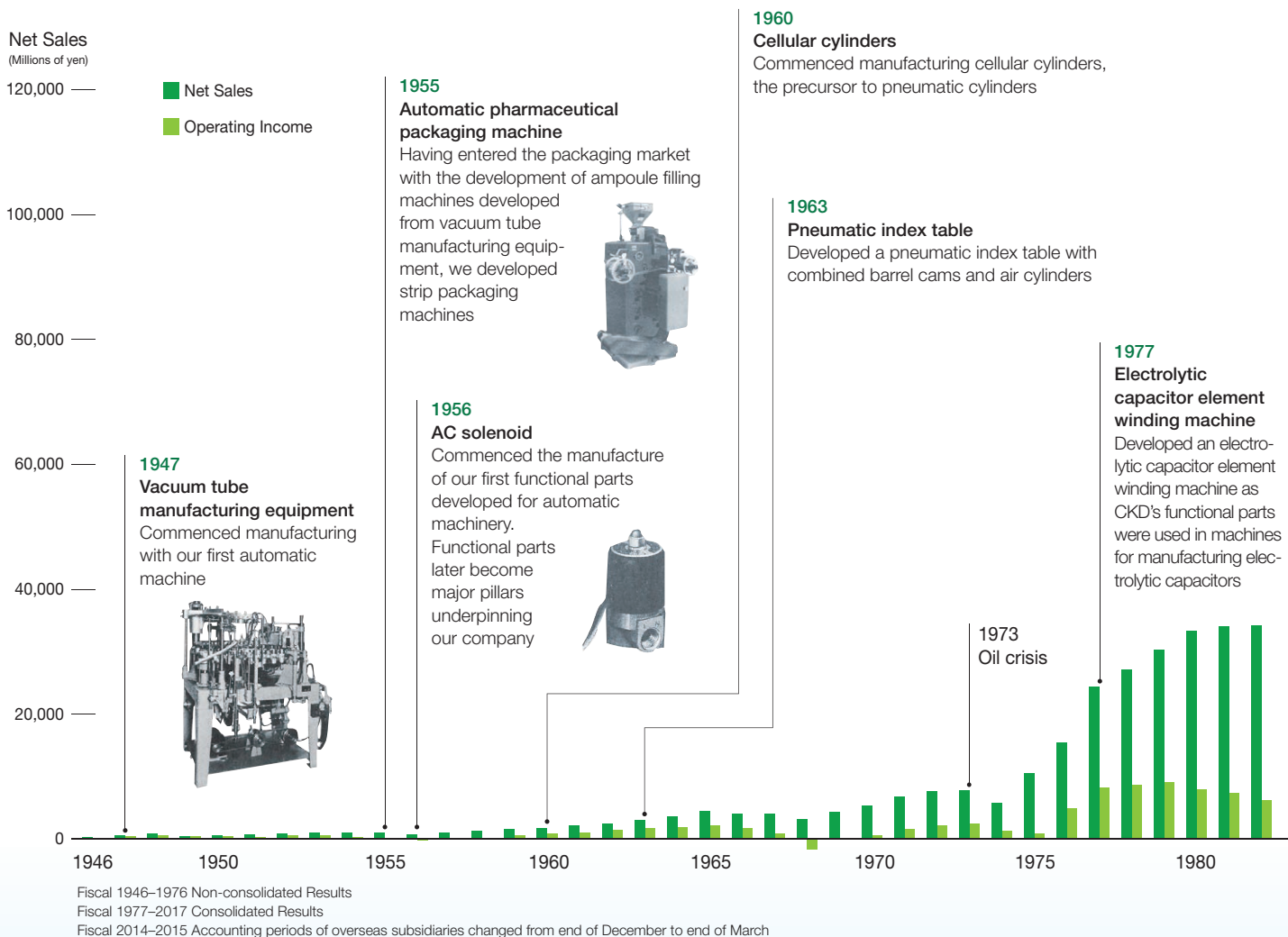


Continually Evolving CKD

Having been engaged in the research and development of automation and fluid control technologies for more than 75 years since its inception in 1943, CKD boasts a wide variety of products. These products have penetrated markets widely and are contributing to the realization of an affluent society and the creation of a new era.



Company History

1943

Established as Japan Aircraft Electric Co., Ltd.



1945

Changed company name to Chukyo Electric Co., Ltd.

1960

Established Chukyo Seiki Co., Ltd. in Inuyama City, Aichi Prefecture (renamed as CKD Seiki Ltd. in November 1978)

1961

Plant relocated to Komaki City, Aichi Prefecture



1962

Listed on the Second Section of the Nagoya Stock Exchange

1963

Established Japan Controls Ltd. in Kasugai City, Aichi Prefecture (renamed as CKD Controls Ltd. in January 1978)

1971

Listed on the First Section of the Nagoya Stock Exchange

1979

Changed company name to CKD Corporation

Listed on the First Section of the Tokyo Stock Exchange

1984

Established CKD Precision Ltd. in Yokkaichi City, Mie Prefecture

Established M-CKD PRECISION SDN. BHD. in Malaysia as first overseas subsidiary

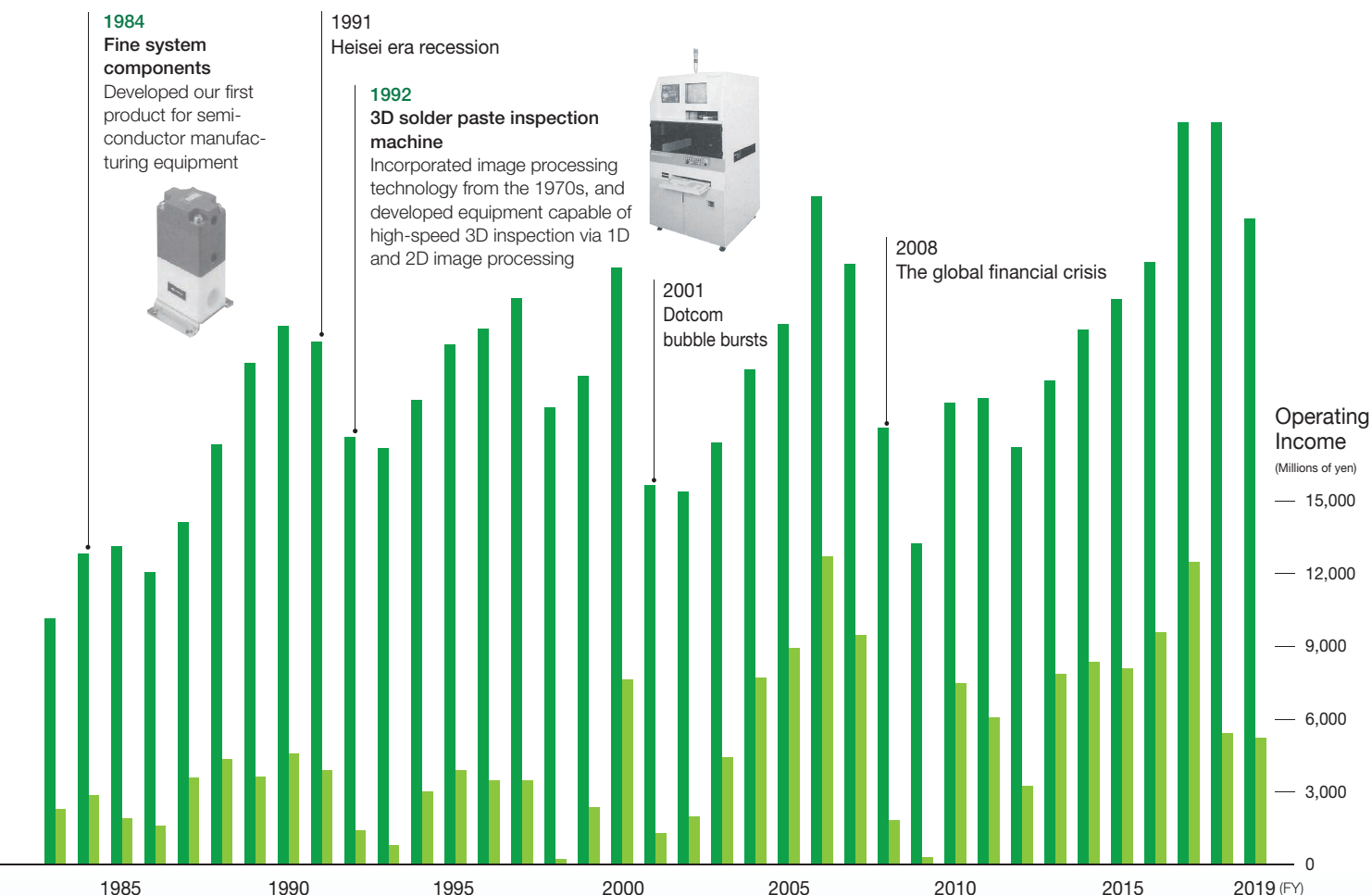


Fiscal 2019–2021 **Fourth Medium-Term Management Plan** Build-up CKD 2021

Fiscal 2016–2018 **Third Medium-Term Management Plan** Challenge CKD 2018

Fiscal 2013–2015 **Second Medium-Term Management Plan** GLOBAL CKD 2015

Fiscal 2010–2012 **First Medium-Term Management Plan** NEW CKD 2012



1985

Established CKD USA CORPORATION



1988

Established CKD THAI CORPORATION LTD.



1989

Established CKD SINGAPORE PTE. LTD.

2001

Established CKD (Shanghai) Corporation in China

2002

Established CKD Korea Corporation in South Korea

2003

Established CKD (China) Corporation

2007

Established TAIWAN CKD CORPORATION

2012

Changed company name to CKD Corporation

Established CKD Field Engineering Corporation as automatic machinery service company

2013

New CKD (China) Corporation plant completed

2014

Established PT CKD TRADING INDONESIA

Established CKD VIETNAM ENGINEERING CO., LTD.

Established PT CKD MANUFACTURING INDONESIA

2015

Established CKD MEXICO, S. de R.L. de C.V.

Established CKD India Private Limited

2016

Established CKD Europe B.V. in the Netherlands as our 14th overseas subsidiary

2017

Integrated CKD Nikki Denso Co., Ltd. business

2018

Opened the "Ohana nursery school," an on-site day care center at the Head Office/Komaki Plant



2019

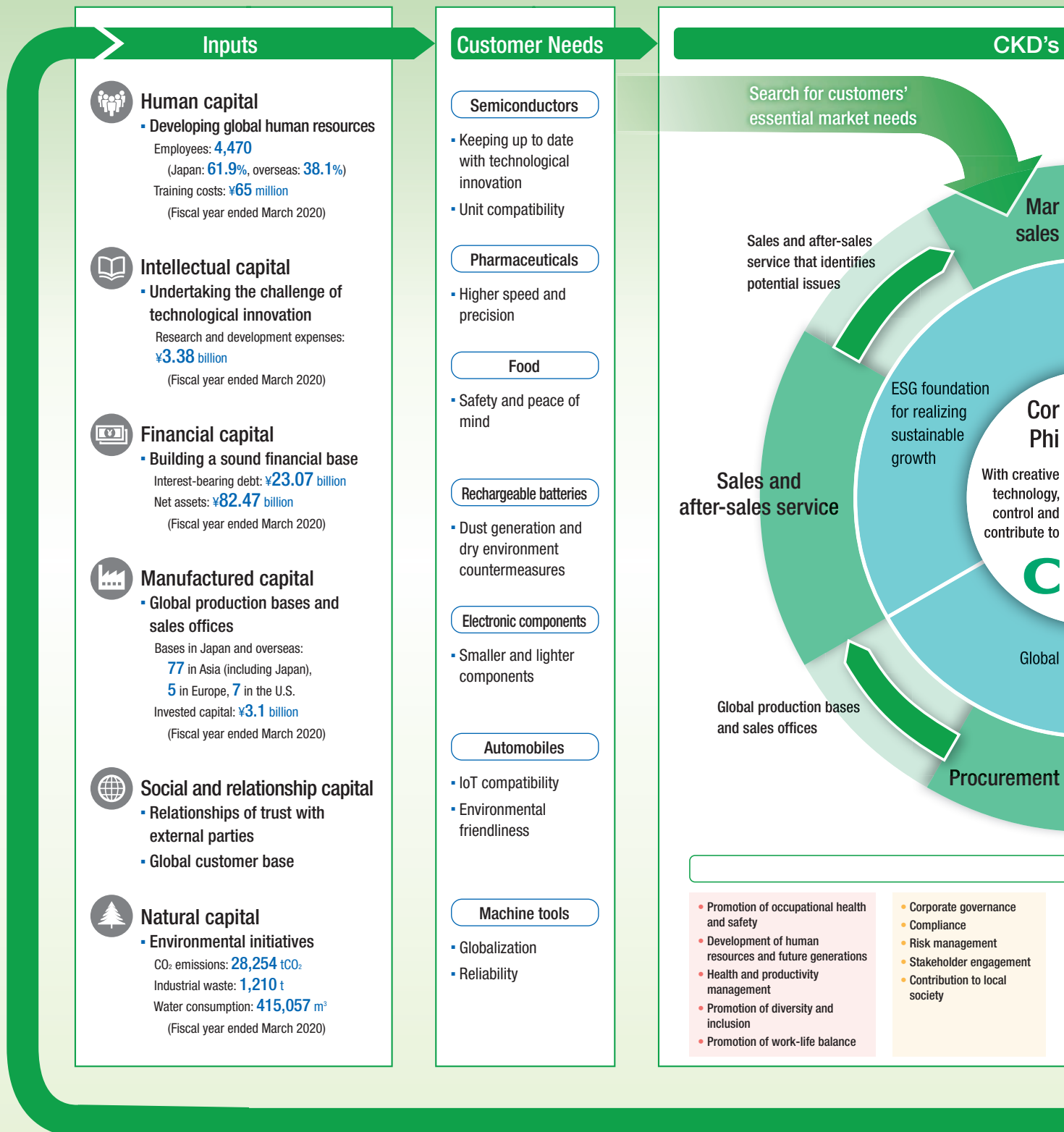
Tohoku Plant completed in Ohira-mura, in Kurokawa district of Miyagi Prefecture



Corporate Value Creation Model

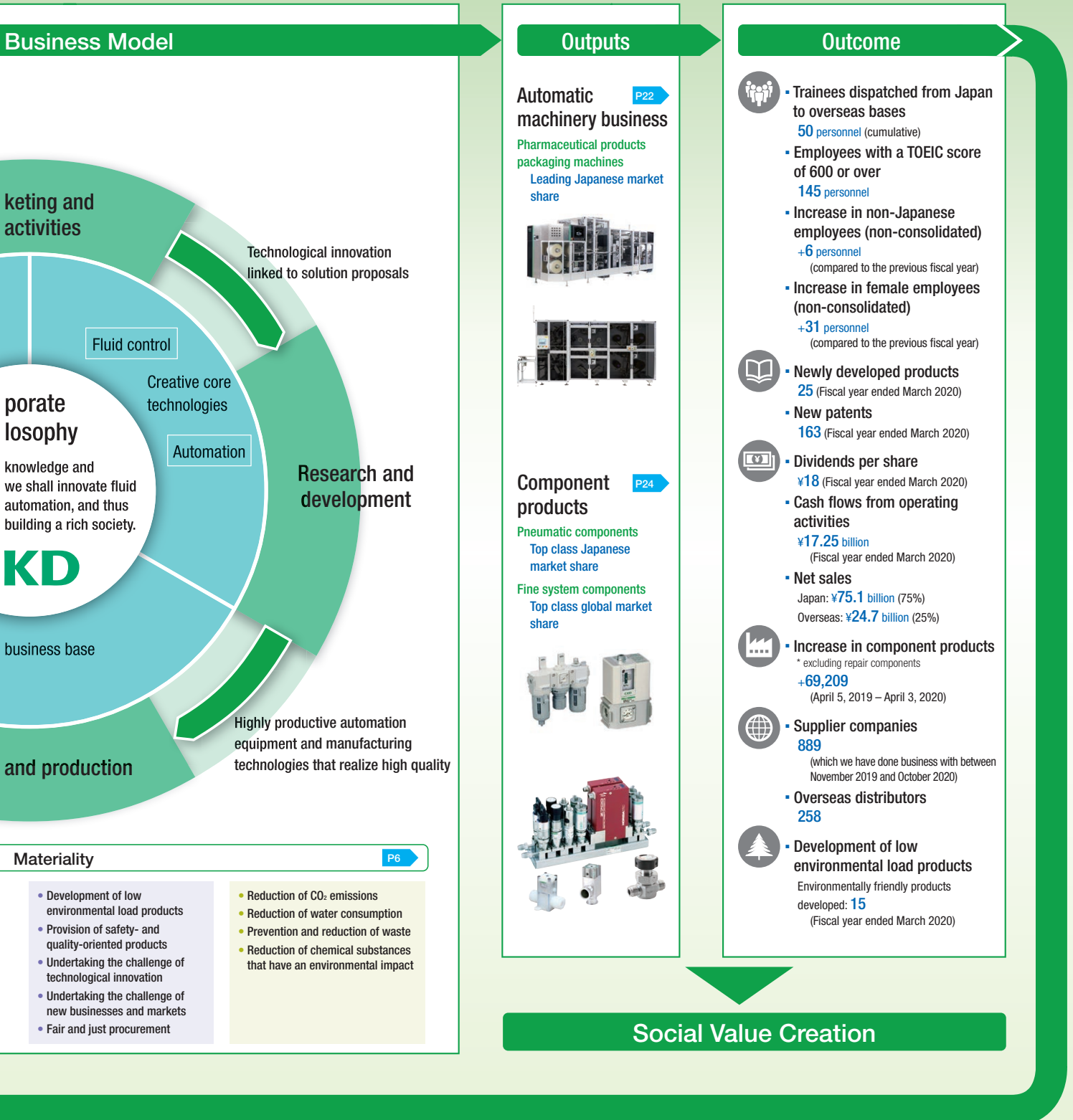
CKD aims to contribute to achieving the SDGs by investing capital in each focus domain and working on technological innovation and value creation to resolve various social issues through its automation and fluid control business domains.

10-Year Vision



Going forward, we will continue to contribute to the realization of an affluent society, as outlined in our corporate philosophy, without disrupting the cycle of social value creation.

GO CKD!

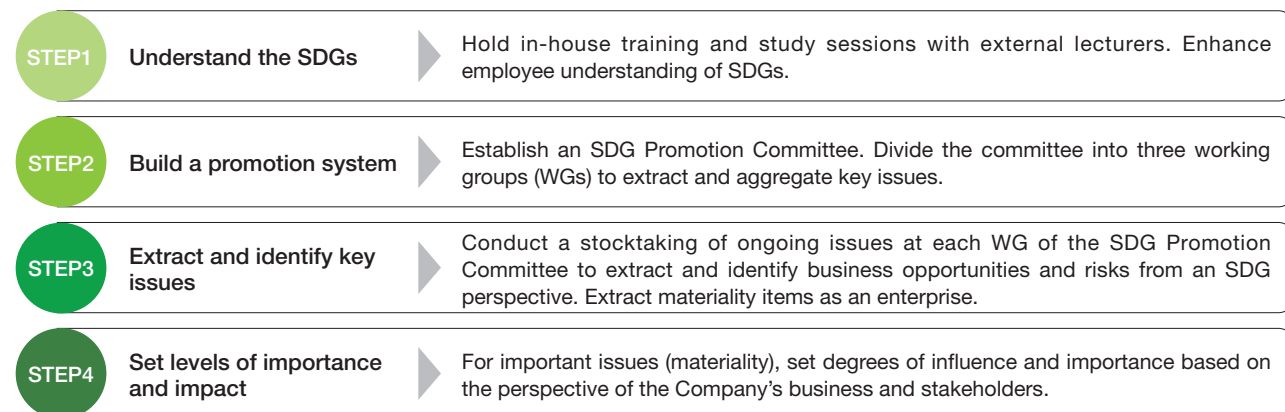


Materiality

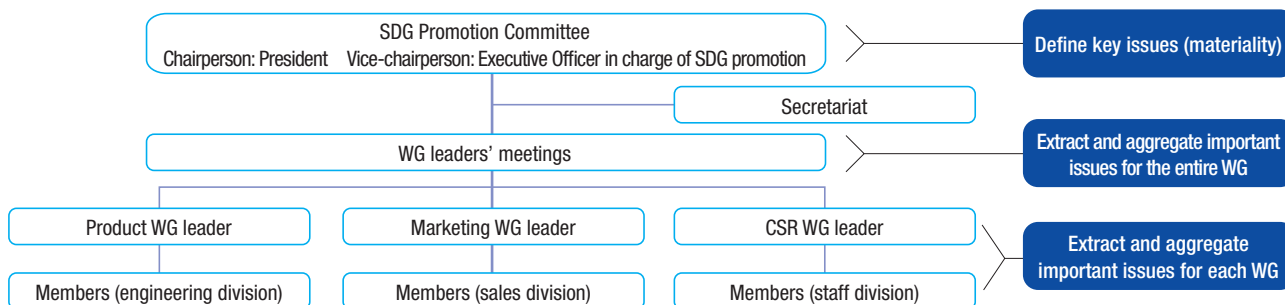
Sustainable Growth and Enhancing Corporate Value

In order to realize sustainable growth and enhance corporate value, we have established an SDG Promotion Committee to identify important issues that should be prioritized. Going forward, we will strive to set target values and KPIs (Key Performance Indicators) for these issues and implement specific initiatives to solve them in order to improve corporate value.

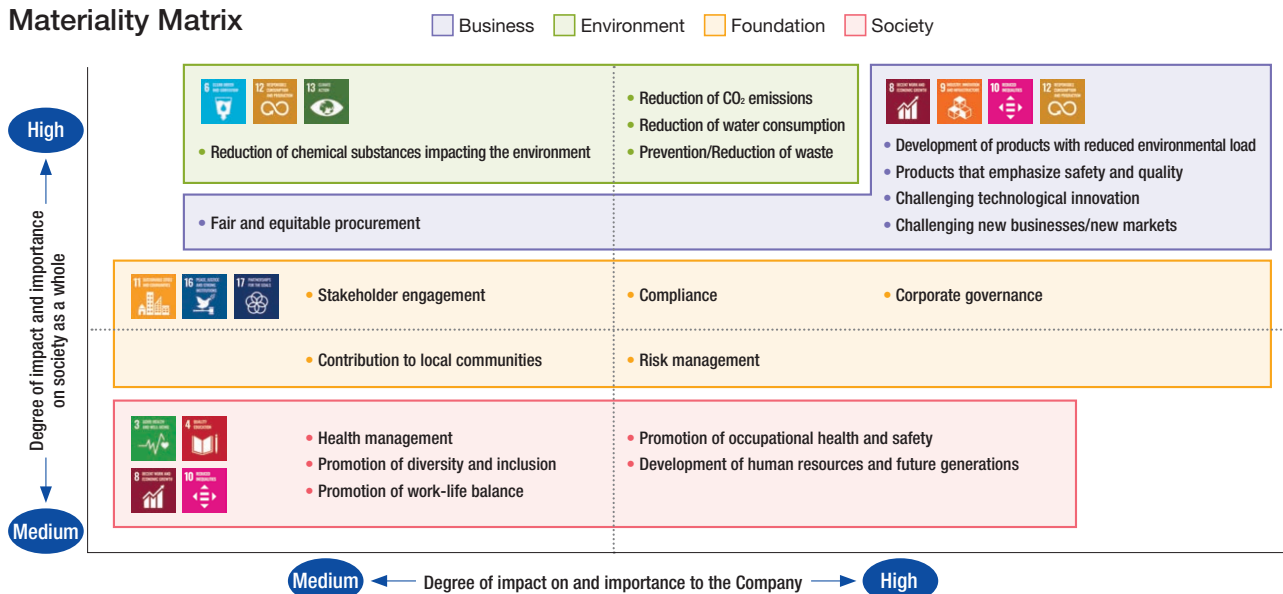
Priority Identification Process



SDG Promotion Committee System Diagram



Materiality Matrix

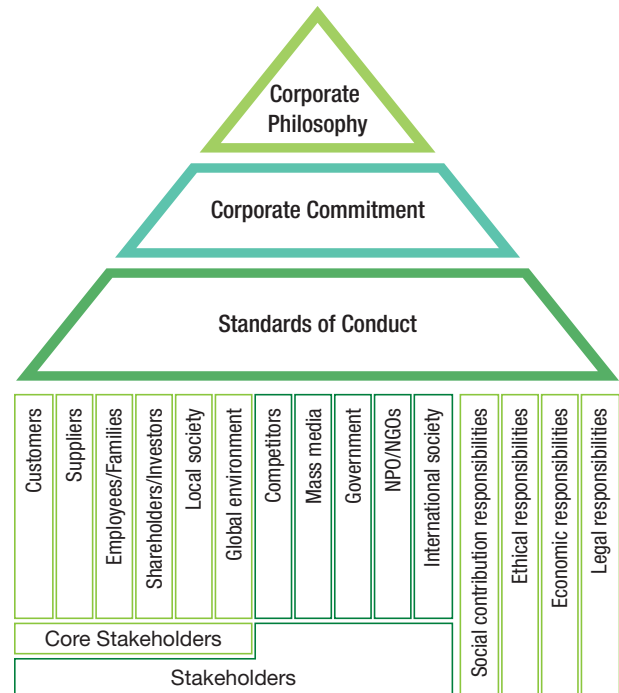


Stakeholder Engagement

Policies and Initiatives

In order to contribute to the realization of a sustainable society through our main businesses based on our Corporate Philosophy, Corporate Commitment, and Standards of Conduct, we appropriately execute the “social contribution responsibilities,” “ethical responsibilities,” “economic responsibilities,” and “legal responsibilities” that we, as a company, must fulfill for our stakeholders.

Within each department, we also utilize communication tools and provide opportunities to communicate with our stakeholders as part of our efforts to gain an understanding among these stakeholders regarding our activities.



Stakeholder Engagement Initiatives

Stakeholders	Primary Dialogue Methods	Primary Responsibilities and Challenges
Customers	<ul style="list-style-type: none"> Inquiry forms and other inquiry contact points Product information provided through websites and social media Plant observation tours, showrooms, seminars, and exhibitions 	We consistently engage our customers with a customer-oriented and modest mindset, prioritize safety, quality, and the environment, and offer products and services that satisfy our customers.
Suppliers	<ul style="list-style-type: none"> Shared procurement policies Production trend briefings Shared quality assurance policies 	We establish principles and basic policies for procurement activities, strengthen partnerships through fair, just transactions with our suppliers, and aim for mutual prosperity.
Employees/ Families	<ul style="list-style-type: none"> In-house publications, intranet Employee awareness surveys Opportunities to converse with top management Internal whistleblowing system Discussions with labor unions Safety and health committee Various training programs 	We aim to create healthy workplaces in which all employees can work safely and with a sense of purpose.
Shareholders and Investors	<ul style="list-style-type: none"> General meeting of shareholders Financial results briefings IR events/Individual meetings IR information website Consolidated reports/Annual reports/Shareholder communications 	We strive to actively disclose information and carry out dialogue in order to ensure transparency.
Local Society	<ul style="list-style-type: none"> Social contribution activities (science classes, forestation activities, etc.) Dispatch of instructors to lectures and educational sites Sharing information through websites and social media 	We aim to be an “open” company that can contribute to local communities and society.
Global Environment	<ul style="list-style-type: none"> Environmental management framework Environmental education Compliance with environmental regulations Development of low environmental load products 	We comply with environmental laws and regulations, work to prevent environmental pollution and reduce CO ₂ emissions, and undertake environmental management activities.

Risks and Opportunities

Mindset on Risk

Our Company defines risks as uncertain events that may affect our business through changes in the external or internal environment. In our aim to become a Total FA Worldwide Supplier and expand our business globally, we view the appropriate management of risk as a vital management issue and have established a committee under the direct control of the Board of Directors to conduct risk management.

Political conditions and market environments change day by day. Natural disasters, the COVID-19 pandemic, and other risks that affect corporate activities become more global and diversified every year. We categorize risks that may affect our business in terms of materiality, organize systems that allow us to respond to each, and review selected risks as necessary. Risks are not always negative factors; some may harbor opportunities for further growth of the Company. We will continue to capture such risks as opportunities and take bold action when appropriate. As we conduct risk management and improve our corporate value through business initiatives, we will work to help bring about a sustainable society.

	Risk Factors	Risks	Responses and Opportunities
Business	Changes in market environment due to political factors	<ul style="list-style-type: none"> Import/export or business restrictions in the semiconductor industry due to the US-China trade friction or Japan-Korea issues that would affect the Company's business, due to our high ratio of semiconductor industry sales 	Responses <ul style="list-style-type: none"> Prompt action to address changes in the market environment Expansion of new core businesses Local procurement overseas and production at multiple bases to comply with import/export restrictions Opportunities <ul style="list-style-type: none"> Increased demand for new capital investment due to decentralized siting of semiconductor production bases
	Product and service quality and liability	<ul style="list-style-type: none"> Burden of compensation for damages and loss of customer trust in the event of personal or property damage due to a product 	Responses <ul style="list-style-type: none"> Reinforcement of the quality assurance structure at all stages, from substances contained in raw materials to shipping inspections Development of IoT-compatible components, preventive maintenance, and long service life products Opportunities <ul style="list-style-type: none"> Increased demand for high value-added products due to an increase in customers who place importance on quality
	Decrease in market prices	<ul style="list-style-type: none"> Decreased profits due to commodification of some products and intensified competitive pricing with competitors in emerging economies 	Responses <ul style="list-style-type: none"> Development of high value-added products that stay ahead of competitors in emerging economies Roll-out of price-competitive products through alliances with other companies
Environment	Climate change and other environment-related risks	<ul style="list-style-type: none"> The impact on business activities due to regulation on the use and emission of greenhouse gases due to increased global environmental issues and from the strengthening of regulations on energy conservation laws Impact on the continuity of the Company's packaging machinery business in the event of delayed response to major transformations in the packaging business due to the global trend away from plastics 	Responses <ul style="list-style-type: none"> Prompt response to new regulations and to the demands placed on companies Prompt switch away from materials containing regulated substances Development of packaging machinery adapted to plastic-free packaging materials Opportunities <ul style="list-style-type: none"> Expansion of business in packaging machinery adapted to plastic-free packaging materials

	Risk Factors	Risks	Responses and Opportunities
Foundation	Compliance	<ul style="list-style-type: none"> • Deterioration of corporate image and loss of trust caused by surcharges, fines, other sanctions, suspension of business, etc., due to exposure of graft or violations of competition law or other laws and regulations • Loss of social trust due to negligence stemming from insufficient information on overseas laws and regulations at overseas bases with insufficient understanding of legal matters 	<p>Responses</p> <ul style="list-style-type: none"> • Enforcement of standards of conduct, and education on compliance for employees • Confirmation of information on countries' laws and regulations, and provision of such legal information to Group companies <p>Opportunities</p> <ul style="list-style-type: none"> • Improvement of corporate image through reform of mindset and corporate culture to enact improvements without overlooking misconduct
	Information security	<ul style="list-style-type: none"> • Dysfunction in internal systems or information leaks due to computer viruses, cyber attacks and associated loss of social credibility • Impact on deliveries to business partners caused by suspension of production lines and distribution systems 	<p>Responses</p> <ul style="list-style-type: none"> • Thorough security education to combat computer viruses and cyber attacks • Strengthening of information security systems <p>Opportunities</p> <ul style="list-style-type: none"> • Increased opportunities for dealings with customers by improving social credibility through strengthening of information security systems
	Risks related to overseas bases	<ul style="list-style-type: none"> • Impact on financial capital such as impairment when the performance of overseas bases deteriorates due to an unexpected change in business environment • Unexpected losses that can arise from inadequacy of management at bases with short history or small-scale locations 	<p>Responses</p> <ul style="list-style-type: none"> • Support for overseas group companies to strengthen governance • Human resource strategy that has strengthened the development plan for global human resources
	Explosive spread of contagious diseases	<ul style="list-style-type: none"> • Impact on deliveries to business partners caused by suspension of operations at domestic and overseas factories or at key supplier factories due to lockdowns, etc. • Stagnation of business conditions in key customers' industries due to the prolonged economic downturn, affecting business performance • Impact on business performance due to a decrease in conventional face-to-face sales activities 	<p>Responses</p> <ul style="list-style-type: none"> • Established a Crisis Management Committee to ensure employees' safety and continuity of business, and to implement measures to prevent infection in collaboration with overseas group companies • Strengthening of non-contact support including remote sales and services • Strengthened development of sensors and image processing technology for remote control and reduction of labor <p>Opportunities</p> <ul style="list-style-type: none"> • Increased demand for automation and labor reduction such as production equipment that does not rely on humans and remote diagnosis and operation of equipment as a measure against the COVID-19 pandemic
	Natural disasters	<ul style="list-style-type: none"> • Impact on production activities from earthquakes in the Tokai, Tonankai, and Nankai regions where key production bases are located (Aichi Prefecture and Mie Prefecture) • Impact on production activities including suspension of operations by production plants or by business partners due to heavy rain, flood, or other natural disasters 	<p>Responses</p> <ul style="list-style-type: none"> • Established a system enabling local procurement at production bases, and decentralization of production bases including expansion of production at the Tohoku Plant • Strengthened response capabilities through Business Continuity Plan (BCP)
Society	Securing and training human resources	<ul style="list-style-type: none"> • Impact on production activities under a declining birthrate, due to the difficulty of securing labor in Japan for the many production processes that rely on manpower • Impact on material procurement due to business succession issues affecting suppliers • Impact on new businesses and global activities due to shortages of global human resources and human resources capable of project planning 	<p>Responses</p> <ul style="list-style-type: none"> • Promotion of automation at domestic plants and construction of production systems that do not rely on manpower • Identification of business partners at risk through supplier evaluations, monitoring of business conditions, and implementation of transaction improvements • Human resources strategy incorporating strengthened in-house education, including implementation of a global human resources development plan <p>Opportunities</p> <ul style="list-style-type: none"> • Increased demand for automation and reduction of labor on production lines, due to the difficulty of securing labor in Japan

CKD's Foundation to Realize Value Creation

While providing value to society and solutions to social issues through product development based on automation technology and fluid control technology, we aim to achieve sustainable development and enhance corporate value.

Human Capital

Dispatch of trainees from
Japan to overseas bases

Cumulative total: 50

(As of September 30, 2020)

Dispatch of trainees from
overseas bases to Japan

Cumulative total: 19

(As of September 30, 2020)

Number of non-Japanese
employees

1,896

(As of September 30, 2020)

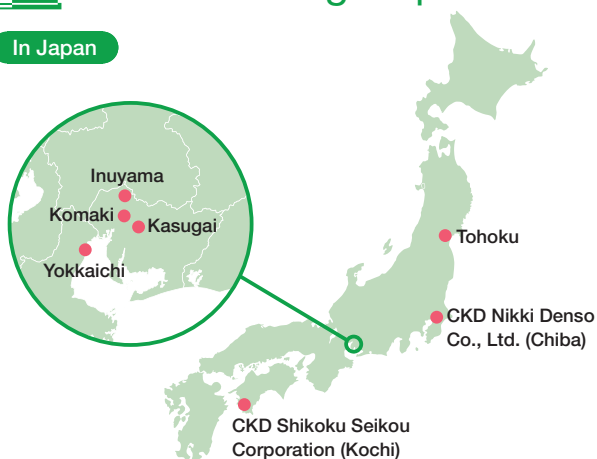
As further progress is made in globalization in the years to come, we will hire diverse human resources and allow them to demonstrate their capabilities to increase corporate competitiveness and bring about value creation. At the same time, a human resource strategy will become essential to maximize our performance as an organization. We will conduct our

overseas trainee system, which promotes the development of global human resources and local staff that form the core of value creation, undertake diversity promotion to encourage the active participation of each and every employee, and engage in increasing the sophistication of our human resources through specialized technical and skill training.



Manufacturing Capital

In Japan



Our main plants in Japan are the three in Aichi Prefecture (in the cities of Komaki, Kasugai and Inuyama) and one plant in Yokkaichi City, Mie Prefecture. Additionally, to strengthen production for the semiconductor market, in which growth in demand is expected over the medium to long term, and to promote BCP (Business Continuity Plan) for products manufactured in the Tokai region, we established our Tohoku Plant (Ohira-mura, Kurokawa-

Overseas



gun, Miyagi Prefecture) in fiscal 2018. Adding Group companies CKD Shikoku Seiko Corporation (Sukumo City, Kochi Prefecture) and CKD Nikki Denso Co., Ltd. (Sakura City, Chiba Prefecture) makes a total of seven production bases.

Overseas, we supply products in a timely manner from production plants in five countries: China, Thailand, South Korea, Malaysia and Indonesia.



Intellectual Capital

Number of patents held (As of March 31, 2020)

1,480

Maintaining departments that specialize in intellectual property, CKD works to further improve corporate value by managing intellectual property for all CKD Group companies and proposing/implementing intellectual property strategies. Our intellectual property strategies involve implementing detailed measures that reflect CKD business strategies based on close collaboration

between intellectual property departments and development/technology departments. In addition, we are establishing a foundation for CKD Group production and sales overseas by increasing overseas patent filings targeting important regions as we expand abroad. As a result, the number of intellectual property rights we hold abroad is increasing annually.



Social and Relational Capital

CKD continues to co-create various forms of value for society through its businesses. To this end, we pursue high quality and safety by providing customers in various industries with controllers and drive components installed in automatic manufacturing equipment as well as automatic equipment including packaging machines.

In addition, we are upgrading systems to meet the various needs of our global customers by establishing facilities worldwide and building an elaborate network in Japan and abroad. The relationship of trust with our customers we have fostered to date not only enable steady operations but also have become a key asset we will develop further going forward.



Natural Capital

Developing Products that Reduce Environmental Burdens

CKD believes that developing products that are more eco-friendly requires consciously formulating targets for environmental burden levels at the planning and development stages. With this in mind, we are developing products that reduce environmental

burdens using our unique Environmental Acceptability Assessment Form*.

* Environmental Acceptability Assessment Form: Evaluates environmental burden levels in four areas—energy conservation, resource conservation, waste, environmental pollution both in terms of customer and internal environments.

Automatic machinery



Pharmaceutical product packaging machines FBP Series



3D solder paste inspection systems VP9000



Food packing machines CFF Series

Component products



Karman vortex flow rate sensor for water FLUEREX WFK2 Series (IO-Link compatible)

Compact Flow Rate Sensor Rapiflow FSM3 Series (plastic body type)

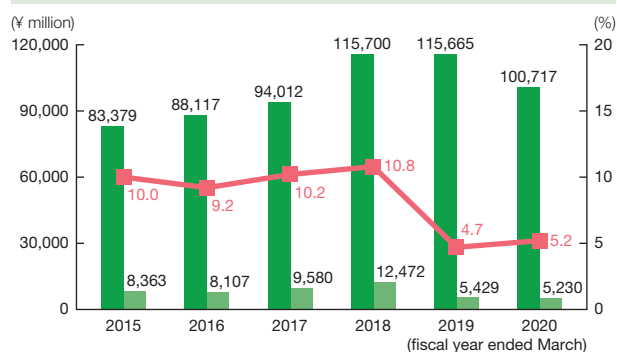


Pilot-operated 3, 5-port valves (4GR Series)

Financial/Non-Financial Highlights

Earnings

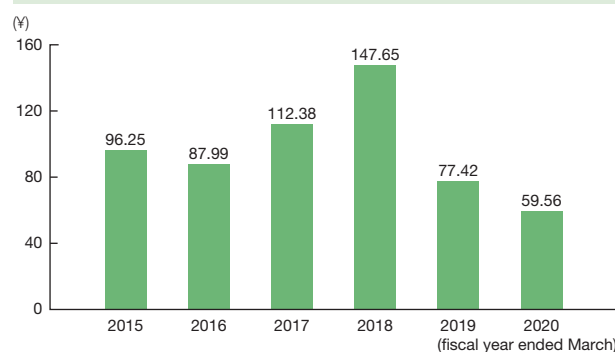
Net sales ¥100,717 million Operating income ratio 5.2%



■ Net sales (Left axis) ■ Operating income (Left axis)
— Operating income ratio (Right axis)

Net sales were ¥100,717 million (down 12.9% year on year) and our operating income ratio was 5.2 points (up 0.5% year on year). In regard to the COVID-19 pandemic, although some of our overseas subsidiaries were impacted by lockdown measures, the effects on the Group's business results and financial situation were limited.

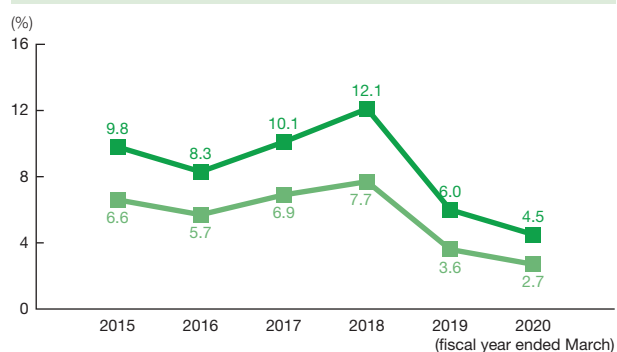
Net income per share (EPS) ¥59.56



In the fiscal year ended March 2020, net income per share (EPS) was ¥59.56 (down ¥17.86 year on year). Our shareholder return policy is to maintain a dividend payout ratio of around 30% and pay dividends twice a year—an interim dividend and a year-end dividend.

Corporate value

ROE 4.5% ROA 2.7%

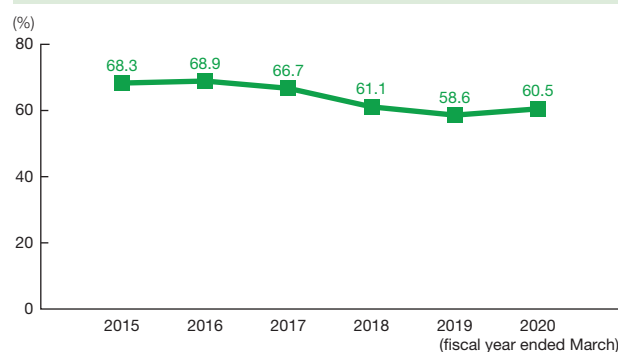


— ROE — ROA

ROE was 4.5% (down 1.5 points year on year) and ROA was 2.7% (down 0.9 points year on year). Our goal is to maintain a stable ROE of 9% or above.

Financial foundation

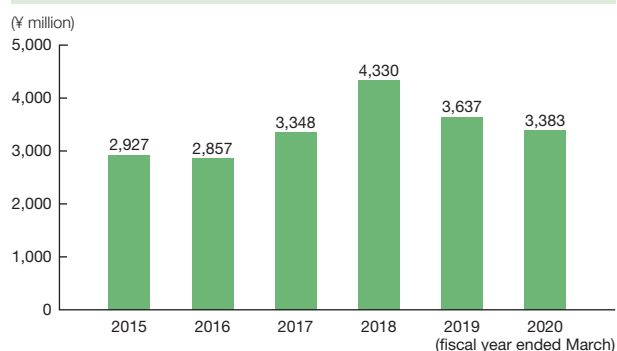
Shareholders' equity ratio 60.5%



Shareholders' equity ratio was 60.5% (up 1.8 points year on year). We aim to maintain a shareholders' equity ratio of 60% or above. In the fiscal year ended March 2020, we achieved a ratio of over 60% by realizing a decrease in inventories, keeping trade payables low, and repaying borrowings.

Research and development

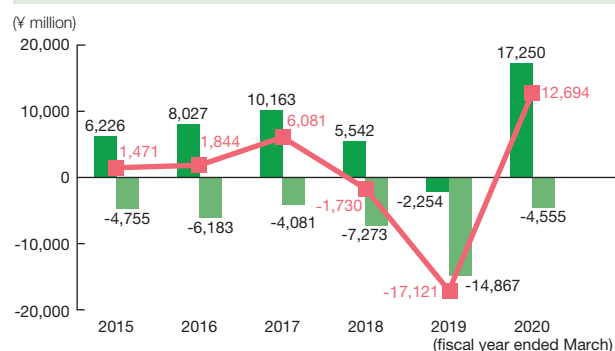
Research and development expenses ¥3,383 million



Research and development expenses for the fiscal year ended March 2020 were ¥3,383 million. This includes fundamental research expenses of ¥367 million which cannot be allocated to specific segments.

Cash flow

Free cash flow ¥12,694 million

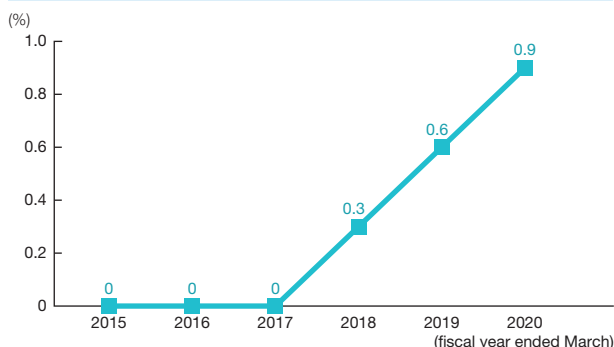


■ Cash flows from operating activities ■ Cash flows from investing activities
— Free cash flow

Operating cash flow for the fiscal year ended March 2020 improved significantly to ¥17,250 million due to the achievement of appropriate inventory levels and maintaining the minimum inventory required. As a result, free cash flow was ¥12,694 million.

Diversity

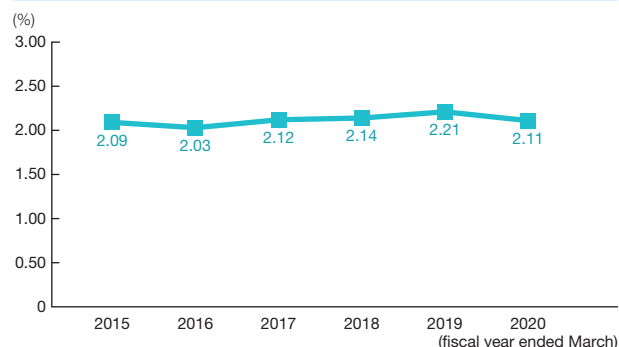
Ratio of female workers in managerial positions* **0.9 %**



* CKD Corporation employees as of March 31

Managerial positions include the total number of employees in section manager positions and positions above section manager (excluding officers). For the fiscal year ended March 2020, the ratio of female workers in managerial positions was 0.9%.

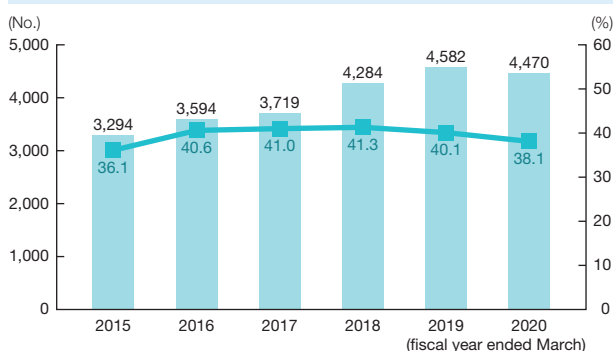
Ratio of disabled employees **2.11 %**



Since April 1, 2018, private sector companies in Japan with 45.5 employees or more are required to have a ratio of disabled employees of at least 2.2%. In the fiscal year ended March 2020, our ratio of disabled employees was 2.11%.

Employees

Ratio of overseas employees* **38.1 %**



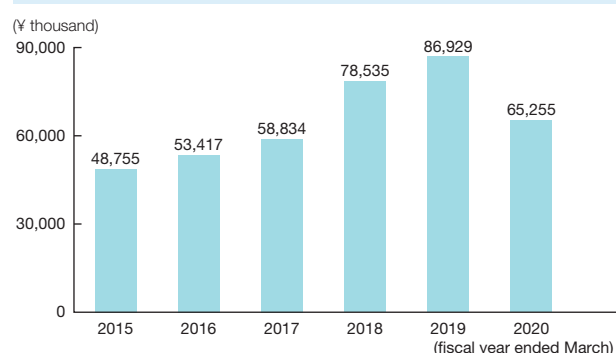
■ Number of employees (Left axis) — Ratio of overseas employees (Right axis)

* Refers to employees of CKD Corporation and its consolidated companies as of March 31 of each year

For the fiscal year ended March 2020, the ratio of overseas employees was 38.1% (down 2 points year on year).

Human resources

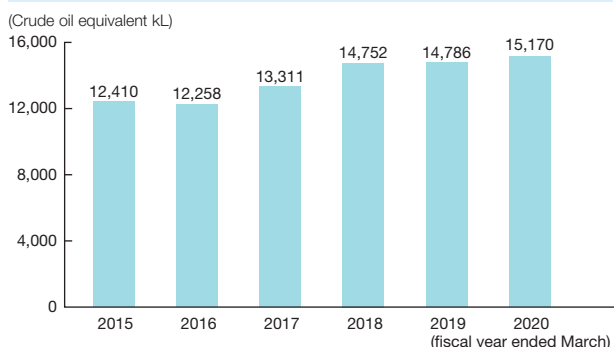
Training costs ¥ **65,255,000**



Training costs for the fiscal year ended March 2020 were ¥65,255 thousand. We carried out training that aimed to raise the skills, technical capabilities, and productivity of each employee based on a level-specified system for all employees.

Environment

Energy usage volume **15,170** crude oil equivalent kL

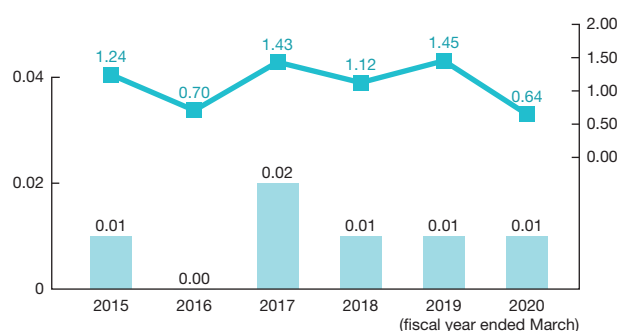


Note: Scope of aggregation: Domestic plants, sales offices

In the fiscal year ended March 2020, the completion of the Tohoku Plant in January 2019 added an increase of 1,702 kL, resulting in a rise of 2.6% overall.

Labor health and safety

Frequency rate*1 **0.64** Severity rate*2 **0.01**



■ Severity rate (left axis) — Frequency rate (right axis)

*1 Frequency rate: The frequency with which accidents occurred, indicated by the number of casualties through industrial accidents per one million hours worked.

*2 Severity rate: The severity of accidents, indicated by the total number of working days lost per one thousand hours worked.