overview of the status of operation]</p> <ol style="list-style-type: none"> <li>1) The Management Regulations stipulate matters for which prior approval and reporting are required for subsidiaries.</li> <li>2) The Company extends its Code of Conduct and risk management initiatives to its subsidiaries to ensure the appropriateness of operations.</li> <li>3) The Company extends the dissemination of its corporate commitment and the Subsidiary Management Regulations to its subsidiaries, to promote more efficient management at subsidiaries.</li> <li>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.</li> <li>5) The internal audit departments have established a new overseas department to strengthen group governance.</li> </ol>



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

## **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 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 has decided not to continue (abolish) 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 12, 2023, to pay a year-end dividend of 47 yen per share with a payment date of June 5, 2023. As a result, the annual dividend for the fiscal year under review will be 89 yen per share, including the interim dividend of 42 yen per share paid in December 2022.

## **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.

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

# Consolidated Financial Statements

## Consolidated Balance Sheets

(As of March 31, 2023)

(Million yen)

Description	As of March 31, 2023	As of March 31, 2022 (Reference)
<b>(Assets)</b>		
<b>Current assets</b>	<b>123,055</b>	<b>116,188</b>
Cash and deposits	28,568	34,527
Notes receivable - trade	4,443	4,291
Accounts receivable - trade	23,574	23,554
Contract assets	2,148	856
Electronically recorded monetary claims - operating	6,318	5,961
Trade accounts receivable	241	243
Merchandise and finished goods	11,443	10,468
Work in process	5,090	4,159
Raw materials and supplies	38,848	30,135
Other	2,430	2,044
Allowance for doubtful accounts	(53)	(55)
<b>Non-current assets</b>	<b>62,571</b>	<b>56,326</b>
<b>Property, plant, and equipment</b>	<b>49,331</b>	<b>44,019</b>
Buildings and structures	24,899	21,510
Machinery, equipment, and vehicles	12,186	11,362
Tools, furniture, and fixtures	1,891	1,760
Land	8,242	6,940
Leased assets	1,071	652
Construction in progress	1,040	1,792
<b>Intangible assets</b>	<b>1,524</b>	<b>1,107</b>
<b>Investments and other assets</b>	<b>11,714</b>	<b>11,199</b>
Investment securities	8,509	8,124
Retirement benefit asset	1,749	1,543
Deferred tax assets	409	328
Other	1,081	1,237
Allowance for doubtful accounts	(35)	(34)
<b>Total assets</b>	<b>185,626</b>	<b>172,514</b>

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

(Million yen)

Description	As of March 31, 2023	As of March 31, 2022 (Reference)
<b>(Liabilities)</b>		
<b>Current liabilities</b>	<b>52,018</b>	<b>53,503</b>
Notes and accounts payable - trade	22,017	20,354
Electronically recorded obligations - operating	5,349	4,387
Short-term borrowings	6,062	5,665
Current portion of long-term borrowings	2,398	6,070
Lease obligations	329	255
Accrued expenses	4,765	4,741
Income taxes payable	3,696	3,908
Provision for bonuses	574	495
Provision for product warranties	427	374
Provision for loss on orders received	11	11
Provision for environmental measures	–	1
Other	6,385	7,236
<b>Non-current liabilities</b>	<b>13,877</b>	<b>9,439</b>
Long-term borrowings	9,203	5,634
Lease obligations	633	269
Deferred tax liabilities	1,250	847
Provision for environmental measures	2	2
Retirement benefit liability	503	458
Asset retirement obligations	235	233
Other	2,049	1,994
<b>Total liabilities</b>	<b>65,895</b>	<b>62,942</b>
<b>(Net assets)</b>		
<b>Shareholders' equity</b>	<b>111,538</b>	<b>101,954</b>
Share capital	11,016	11,016
Capital surplus	16,548	16,364
Retained earnings	84,807	75,440
Treasury shares	(833)	(867)
<b>Accumulated other comprehensive income</b>	<b>8,192</b>	<b>7,617</b>
Valuation difference on available-for-sale securities	3,486	3,274
Foreign currency translation adjustment	4,902	4,429
Remeasurements of defined benefit plans	(196)	(85)
<b>Total net assets</b>	<b>119,730</b>	<b>109,571</b>
<b>Total liabilities and net assets</b>	<b>185,626</b>	<b>172,514</b>

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

## Consolidated Statements of Income

(April 1, 2022 - March 31, 2023)

(Million yen)

Description	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2022 (Reference)
<b>Net sales</b>	<b>159,457</b>	<b>142,199</b>
<b>Cost of sales</b>	<b>113,059</b>	<b>101,308</b>
<b>Gross profit</b>	<b>46,398</b>	<b>40,890</b>
<b>Selling, general and administrative expenses</b>	<b>25,227</b>	<b>23,011</b>
<b>Operating profit</b>	<b>21,170</b>	<b>17,879</b>
<b>Non-operating income</b>	<b>839</b>	<b>579</b>
Interest income	94	19
Dividend income	222	151
Share of profit of entities accounted for using the equity method	–	3
Administrative service fee income	59	58
Insurance claim income	16	17
Subsidy income	145	99
Other	302	229
<b>Non-operating expenses</b>	<b>829</b>	<b>414</b>
Interest expenses	331	228
Loss on the valuation of derivatives	72	102
Foreign exchange losses	147	15
Loss on retirement of non-current assets	105	–
Other	171	67
<b>Ordinary profit</b>	<b>21,181</b>	<b>18,043</b>
<b>Extraordinary income</b>	<b>233</b>	<b>286</b>
Gain on step acquisitions	62	–
Gain on sale of investment securities	149	0
Other	21	285
<b>Extraordinary losses</b>	<b>25</b>	<b>382</b>
Loss on retirement of non-current assets	4	138
Loss on tax purpose reduction entry of non-current assets	21	242
Other	–	1
<b>Profit before income taxes</b>	<b>21,388</b>	<b>17,947</b>
Income taxes - current	6,317	5,201
Income taxes - deferred	282	145
<b>Profit</b>	<b>14,788</b>	<b>12,600</b>
<b>Profit attributable to non-controlling interests</b>	<b>–</b>	<b>32</b>
<b>Profit attributable to owners of the parent</b>	<b>14,788</b>	<b>12,567</b>

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

## Consolidated Statements of Changes in Net Assets

(April 1, 2022 – March 31, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of a period	11,016	16,364	75,440	(867)	101,954
Changes during period					
Dividends of surplus			(5,401)		(5,401)
Profit attributable to owners of the parent			14,788		14,788
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		183		33	217
Employee incentive welfare funds			(20)		(20)
Net changes in items other than shareholders' equity					
Total changes during the period	–	183	9,366	33	9,584
Balance at the end of period	11,016	16,548	84,807	(833)	111,538

	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	3,274	4,429	(85)	7,617	109,571
Changes during period					
Dividends of surplus					(5,401)
Profit attributable to owners of the parent					14,788
Purchase of treasury shares					(0)
Disposal of treasury shares					217
Employee incentive welfare funds					(20)
Net changes in items other than shareholders' equity	212	472	(110)	574	574
Total changes during the period	212	472	(110)	574	10,159
Balance at the end of period	3,486	4,902	(196)	8,192	119,730

(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: 20 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.

(16 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.

EPSITEC S.R.L., which was an equity-method affiliate, was included in the scope of consolidation this fiscal year, as the Company acquired its equity interest. (EPSITEC S.R.L. changed its name to CKD ITALIA S.R.L., effective July 5, 2022.)

2. Application of equity method

EPSITEC S.R.L., which was an equity-method affiliate, became the Company's subsidiary this fiscal year. For that reason, the Company excluded it from the scope of the equity-method affiliate and added it into the scope of consolidation. (EPSITEC S.R.L. changed its name to CKD ITALIA S.R.L., effective July 5, 2022.)

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.

**(Notes regarding changes in accounting policies)**

Application of ASU No. 2016-02 "Leases"

Effective from the beginning of the fiscal year under review, Accounting Standards Update (ASU) No. 2016-02 Leases (February 25, 2016. Hereinafter referred to as "ASU No. 2016-02.") has been applied to foreign subsidiaries that have adopted U.S. GAAP.

As a result of adopting ASU No. 2016-02, the lessee generally recognizes assets and liabilities for all leases. In addition, the Company has adopted a method to identify the cumulative effect of adopting the accounting standard, recognized as a transitional measure, on the effective date.

The effect of the change on the consolidated financial statements for the fiscal year under review was not material.

**(Notes regarding changes in presentation method)**

Consolidated statement of income

"Subsidy income," "gain on sale of non-current assets," and "gain on sale of shares of subsidiaries and associates" presented in "extraordinary income," and "loss on sale of non-current assets" and "loss on sale of investment securities" presented in "extraordinary losses," which were presented as separate line items for the previous fiscal year, have 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	6,592	(356)	6,236
Work in process	537	—	537
Raw materials and supplies	36,940	(1,408)	35,532
Total	44,070	(1,765)	42,305

(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 2 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 under an uncertain environment, including inventory adjustments by memory-based semiconductor manufacturers, U.S.-led restrictions on exports of advanced semiconductors and related manufacturing equipment to China, and heightened geopolitical risks.

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 94 million yen (including provision for loss on orders received regarding merchandise and finished goods of 65 million and those regarding work in process of 29 million yen.)

2. Accumulated depreciation on property, plant, and equipment 73,799 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 13, 2022	Common shares	2,600	39	March 31, 2022	June 9, 2022
Board of Directors meeting held on November 11, 2022	Common shares	2,801	42	September 30, 2022	December 12, 2022
Total	-	5,401	-	-	-

(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 12, 2023	Common shares	3,136	Retained earnings	47	March 31, 2023	June 5, 2023

**(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)	7,536	7,536	—
(2) Long-term borrowings (including the current portion of long-term borrowings)	(11,602)	(11,593)	8
(3) Derivative transactions	(146)	(146)	—

(\*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	973

## 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	7,344	–	–	7,344
Bonds	–	191	–	191
Derivative transactions	–	(146)	–	(146)

## (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)	–	(11,593)	–	(11,593)

## (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 per-share information)**

- |                             |              |
|-----------------------------|--------------|
| 1. Net assets per share     | 1,794.44 yen |
| 2. Basic earnings per share | 221.76 yen   |

**(Notes regarding subsequent material events)**

## Establishment of a subsidiary

The Company decided to establish a subsidiary in Malaysia at the Board of Directors meeting held on November 11, 2022, and paid capital at incorporation on May 8, 2023.

## 1. Purpose of establishment

With a view to mid- to long-term growth and enhancement of corporate value, the Company is making investments to build a business foundation for the future. The Company established the subsidiary to strengthen our production system in anticipation of the growing demand for equipment products in Asia.

## 2. Outline of the established subsidiary

- (1) Name: CKD Malaysia Sdn. Bhd.
- (2) Location: Lot H.S (D) 70252, PT 2489, Jalan Hi-Tech 11, Industrial Zone Phase 3, Kulim Hi-Tech Park, 09000 Kulim, Kedah, Malaysia
- (3) Lines of business: Manufacturing/sale of components merchandise

- (4) Operation start: End of 2024 (scheduled)
- (5) Share capital: MYR 132 million
- (6) Shareholding rates of the Company: 100%

**(Notes regarding revenue recognition)**

## 1. Breakdown of revenue from contracts with customers

The Consolidated fiscal year under review (April 1, 2022 to March 31, 2023)

(Million yen)

	Reporting segment			Other	Total
	Automatic Machinery	Components	Subtotal		
Packaging machines	10,311	–	10,311	–	10,311
Industrial machinery	5,255	–	5,255	–	5,255
Fluid control components	–	75,873	75,873	–	75,873
Pneumatic components	–	68,017	68,017	–	68,017
Revenue from contracts with customers	15,566	143,891	159,457	–	159,457
Other revenue	–	–	–	–	–
Net sales to external customers	15,566	143,891	159,457	–	159,457

(Million yen)

	Reporting segment			Other	Total
	Automatic Machinery	Components	Subtotal		
Japan	13,154	91,625	104,779	–	104,779
China	747	26,917	27,665	–	27,665
Asia (other)	1,112	19,817	20,930	–	20,930
Other	551	5,531	6,082	–	6,082
Revenue from contracts with customers	15,566	143,891	159,457	–	159,457
Other revenue	–	–	–	–	–
Net sales to external customers	15,566	143,891	159,457	–	159,457

## 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	33,808	34,337
Contract assets	856	2,148
Contract liabilities	1,401	1,004

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 1,165 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.

# Non-consolidated Financial Statements

## Non-consolidated Balance Sheets

(As of March 31, 2023)

(Million yen)

Description	As of March 31, 2023	As of March 31, 2022 (Reference)
<b>(Assets)</b>		
<b>Current assets</b>	<b>91,166</b>	<b>89,909</b>
Cash and deposits	17,168	25,124
Notes receivable - trade	875	741
Electronically recorded monetary claims - operating	5,013	4,696
Accounts receivable - trade	20,752	21,243
Contract assets	2,148	856
Merchandise and finished goods	6,993	6,539
Work in process	4,490	3,656
Raw materials and supplies	28,561	21,526
Prepaid expenses	433	389
Other	4,729	5,136
<b>Non-current assets</b>	<b>59,927</b>	<b>53,511</b>
<b>Property, plant, and equipment</b>	<b>33,947</b>	<b>30,053</b>
Buildings	16,824	14,297
Structures	598	485
Machinery and equipment	9,104	8,594
Vehicles	9	3
Tools, furniture, and fixtures	1,080	1,102
Land	6,026	4,784
Construction in progress	304	784
<b>Intangible assets</b>	<b>1,232</b>	<b>993</b>
Software	1,032	958
Other	200	35
<b>Investments and other assets</b>	<b>24,747</b>	<b>22,464</b>
Investment securities	8,507	8,123
Shares of subsidiaries and associates	6,682	4,862
Investments in the capital of subsidiaries and associates	6,510	6,405
Prepaid pension costs	2,033	1,667
Deferred tax assets	251	428
Other	788	1,004
Allowance for doubtful accounts	(26)	(26)
<b>Total assets</b>	<b>151,093</b>	<b>143,420</b>

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

(Million yen)

Description	As of March 31, 2023	As of March 31, 2022 (Reference)
<b>(Liabilities)</b>		
<b>Current liabilities</b>	<b>44,636</b>	<b>47,517</b>
Notes payable - trade	190	197
Electronically recorded obligations - operating	4,437	3,599
Accounts payable - trade	7,119	7,151
Trade accounts payable	14,247	13,116
Short-term borrowings	4,668	4,695
Current portion of long-term borrowings	1,800	6,070
Accounts payable - other	2,575	2,609
Accrued expenses	4,212	4,247
Income taxes payable	3,103	3,290
Advances received	890	1,284
Deposits received	158	136
Unearned revenue	0	0
Provision for product warranties	409	354
Provision for loss on orders received	12	11
Provision for environmental measures	-	1
Other	810	750
<b>Non-current liabilities</b>	<b>6,755</b>	<b>3,176</b>
Long-term borrowings	5,490	1,900
Provision for environmental measures	2	2
Other	1,263	1,274
<b>Total liabilities</b>	<b>51,392</b>	<b>50,693</b>
<b>(Net assets)</b>		
<b>Shareholders' equity</b>	<b>96,214</b>	<b>89,452</b>
<b>Share capital</b>	<b>11,016</b>	<b>11,016</b>
<b>Capital surplus</b>	<b>16,539</b>	<b>16,356</b>
Legal capital surplus	11,797	11,797
Other capital surpluses	4,742	4,558
<b>Retained earnings</b>	<b>69,491</b>	<b>62,947</b>
Legally retained earnings	1,286	1,286
Other retained earnings	68,205	61,661
General reserve	51,500	49,500
Retained earnings brought forward	16,705	12,161
<b>Treasury shares</b>	<b>(833)</b>	<b>(867)</b>
<b>Valuation and translation adjustments</b>	<b>3,486</b>	<b>3,274</b>
Valuation difference on available-for-sale securities	3,486	3,274
<b>Total net assets</b>	<b>99,701</b>	<b>92,726</b>
<b>Total liabilities and net assets</b>	<b>151,093</b>	<b>143,420</b>

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

## Non-consolidated Statements of Income

(April 1, 2022 - March 31, 2023)

(Million yen)

Description	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2022 (Reference)
<b>Net sales</b>	<b>128,137</b>	<b>116,400</b>
<b>Cost of sales</b>	<b>95,002</b>	<b>87,439</b>
<b>Gross profit</b>	<b>33,135</b>	<b>28,960</b>
<b>Selling, general and administrative expenses</b>	<b>17,235</b>	<b>16,155</b>
<b>Operating profit</b>	<b>15,899</b>	<b>12,804</b>
<b>Non-operating income</b>	<b>1,355</b>	<b>1,297</b>
Interest and dividend income	907	868
Other	447	429
<b>Non-operating expenses</b>	<b>483</b>	<b>344</b>
Interest expenses	70	42
Loss on retirement of non-current assets	102	-
Foreign exchange losses	154	212
Other	154	89
<b>Ordinary profit</b>	<b>16,771</b>	<b>13,758</b>
<b>Extraordinary income</b>	<b>170</b>	<b>282</b>
Gain on sale of non-current assets	-	4
Gain on sale of investment securities	149	0
Subsidy income	21	276
<b>Extraordinary losses</b>	<b>25</b>	<b>381</b>
Loss on sale of non-current assets	-	0
Loss on retirement of non-current assets	4	137
Loss on tax purpose reduction entry of non-current assets	21	242
Other	-	0
<b>Profit before income taxes</b>	<b>16,916</b>	<b>13,659</b>
Income taxes - current	4,887	3,896
Income taxes - deferred	83	(30)
<b>Profit</b>	<b>11,945</b>	<b>9,792</b>

(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, 2022 – March 31, 2023)

(Million yen)

	Shareholders' equity									
	Share capital	Capital surplus			Legally retained earnings	Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surpluses	Total capital surplus		Other retained earnings		Total retained earnings		
					General reserve	Retained earnings brought forward				
Balance at the beginning of a period	11,016	11,797	4,558	16,356	1,286	49,500	12,161	62,947	(867)	89,452
Changes during period										
Dividends of surplus							(5,401)	(5,401)		(5,401)
Net income							11,945	11,945		11,945
Provision of general reserve						2,000	(2,000)	–		–
Purchase of treasury shares									(0)	(0)
Disposal of treasury shares			183	183					33	217
Net changes in items other than shareholders' equity										
Total changes during the period	–	–	183	183	–	2,000	4,543	6,543	33	6,761
Balance at the end of period	11,016	11,797	4,742	16,539	1,286	51,500	16,705	69,491	(833)	96,214

	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	3,274	3,274	92,726
Changes during period			
Dividends of surplus			(5,401)
Net income			11,945
Provision of general reserve			–
Purchase of treasury shares			(0)
Disposal of treasury shares			217
Net changes in items other than shareholders' equity	212	212	212
Total changes during the period	212	212	6,974
Balance at the end of period	3,486	3,486	99,701

(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.

In this regard, since as of the end of the current fiscal year, the pension assets exceeded the estimated amount of retirement benefit obligations (excluding unrecognized actuarial gains and losses and unrecognized past service costs), it is now 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 balance sheet

Since "short-term loans receivable from subsidiaries and associates" and "current portion of long-term loans receivable from subsidiaries and associates" in "current assets" and "long-term loans receivable from subsidiaries and associates" in "investments and other assets" that were separately presented in the previous fiscal year have no materiality, they are included in "other" in "current assets" and in "other" in "investments and other assets" separately from the fiscal year under review.



**(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	6,227	(344)	5,883
Work in process	537	–	537
Raw materials and supplies	29,804	(1,254)	28,550
Total	36,569	(1,598)	34,971

(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 45 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 under an uncertain environment, including inventory adjustments by memory-based semiconductor manufacturers, U.S.-led restrictions on exports of advanced semiconductors and related manufacturing equipment to China, and heightened geopolitical risks.

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	9,900 million yen
2. Long-term monetary claims to affiliates	60 million yen
3. Short-term monetary obligations affiliates	15,272 million yen
4. Accumulated depreciation on property, plant, and equipment	59,058 million yen
5. Contingent liabilities	

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

CKD (China) Corporation	3,098 million yen
CKD THAI CORPORATION LTD.	1,665 million yen
M-CKD PRECISION SDN. BHD.	166 million yen
Total	4,929 million yen

## 6. Allowances directly deducted from assets

Inventories likely to incur losses are shown by offsetting the correspondent provision for loss on orders received of 96 million yen (including provision for loss on orders received regarding merchandise and finished goods of 65 million and those regarding work in process of 31 million yen.)

**(Notes regarding Non-consolidated Statements of Income)**

Amount of transactions with associates	
Net sales	27,468 million yen
Purchase of goods	9,659 million yen
Other cost of sales	254 million yen
Selling, general and administrative expenses	167 million yen
Amount of transactions other than operating transactions	950 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	1,234	0	48	1,186
Total	1,234	0	48	1,186

(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 48 thousand shares in the treasury shares of common shares is due to restricted stock compensation of 48 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	939 million yen
Inventories	581 million yen
Amount of contribution of securities to retirement benefit trust	482 million yen
Accrued enterprise tax	195 million yen
Accrued social insurance contributions	130 million yen
Provision for product warranties	125 million yen
Software	118 million yen
Other	<u>869 million yen</u>
Subtotal deferred tax assets	3,442 million yen
Valuation allowance	<u>(802) million yen</u>
Total deferred tax assets	<u>2,639 million yen</u>
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(1,522) million yen
Prepaid pension costs	(622) million yen
Gain on the contribution of securities to retirement benefit trust	(219) million yen
Other	<u>(23) million yen</u>
Total deferred tax liabilities	<u>(2,387) million yen</u>
Deferred tax assets, net	<u>251 million yen</u>

**(Notes regarding transactions with related parties)**

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	52,282	Trade accounts payable	14,247
Subsidiary	CKD NIKKI DENSO CO., LTD.	Direct 100%	Financial assistance	Collection of funds (Note) 2	490	Long-term loans receivable from subsidiaries and associates (Note) 6	60
				Receipt of interest (Note) 2	4	Current portion of long-term loans receivable from subsidiaries and associates (Note) 5	240
						Accrued interest from subsidiaries and associates (Note) 5	0
						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	1,665	Accrued interest from subsidiaries and associates (Note) 5	0
				Receipt of guarantee commission (Note) 3	1		
Subsidiary	CKD (China) Corporation	Direct 100%	Provision and purchase of automatic machinery and equipment products/ Concurrent officers	Debt guarantees (Note) 3	3,098	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	8,348	Accounts receivable - trade	2,095
Subsidiary	CKD USA CORPORATION	Direct 100%	Sale of equipment products/ Concurrent officers	Sale of equipment products (Note) 4	3,873	Accounts receivable - trade	1,811
Subsidiary	CKD India Private Limited	Direct 99.9% Indirect 0.1%	Sale of equipment products/ Concurrent officers	Underwriting of capital increase (Note) 7	1,820	-	-

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. Short-term loans receivable from subsidiaries and associates are included and presented in other investments and other assets.
7. Given the demand for funds and other factors, the Company underwrote the capital increase made by the subsidiary.

**(Notes regarding per-share information)**

- |                             |              |
|-----------------------------|--------------|
| 1. Net assets per share     | 1,494.24 yen |
| 2. Basic earnings per share | 179.12 yen   |

**(Notes regarding subsequent material events)**

Not applicable.

**(Notes regarding revenue recognition)**

The information fundamental to an understanding of revenue

As presented in the Notes to Consolidated Financial Statements.

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

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect, or any other forms of damages arising from the translation.

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.
- 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 &amp; Executive Officer General Manager, Sales and Marketing Division</p> <p>Director &amp; 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 &amp; Executive Officer In charge of Quality and Safety General Manager, Components Business Division</p> <p>Director &amp; 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 &amp; 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 &amp; Supervisory Board Member, the Company</p> <p>June 2013    External Audit &amp; 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.



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 &amp; Supervisory Board Member candidate</p> <p>Independent Audit &amp; Supervisory Board Member candidate</p> <p>Years in office as Audit &amp; 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 &amp; 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 &amp; Supervisory Board Member, the Company (to present)</p> <p>Reason for selection as a candidate for External Audit &amp; 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 &amp; 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 CO<sub>2</sub> 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"> <li>• The amount is fixed by position according to responsibilities determined upon careful consideration while referring to employees’ salaries and remuneration levels at other companies.</li> </ul>
Performance-linked remuneration (about 20 to 40%) (Note)	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The target performance indicator and its amount are consulted with the Nomination &amp; Remuneration Advisory Committee as necessary in accordance with environmental changes and are reviewed based on its recommendations.</li> <li>• 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.</li> </ul>

Type of remuneration (composition ratio)	Remuneration details
Restricted stock remuneration (about 5 to 20%) (Note)	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The number of shares to be granted to Directors is resolved by the Board of Directors.</li> <li>• The restrictions on shares are lifted when the Director retires.</li> </ul>

(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"> <li>• Policy regarding remuneration for Directors</li> <li>• Selection of evaluation indicators for calculating remuneration</li> <li>• Discussion of specific details of the remuneration structure</li> <li>• Consideration of and decision on amounts of individual remuneration</li> <li>• Decision on amounts of restricted stock remuneration</li> </ul>

### (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"> <li>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.</li> <li>2) The Company shall not have any relationship with antisocial forces, and will take a firm stand against them as an organization.</li> <li>3) The Company shall establish a reporting contact point and implement a system to prevent and correct violations of laws and regulations.</li> </ol>
<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"> <li>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.</li> <li>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.</li> <li>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.</li> </ol>

<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 &amp; 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"> <li>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.</li> <li>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.</li> <li>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.</li> </ol>
	<p>[Overview of the system operations status]</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>3) Executive officers perform their duties under the supervision of the Board of Directors within the scope of their authority and responsibilities.</li> </ol>

<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"> <li>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.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ol>
	<p>[Overview of the status of operation]</p> <ol style="list-style-type: none"> <li>1) The Management Regulations stipulate matters for which prior approval and reporting are required for subsidiaries.</li> <li>2) The Company extends its Code of Conduct and risk management initiatives to its subsidiaries to ensure the appropriateness of operations.</li> <li>3) The Company extends the dissemination of its Purpose and the Subsidiary Management Regulations to its subsidiaries, to promote more efficient management at subsidiaries.</li> <li>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.</li> <li>5) The internal audit departments have established an overseas department to strengthen group governance.</li> </ol>

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

## **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.

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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)
<b>(Assets)</b>		
<b>Current assets</b>	<b>124,327</b>	<b>123,055</b>
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)
<b>Non-current assets</b>	<b>83,957</b>	<b>62,571</b>
<b>Property, plant, and equipment</b>	<b>65,685</b>	<b>49,331</b>
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
<b>Intangible assets</b>	<b>1,630</b>	<b>1,524</b>
<b>Investments and other assets</b>	<b>16,641</b>	<b>11,714</b>
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)
<b>Total assets</b>	<b>208,285</b>	<b>185,626</b>

(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)
<b>(Liabilities)</b>		
<b>Current liabilities</b>	<b>42,985</b>	<b>52,018</b>
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
<b>Non-current liabilities</b>	<b>36,201</b>	<b>13,877</b>
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
<b>Total liabilities</b>	<b>79,186</b>	<b>65,895</b>
<b>(Net assets)</b>		
<b>Shareholders' equity</b>	<b>115,225</b>	<b>111,538</b>
Share capital	11,016	11,016
Capital surplus	16,626	16,548
Retained earnings	88,386	84,807
Treasury shares	(804)	(833)
<b>Accumulated other comprehensive income</b>	<b>13,873</b>	<b>8,192</b>
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)
<b>Total net assets</b>	<b>129,098</b>	<b>119,730</b>
<b>Total liabilities and net assets</b>	<b>208,285</b>	<b>185,626</b>

(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)
<b>Net sales</b>	<b>134,425</b>	<b>159,457</b>
<b>Cost of sales</b>	<b>96,383</b>	<b>113,059</b>
<b>Gross profit</b>	<b>38,042</b>	<b>46,398</b>
<b>Selling, general and administrative expenses</b>	<b>24,928</b>	<b>25,227</b>
<b>Operating profit</b>	<b>13,113</b>	<b>21,170</b>
<b>Non-operating income</b>	<b>869</b>	<b>839</b>
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
<b>Non-operating expenses</b>	<b>934</b>	<b>829</b>
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
<b>Ordinary profit</b>	<b>13,048</b>	<b>21,181</b>
<b>Extraordinary income</b>	<b>20</b>	<b>233</b>
Gain on step acquisitions	-	62
Gain on sale of investment securities	20	149
Other	-	21
<b>Extraordinary losses</b>	<b>164</b>	<b>25</b>
Impairment losses	151	-
Loss on tax purpose reduction entry of non-current assets	-	21
Other	12	4
<b>Profit before income taxes</b>	<b>12,904</b>	<b>21,388</b>
Income taxes - current	3,776	6,317
Income taxes - deferred	789	282
<b>Profit</b>	<b>8,338</b>	<b>14,788</b>
<b>Profit attributable to owners of the parent</b>	<b>8,338</b>	<b>14,788</b>

(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)
<b>(Assets)</b>		
<b>Current assets</b>	<b>91,765</b>	<b>91,166</b>
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
<b>Non-current assets</b>	<b>78,110</b>	<b>59,927</b>
<b>Property, plant, and equipment</b>	<b>46,620</b>	<b>33,947</b>
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
<b>Intangible assets</b>	<b>1,335</b>	<b>1,232</b>
Software	1,301	1,032
Other	33	200
<b>Investments and other assets</b>	<b>30,154</b>	<b>24,747</b>
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)
<b>Total assets</b>	<b>169,875</b>	<b>151,093</b>

(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)
<b>(Liabilities)</b>		
<b>Current liabilities</b>	<b>36,084</b>	<b>44,636</b>
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
<b>Non-current liabilities</b>	<b>28,068</b>	<b>6,755</b>
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
<b>Total liabilities</b>	<b>64,152</b>	<b>51,392</b>
<b>(Net assets)</b>		
<b>Shareholders' equity</b>	<b>100,224</b>	<b>96,214</b>
<b>Share capital</b>	<b>11,016</b>	<b>11,016</b>
<b>Capital surplus</b>	<b>16,618</b>	<b>16,539</b>
Legal capital surplus	11,797	11,797
Other capital surpluses	4,820	4,742
<b>Retained earnings</b>	<b>73,394</b>	<b>69,491</b>
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
<b>Treasury shares</b>	<b>(804)</b>	<b>(833)</b>
<b>Valuation and translation adjustments</b>	<b>5,498</b>	<b>3,486</b>
Valuation difference on available-for-sale securities	5,498	3,486
<b>Total net assets</b>	<b>105,723</b>	<b>99,701</b>
<b>Total liabilities and net assets</b>	<b>169,875</b>	<b>151,093</b>

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

(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."