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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, Uji 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.
- Of the documents to be included in this Notice, Systems to Ensure the Appropriateness of Operations, Consolidated Statements of Changes in Net Assets, Notes to Consolidated Financial Statements, Non-consolidated Statements of Changes in Net Assets, and Notes to Non-consolidated Financial Statements are posted on the Company's website (<https://www.ckd.co.jp/>) pursuant to laws and regulations and provisions of Article 15 of the Company's Articles of Incorporation, and therefore are not provided in this Notice. The Consolidated Financial Statements and Non-consolidated Financial Statements that have been audited by the Accounting Auditor and the Audit & Supervisory Board Members consist of every document provided in this Notice as well as Consolidated Statements of Changes in Net Assets, Notes to Consolidated Financial Statements, Non-consolidated Statements of Changes in Net Assets, and Notes to Non-consolidated Financial Statements. Meanwhile, the figures for the previous fiscal year presented as reference on the Consolidated Balance Sheets, Consolidated Statements of Income, Non-consolidated Balance Sheets, and Non-consolidated Statements of Income provided in this Notice are out of the scope of accounting audit by the Accounting Auditor.
- 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 <Omitted></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 <Unchanged></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;"><Newly established></p>	<p style="text-align: center;"><Deleted></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 <Omitted></p> <p>(Exemption from Liabilities of Audit & Supervisory Board Members)</p> <p>Article 36</p> <p>(1) The Company may, by a resolution of the Board of Directors, exempt Audit & Supervisory Board Members (including a person who was an Audit & 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 & 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 <Unchanged></p> <p>(Exemption from Liabilities of Audit & Supervisory Board Members)</p> <p>Article 36</p> <p>(1) The Company may, by a resolution of the Board of Directors, exempt Audit & Supervisory Board Members (including a person who was an Audit & 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 & 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;"><Newly established></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</p> <p>June 2004</p> <p>June 2005</p> <p>June 2008</p> <p>June 2021</p> <p>Reason for selection as candidate for Director</p>	<p>Joined the Company</p> <p>Director & Executive Officer General Manager, Sales and Marketing Division</p> <p>Director & Managing Executive Officer General Manager, Sales and Marketing Division</p> <p>President</p> <p>Representative Director Chairperson of the Board of Directors and Chief Executive Officer (to present)</p> <p>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</p> <p>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>Reason for selection as candidate for Director</p>	<p>Joined the Company</p> <p>General Manager, Production Control Department, Komaki Plant - General & Control Equipment, Production and Engineering Division</p> <p>Executive Officer General Manager, Components Business Division</p> <p>Director & Executive Officer In charge of Quality and Safety General Manager, Components Business Division</p> <p>Director & Managing Executive Officer, in charge of Quality Management General Manager, Components Business Division</p> <p>Representative Director and Senior Managing Executive Officer, in charge of Quality and Environment, General Manager, Components Business Division</p> <p>Representative Director and Senior Managing Executive Officer, In charge of Administration General Manager, Corporate Planning Department</p> <p>President and Chief Operating Officer In charge of Administration (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 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 & 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 & 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 & Supervisory Board Member, the Company (to present)</p> <p>June 2013 External Audit & 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 Ibiden Co., Ltd. and External Senior Director of Okuma Corporation. The Company and Ibiden 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 Ibiden 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 & Supervisory Board Member candidate</p> <p>Independent Audit & 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 & 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 & 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 & Supervisory Board Member candidate</p> <p>Independent Audit & 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 & 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 & 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"> • 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.
Performance-linked remuneration (about 20 to 40%) (Note)	<ul style="list-style-type: none"> • 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. • The target performance indicator and its amount are consulted with the Nomination & Remuneration Advisory Committee as necessary in accordance with changes in the environment and are reviewed based on its recommendations. • 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.

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

(Note) If there is a pronounced decline in performance, performance-linked remuneration and stock remuneration may fall below the stated range. Therefore, basic remuneration may surpass the stated range.

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

[2] 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"> • Policy regarding remuneration for Directors • Deliberations on establishing and revising the remuneration structure • Specific details of the stock remuneration

(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.

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)
(Assets)		
Current assets	116,188	101,789
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)
Non-current assets	56,326	50,936
Property, plant and equipment	44,019	38,992
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
Intangible assets	1,107	1,433
Investments and other assets	11,199	10,510
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)
Total assets	172,514	152,726

(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)
(Liabilities)		
Current liabilities	53,503	41,640
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
Non-current liabilities	9,439	13,468
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
Total liabilities	62,942	55,108
(Net assets)		
Shareholders' equity	101,954	92,401
Share capital	11,016	11,016
Capital surplus	16,364	16,358
Retained earnings	75,440	65,921
Treasury shares	(867)	(895)
Accumulated other comprehensive income	7,617	5,095
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)
Non-controlling interests	—	120
Total net assets	109,571	97,617
Total liabilities and net assets	172,514	152,726

(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)
Net sales	142,199	106,723
Cost of sales	101,308	77,950
Gross profit	40,890	28,773
Selling, general and administrative expenses	23,011	21,074
Operating profit	17,879	7,698
Non-operating income	579	746
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
Non-operating expenses	414	621
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
Ordinary profit	18,043	7,823
Extraordinary income	286	527
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
Extraordinary losses	382	622
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
Profit before income taxes	17,947	7,727
Income taxes - current	5,201	2,180
Income taxes - deferred	145	264
Profit	12,600	5,282
Profit attributable to non-controlling interests	32	8
Profit attributable to owners of parent	12,567	5,273

(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)
(Assets)		
Current assets	89,909	79,928
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
Non-current assets	53,511	51,858
Property, plant and equipment	30,053	28,439
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
Intangible assets	993	1,334
Software	958	1,305
Other	35	29
Investments and other assets	22,464	22,084
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)
Total assets	143,420	131,786

(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)
(Liabilities)		
Current liabilities	47,517	36,529
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
Non-current liabilities	3,176	9,238
Long-term borrowings	1,900	7,970
Provision for environmental measures	2	4
Other	1,274	1,264
Total liabilities	50,693	45,767
(Net assets)		
Shareholders' equity	89,452	82,632
Share capital	11,016	11,016
Capital surplus	16,356	16,347
Legal capital surplus	11,797	11,797
Other capital surplus	4,558	4,549
Retained earnings	62,947	56,164
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
Treasury shares	(867)	(895)
Valuation and translation adjustments	3,274	3,386
Valuation difference on available-for-sale securities	3,274	3,386
Total net assets	92,726	86,019
Total liabilities and net assets	143,420	131,786

(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)
Net sales	116,400	88,296
Cost of sales	87,439	68,263
Gross profit	28,960	20,033
Selling, general and administrative expenses	16,155	15,220
Operating profit	12,804	4,813
Non-operating income	1,297	1,287
Interest and dividend income	868	826
Other	429	461
Non-operating expenses	344	427
Interest expenses	42	50
Sales discounts	—	138
Other	302	238
Ordinary profit	13,758	5,674
Extraordinary income	282	527
Gain on sale of non-current assets	4	1
Gain on sale of investment securities	0	—
Subsidy income	276	525
Extraordinary losses	381	764
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
Profit before income taxes	13,659	5,436
Income taxes - current	3,896	1,479
Income taxes - deferred	(30)	14
Profit	9,792	3,941

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

Independent Auditor's Report
(English Translation)

May 13, 2022

To the Board of Directors
CKD Corporation

Deloitte Touche Tohmatsu LLC
Nagoya Office

Designated Engagement Partner Tatsuharu Ito, CPA
Designated Engagement Partner Yusuke Takikawa, CPA

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of CKD Corporation (the "Company") for the fiscal year from April 1, 2021 through March 31, 2022.

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

Basis for the Opinion

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

Other Descriptions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

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

Independent Auditor's Report
(English Translation)

May 13, 2022

To the Board of Directors
CKD Corporation

Deloitte Touche Tohmatsu LLC
Nagoya Office

Designated Engagement Partner Tatsuharu Ito, CPA
Designated Engagement Partner Yusuke Takikawa, CPA

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the related notes, and the accompanying supplementary schedules of CKD Corporation (the "Company") for the 102nd fiscal year from April 1, 2021 through March 31, 2022.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2022, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

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

Other Descriptions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

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

Audit Report (English Translation)

Regarding the execution of duties of Directors for the 102nd fiscal year from April 1, 2021 through March 31, 2022, the Audit & Supervisory Board hereby submits, as a collective opinion of all Audit & Supervisory Board Members, its audit report, which has been prepared through discussions at the 224th Audit & Supervisory Board meeting held on May 13, 2022 based on the audit reports by each Audit & Supervisory Board Member, as follows:

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

- (1) The Audit & Supervisory Board determined audit policies, an audit plan, and the division of duties, etc., received reports on the status of performance and the results of audits from each Audit & Supervisory Board Member, received reports from Directors, other relevant employees and the Accounting Auditor regarding the execution of their duties, and requested explanation as necessary.
- (2) In conformity with the standards for audits by Audit & Supervisory Board Members specified by the Audit & Supervisory Board and in accordance with the audit policies, the audit plan, and the division of duties, etc., each Audit & Supervisory Board Member communicated with Directors, employees in the Internal Control & Audit Office and other relevant employees by various means including the telephone and the Internet, made efforts to collect necessary information and improve the audit environment, and conducted the audit in the following methods.
 - (i) We attended Board of Directors meetings and other important meetings, received reports and explanations from Directors and other relevant employees regarding the execution of their duties, inspected important approval documents, etc., and examined the status of operations and assets at the Company's head office and principal business offices.
As for the subsidiaries in Japan and overseas, we communicated and exchanged information with directors and other personnel of subsidiaries, and received reports from them regarding their business as necessary.
 - (ii) With respect to the Board of Directors' resolutions concerning the development of the internal control system, described in the business report as the system to ensure compliance with laws and regulations and the Articles of Incorporation in the execution of duties by Directors and other systems to ensure the appropriateness of business in a corporate group comprising a stock company and its subsidiaries, as stipulated as essential systems in Article 100, Paragraphs 1 and 3 of the Regulations for Enforcement of the Companies Act, as well as such systems developed based on the resolutions, we received reports and explanations from Directors and other relevant employees regarding the status of development and operation of the systems as necessary, and expressed our opinion.
 - (iii) We verified whether the Accounting Auditor had maintained its independence and conducted audits appropriately, received reports regarding the performance of their duties, and requested explanations as necessary. We received notification from the Accounting Auditor that "systems for ensuring that the performance of the duties of financial auditor is being carried out correctly" (matters provided in each item of Article 131 of the Regulations on Corporate Accounting) were established in accordance with "Quality Control Standard for Audit" (issued by the Business Accounting Council on October 28, 2005), etc., and requested explanations as necessary. With respect to key audit matters, we consulted with the Accounting Auditor, while receiving reports on the status of audits and requesting explanations as necessary.

Based on the above, on May 13, 2022, we received and examined the business report and the supplementary schedules, the non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets, and the notes to the non-consolidated financial statements) and the supplementary schedules, and the consolidated financial statements (the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets, and the notes to the consolidated financial statements) for the fiscal year under review.

2. Results of Audit

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

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

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

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

(3) Results of Audit of Consolidated Financial Statements

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

May 13, 2022

Audit & Supervisory Board, CKD Corporation

Standing Audit & Supervisory Board Member	Masafumi Kokubo
External Audit & Supervisory Board Member	Koichi Hayashi
External Audit & Supervisory Board Member	Takeshi Sawaizumi
External Audit & Supervisory Board Member	Shuzo Hashimoto