

# A Conversation with the Outside Directors



As the need for sustainable growth rises, there is growing interest in corporate governance. CKD's three out of seven directors are outside directors. These outside directors shared with us their thoughts on the Board of Directors, their challenges and expectations regarding the future growth of the Company.

## Please tell us about your backgrounds.

**Kagawa:** Previously, I worked for many years at a major global automaker with a focus on jointly developing new products in the engine development divisions. As each country has different requirements regarding matters on vehicle performance and development targets, I felt that it was crucial to maintain close communication with customers. Following this, I became an executive officer when the 2008 global financial crisis hit, which made us realize the importance of having cash on hand. I also have experience on earthquakes, and I think that business continuity planning (BCP) is key, especially for manufacturers. I believe I can provide advice that will help the Company create a robust corporate structure as we expand globally.

**Asai:** I have spent roughly 30 years visiting and analyzing the management situations at manufacturing and R&D locations in Japan and overseas, and have seen technological change at approximately 3,000 sites. While working in the public sector, including for the Ministry of Economy, Trade and Industry and the Ministry of Health, Labour and Welfare, I also got to experience the latest technological innovation as a member of technology screening committees for robotics and materials. I also participated in labor policy discussions regarding workstyle reforms. I want to leverage this experience to contribute to raising corporate value by ensuring objectivity and transparency and verifying the adequacy and appropriateness of decision making from an external perspective.

**Uemura:** After receiving my medical license, I aimed to become a researcher and clinician in 1990, and I began research activities in the U.S. In 2005, I took a position at the Medical Education Center at Nagoya University's School of Medicine where I became responsible

for medical training, as well as personnel matters as an advisor to the director of the university hospital. In this capacity, I have also dealt with issues regarding mental health and labor management.



**Kajimoto:** Over the years, the number of situations we've faced concerning mental health has risen, and we have had more dealings with medical and pharmaceutical-related industries, so we were glad to appoint an outside director with medical experience.



## What are your impressions of CKD?

**Kagawa:** My impression is that CKD is an extremely serious company. As long as Japan remains a manufacturing country, there will be investment in equipment and facilities. I think that showcasing the Company's approach, including in areas outside of medium- to long-term management plans, to the public will also have a beneficial effect on our employees' mindsets. I think we need to communicate information about the Company in a positive manner.

**Asai:** CKD's employees are active at venues outside of the Company, such as in the Industrial Value Chain Initiative,<sup>\*1</sup> the Robot Revolution Initiative, and at exhibitions, and I feel that they are adapting to changes in the business environment, such as digital transformation (DX) and the fourth industrial revolution, and they are doing their best to grow and take on new challenges.

**Uemura:** Technology and skills are being passed down properly and while observing workplaces, I feel that work is being carried out seriously and diligently. However, I also get the impression that, for the most part, employees do not share the Company's social mission and values. Also, although there have been fewer major workplace accidents, there are small accidents occurring due to employees copying their senior colleagues rather than following the manuals. I think this is because there is a general lack of awareness regarding working with initiative.

### What are your thoughts regarding CKD's meetings of the Board of Directors?

**Kagawa:** Meetings proceed smoothly, even when there are lots of items on the agenda, and I feel that basically most items have already been decided in advance. In regard to medium- to long-term management planning, I think it would be better if we were able to hold a little more discussion at meetings.

**Kajimoto:** Meetings have, for the most part, proceeded in this fashion for many years without being questioned, so going forward, I would like to make discussions fuller.

**Asai:** Amid movement toward the introduction and revision of corporate governance and stewardship codes, Board meetings have an appropriate sense of urgency and an atmosphere where members can give their opinions openly. The introduction of an executive officer system is realizing swift and accurate decision making and agility in regard to executing duties, and I think that the six outside directors and Audit and Supervisory Board members can leverage each of our diverse backgrounds in terms of qualifications, roles, and expert knowledge to perform our duties swiftly.

**Kajimoto:** As Board meetings are held once a month in principle, it may be a slight challenge to contribute shortly after being appointed. We will consider providing more information, such as Management Conference minutes.

**Uemura:** Like Mr. Kagawa, I think it would be good to have opportunities to discuss things. This is an area in which we should improve.

### What are your thoughts about CKD's technology?

**Kagawa:** In our product development processes, we create collections of case studies of past issues, but as these aren't read until problems actually occur, we keep on making the same mistakes over and over again. To stop this from happening, we first need to create systems to prevent issues from occurring.

**Kajimoto:** Didn't you visit the Tohoku Plant?

**Kagawa:** Yes. I was impressed that there were absolutely no stoppages involving the gas valve assembly equipment. I think it is an extremely well-developed machinery and it can contribute to improving productivity so we can further raise production levels.

**Kajimoto:** What are your thoughts regarding CKD from a global perspective?

**Asai:** Global technological development is moving toward cyber-physical systems,<sup>\*2</sup> and digital twins, and even triplets, are being explored. IoT is making business borderless, and within this, we are aiming to be a Total FA Worldwide Supplier that is developing a product line-up of over 500,000 items, adapting to the use of



IoT at plants and development of smart factories, and developing technologies such as equipment with communications and sensing functions and failure prediction.

### Please tell us your thoughts regarding COVID-19 countermeasures and health and productivity management.

**Kajimoto:** We were able to implement countermeasures due to detailed advice from Director Uemura.

**Uemura:** Initially I thought it might be difficult to implement

countermeasures in the manufacturing industry, as the work cannot be done online, but we have been able to apply certain measures and prevent infections at workplaces. However, I think we need to provide care that deals with the stress of online communication. We are realizing health and productivity management that goes beyond the set level and the improvement of environments is progressing smoothly. Welfare efforts that look after employees' physical and mental health also result in greater productivity.

### Please give us your opinions regarding CKD's governance structure.

**Kajimoto:** We have established a Nomination, Remuneration Advisory Committee so the president no longer nominates their own successor.

**Asai:** I have been impressed with the Company's initiatives to transform corporate governance, including the Nomination, Remuneration Advisory Committee. Within a business environment that is changing at an incredible speed, I think that creating opportunities to hold discussions in a way that incorporates external perspectives will be important to raising corporate value.

**Kajimoto:** The number of women in management positions has increased and I want to have excellent female employees speak at future Board of Directors meetings. Unless we transform the mindsets of our male employees and bring in talented women, we will not be able to compete internationally.

**Uemura:** Career continuation and advancement for women is also a big issue in the healthcare field. We need to create an environment that does not bring female careers to a halt.

### What are your expectations for CKD going forward?

**Kagawa:** I would say DX. I think manufacturing will be fundamentally non-digital, based on the three realities principle.<sup>\*3</sup> I think this principle and on-the-job training are crucial to raising the performance and sensibilities of people, but we need to advance our DX and then skillfully combine it with this principle and training.



**Asai:** In 2018 at the World Economic Forum, an initiative was started to recognize advanced factories worldwide that are at the forefront of the fourth industrial revolution as "Lighthouses" (pioneering companies). I expect the Company to contribute to the solution of global issues by achieving sustainable growth in a manner that is in line with the times as a total FA supplier that can provide customers with the best solutions.

**Uemura:** I want the Company to take a direction of raising employee engagement so employees can really feel that they are contributing to the Company's development and success.

**Kajimoto:** These are valuable opinions and I hope to reflect them in the future management of the Company. Our outside directors offer broad experience together with a variety of knowledge and talents making them one of CKD's strengths. I hope to deepen communication with our outside directors going forward so that we can work toward raising corporate value.

<sup>\*1</sup> Industrial Value Chain Initiative: A forum where activities are carried out to design a new society in which manufacturing and IT are integrated, and to direct the changes in the right direction. Participants from manufacturing sites of member companies equally take the initiative based on their own viewpoints.

<sup>\*2</sup> Cyber-physical systems: Systems that merge physical and digital aspects.

<sup>\*3</sup> An approach that focuses on "real places," "real things," and "real facts."