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C K D株式会社

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The status of the Company's corporate governance is as follows:

I Basic approach to corporate governance, capital structure, corporate attributes, and other basic information

1. The basic idea.

Based on our Management Philosophy, we believe that in order to build good relationships with stakeholders with diverse interests and become a company that continues to be trusted, we will build and function a system to enhance the transparency and fairness of our management content and achieve sustainable growth and increase corporate value through prompt decision-making.

[Reasons for not implementing the Principles of the Corporate Governance Code]

【Replenishment principle 5-2① Formulation and Publication of Management Strategy and Management Plan】

The Company carefully ascertains social conditions, industry and market trends, and internal circumstances of the Company, and promptly allocates resources optimally in order to prioritize investment in growth strategies with the aim of further growth and development.

At the same time, while preparing for risks in the midst of changes in the external environment, the Company believes this as an opportunity to enhance our financial position and competitiveness, and we are prepared to make flexible decisions regarding the selection and concentration of businesses and capital alliances.

The basic policies of the business portfolio and the status of revisions will be examined for future disclosure.

[Disclosure based on the principles of the Corporate Governance Code]

【Principle 1-4 Policy holdings shares】

In principle, the Company will not hold its own shares unless it deems it to contribute to the enhancement of the Company's corporate value from the viewpoint of business strategy, business alliances with business partners, maintenance and strengthening of business relationships, etc.

We will proceed with the sale of shares with a diminished retention value in a phased way, taking into account the situation of the company concerned. When it is judged that it is necessary to hold, the Company examines the market value evaluation, ROE, dividend yield, etc. of each stock held every year regarding the necessity of maintaining and strengthening business strategies, business alliances,

business relationships, etc., and verifies the aim and rationality of holding at the Board of Directors meetings. In addition, when the exercise of voting rights pertaining to the stock adversely affects the soundness of the finances of the issuing company or illegal acts occur, the Company will exercise its voting rights by considering whether it will lead to an improvement in the corporate value of the company concerned and whether it will lead to an improvement in shareholder value, such as opposing the proposal. In addition, if a company holding the Company's shares indicates its intention to sell the Company's shares, the Company shall not prevent the sale.

【Principle 1 -7 Transactions between related parties】

When the Company conducts business with officers of the Company, the Board of Directors shall obtain approval from the Board of Directors in accordance with the provisions of laws and regulations and internal regulations so as not to harm the interests of shareholders. In addition, the officer who conducted the transaction shall report important facts to the Board of Directors without delay.

【Principle 2-4 Securing diversity in the internal including promotion of women's participation】

Replenishment principle 2-4①

In order to build a corporate culture that emphasizes human resources, we believe that it is necessary to develop human resources and create a rewarding workplace where individuals can take on the challenge of self-realization. Regardless of gender, nationality, age, etc., we value the potential of each and every diverse human resource and strengthen human resource development so that they can play an active role to the fullest extent of their abilities.

In order to build a corporate culture that emphasizes human resources, we have established a human resource development policy and a policy for improving the internal environment.

(Human Resource Development Policy)

The CKD Group strives to create a highly engaged and rewarding workplace.

Through systematic development of future human resources and diversity and inclusion, we will build a corporate culture that emphasizes human resources.

(Policy for Improving the Internal Environment)

In order to realize our human resource development policy, we are promoting the development of effective measures and systems for each of the three priority measures, as well as awareness reforms.

(1) Creating a highly engaged and rewarding workplace

- Measures for self-realization of employees, such as the Innovator Challenge system and the internal recruitment system
- GO CKD ! Award as a place to recognize excellent initiatives
- Health and productivity management initiatives

(2) Systematic development of future human resources

- External training for the systematic development of next-generation leaders
- Trainee dispatch system to overseas bases to develop global human resources
- Training for digital human resource development

(3) Diversity & Inclusion

- Trainee dispatch system from overseas bases to Japan *Training introduced in fiscal 2014 (FY2025 target: 23 in total, FY2022 results: 19 in total)
- Creation of an employment environment that makes it easy to take childcare leave (FY2025 target for taking childcare leave: 70.0% for men, 100.0% for women, FY2022 results: 54.4% for men, 100.0% for women)
- Promoting the active participation of female employees (FY2030 target for female managers: 10.0%, FY2022 results: 4.0%)
- Promote the active participation of seniors (60 years and older)
- Workplace development for people with disabilities

【Principle 2-6 Functioning as an asset owner of corporate pensions】

The Company uses the Defined Benefit Corporate Pension Plan and the Defined Contribution Pension Plan. With regard to the defined benefit corporate pension plan, we entrust the management of assets to the management trustee. Since it is necessary to continue sound fiscal management and appropriately evaluate and select management organizations, we appoint persons with specialized skills and knowledge related to the operation and management of the Fund as the president and seek human resource development by participating in various trainings. In terms of management, by regularly monitoring the status of the management of pension assets, we pay attention to conflicts of interest that may arise between the beneficiaries of corporate pensions and the Company, and strive to create an appropriate investment environment. Employees are the first to operate the defined contribution pension system.

【Principle 3-1 Enhancement of information disclosure】 and 【Replenishment principle 4-10① Establishment of Voluntary Nomination Committee and Compensation Committee】

(1) In April 2023, we established our new philosophy of "Corporate Purpose", " We will continue to explore and co-create automation technologies to cultivate a healthy global environment and a prosperous future," and we will strive for the purpose of accurately fulfilling social responsibility and continuing and developing business.

(2) Please refer to the "I..1 Basic Thinking" section of this report for basic corporate governance principles and basic policies.

(3) Policies and procedures for determining remuneration for senior management and directors

- Basic Policy
 - ① A system that enhances the desire to contribute to the enhancement of corporate value
 - ② Ensure the appropriateness of the method and allocation of remuneration
 - ③ A system in which shares can share interests with shareholders
- Process and content of the decision

Directors' remuneration consists of basic remuneration, performance-linked compensation, and stock compensation, and outside directors who are responsible for supervisory functions shall be only basic remuneration in light of their duties.

In addition, the ratio of performance-linked compensation is higher for the higher ranks of directors by

compensation type. The amount of remuneration for directors is determined by the Board of Directors after submitting a report to the Nomination, Remuneration Advisory Committee, which has an independent director as the chairperson and a majority of its members are outside directors, within the range approved by the General Meeting of Shareholders. The decision policy is also determined by the Board of Directors after submitting a report to the Nomination, Remuneration Advisory Committee submitted.

(4) Policies and procedures for selecting and dismissing senior management and nominating candidates for directors and audit & supervisory board members

Directors and Audit & Supervisory Board Members have been appointed who have excellent personality and insight and have extensive knowledge and experience in corporate management, etc.

Outside Directors are appointed who can perform management oversight functions from an independent standpoint outside the Company and can provide advice on the Company's corporate activities based on their abundant experience and high knowledge.

In addition, if it is recognized that it does not contribute to the enhancement of corporate value, or if there is an injustice in the execution of duties or a serious violation of laws and regulations from the viewpoint of corporate governance, it will be dismissed, and it will be decided by the Board of Directors after consultation by the Nomination and Compensation Advisory Committee.

(5) For directors and audit & supervisory board members, please refer to the "Reasons for Making Them Candidates" in the "Notice of Convocation of ordinary general meetings of shareholders" for the reasons for individual candidates.

【Replenishment principle 3-1③ Issues related to sustainability】

The Company recognizes that issues related to sustainability are important from the viewpoint of improving corporate value over the medium to long term, and have disclosed them in our integrated report.

The Company will also collect and analyze the impact of climate change risks and profit opportunities on the Company, and enhance the quality and quantity of information disclosure. Information based on the TCFD framework is disclosed on the Company's website.

【Principle 4-1 Roles and Responsibilities of the Board of Directors (1)】

Replenishment principle 4-1①

The Company has established the Matters stipulated by Laws and Regulations, the Articles of Incorporation, and other matters related to important operations as matters to be decided by resolution of the Board of Directors, and the Board of Directors delegates the decision from the Board of Directors to management in accordance with internal rules that clarify the authority to make decisions on other business executions.

【principle 4-9 Independence Criteria and Qualities of Independent Outside Directors】

The Company believes that creating an environment in which independence can be ensured when deciding on outside officers will contribute to maintaining and strengthening corporate governance, and

has established standards for the independence of outside officers and discloses them on the Company's website.

【Principle 4-11 Prerequisites for ensuring the effectiveness of the Board of Directors and the Audit & Supervisory Board】

Replenishment principle 4-11①

In order to flexibly respond to changes in the market environment, including globalization, we actively engage in diversity management, etc., and make decisions at the Board of Directors after consultation with the Nomination and Compensation Advisory Committee from the perspective of securing a wide range of human resources with diverse values such as overseas experience and gender, in addition to the background, knowledge, and expertise essential for business development. Please refer to the "Composition of Officers" section of P13 of the "Notice of Convocation of the 101st Ordinary General Meeting of Shareholders" of the Skill Matrix.

Replenishment principle 4-11②

Please refer to the business report and general meeting of shareholders' reference documents in the Notice of Convocation of The General Meeting of Shareholders. In addition, the situation of concurrent employment is to a reasonable extent.

Replenishment principle 4-11③

The Company conducts a questionnaire to evaluate the effectiveness of the Board of Directors by all directors and audit & supervisory board members, and periodically verifies the composition and operation of the Board of Directors and the support system for directors and audit & supervisory board members in order for the Board of Directors to effectively fulfill its roles and responsibilities.

As for the results, it was confirmed that the Board of Directors had been able to ensure the effectiveness of the board of directors, such as free and open discussions and exchange of opinions, and the appropriate provision of information necessary for the execution of duties as directors and audit & supervisory board members. In fiscal 2022, we have further enhanced our efforts to provide opportunities to discuss management strategies and plans, as well as sufficient supervision of the operational status of the internal control system. In fiscal 2023, we will further improve the effectiveness of the Board of Directors.

【Principle 4-14 Training of Directors and Audit & Supervisory Board Members】

Replenishment principle 4-14②

We support directors to acquire the necessary knowledge and understand their roles and responsibilities, so that they can participate in external courses as appropriate. In addition, new directors and audit & supervisory board members participate in seminars for newly appointed officers to improve the knowledge necessary for officers. In addition to seminars and study sessions held by the Japan Audit & Supervisory Board Members Association, full-time corporate auditors participate in external exchange meetings to acquire necessary knowledge.

In conjunction with these initiatives, we hold in-house seminars as appropriate inviting experts, etc.

【Principle 5-1 Policy on Constructive Dialogue with Shareholders】

The Company's basic policy is to continuously disclose fair, timely and appropriate information to all stakeholders, including shareholders and investors, and aims to gain the company's appropriate evaluation and trust through IR activities.

(1) With regard to dialogues with shareholders and investors, the executive in charge of management supervises and actively takes measures to realize various dialogues, including financial results briefings.

(2) We have established a system in which corporate planning, general affairs, finance, accounting, legal departments, etc. can respond in an organic manner, and exchange opinions based on their respective professional perspectives.

(3) Once every six months, we hold financial results briefings on financial results information, management measures, and management policies. In addition, we have established a contact point for opinions and questions on our website.

(4) The content of dialogue with shareholders and investors is fed back to the Board of Directors, etc. through the officer in charge of management as necessary.

(5) In order to prevent the leakage of financial results information and ensure fairness, the period from the end of each quarter to the announcement of financial results is a quiet period, and during this period, in principle, we refrain from disclosing information related to financial results or commenting on questions. In addition, we have established internal regulations to prevent the leakage of insider information.

Capital Structure

Foreign Shareholding Ratio	30% or more but less than 40%
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[Status of Major Shareholders]

Name/Company Name	Number of Shares Owned (shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	9,765,100	14.64
Custody Bank of Japan, Ltd. (Trust account)	4,066,000	6.09
JP MORGAN CHASE BANK 385839	3,768,984	5.65
CKD Shareholding Association	2,835,333	4.25
SUMITOMO LIFE INSURANCE COMPANY	1,914,000	2.87
CKD Cooperative Companies Investment Association	1,737,910	2.60
Sumitomo Mitsui Banking Corporation	1,581,257	2.37
THE BANK OF NEW YORK MELLON 140042	1,411,616	2.12
The Dai-ichi Life Insurance Company, Limited	1,400,000	2.10
STATE STREET BANK AND TRUST COMPANY 505025	1,187,300	1.78

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

Supplementary Explanation

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Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange/Prime Market, Nagoya Stock Exchange/Premier market
Fiscal Year-End	March
Type of Business	Machinery
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 persons or more
Net Sales (consolidated) as of the End of the Previous Fiscal Year	¥100 billion or more but less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more but less than 50 companies

Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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Other Special Circumstances which may have Material Impact on Corporate Governance

There are no listed subsidiaries.

There are no other special circumstances that may have a significant impact on corporate governance.

Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organizational Structure	Company with Audit & Supervisory Board Members
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Maximum Number of Directors Stipulated in the Articles of Incorporation	10 persons
Term of Office of Directors Stipulated in the Articles of Incorporation	1 year
Chairperson of the Board	Chairman (except when concurrently holding the post of President)
Number of Directors	6 persons
Election of External Directors	Elected
Number of External Directors	3 persons
Number of External Directors Designated as Independent Directors	3 persons

External Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Stefan Sacré	From another company												
Koichi Hayashi	Certified Public Accountant												
Hiroko Shimada	From government agencies												

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Person executing the operations ("Executing Person") of the Company or its subsidiaries

b. Non-executive director or Executing Person of a parent company of the Company

c. Executing Person of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an Executing Person thereof

e. Major client or supplier of the Company or an Executing Person thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/audit & supervisory board member

g. Major shareholder of the Company (or an Executing Person of the said major shareholder if the shareholder is a legal entity)

h. Executing Person of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executing Person of a company, between which and the Company external directors/audit & supervisory board members are mutually appointed (the director himself/herself only)

j. Executing Person of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

External Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Election
Stefan Sacré	○	-	<p><Reasons for Election> Dr. 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, has a high level of academic knowledge as a Doctor of Engineering and extensive experience as a 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.</p> <p><Reasons for Designation as an Independent Director> The Board of Directors believes that there is no risk of a conflict of interest between Dr. Sacré and general shareholders, and has designated him as an Independent Director.</p>
Koichi Hayashi	○	-	<p><Reasons for Election> 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.</p> <p><Reasons for Designation as an Independent Director> The Board of Directors believes that there is no risk of a conflict of interest between Mr. Koichi Hayashi and general shareholders, and has designated him as an Independent Director.</p>
Hiroko Shimada	○	-	<p><Reasons for Election> Ms. Hiroko Shimada has abundant domestic and international experience in human resources policies, laws and regulations, mainly in recruitment and development, diversity, work style reform, and labor-related matters at the National Personnel Authority and the Ministry of Foreign Affairs of Japan, and can be expected to oversee all aspects of the Company's operations as well as offer advice and opinions from broad perspectives.</p> <p><Reasons for Designation as an Independent Director> The Board of Directors believes that there is no risk of a conflict of interest between Ms. Hiroko Shimada and general shareholders, and has designated her as an Independent Director.</p>

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Voluntary Committee's Name, Composition, and Attributes of Chairperson

	Voluntary Committee Corresponding to Nomination Committee	Voluntary Committee Corresponding to Remuneration Committee
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Committee's Name	Nomination, Remuneration Advisory Committee	Nomination, Remuneration Advisory Committee
All Committee Members	3	3
Full-time Members	0	0
Internal Directors	1	1
External Directors	2	2
External Experts	0	0
Other	0	0
Chairperson	External Director	External Director

Supplementary Explanation

The chairperson of the committee is elected by the committee members from among themselves.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in the Articles of Incorporation	4 persons
Number of Audit & Supervisory Board Members	4 persons

Cooperation among Audit & Supervisory Board Members, Accounting Auditor and Internal Audit Departments

An audit report meeting is held at the end of each fiscal year with the Accounting Auditor and Audit & Supervisory Board Members.

Regular monthly liaison meetings are held with the Audit & Supervisory Board Members, the Internal Control Audit Office, and the officer in charge of internal control.

Appointment of External Audit & Supervisory Board Members	Elected
Number of External Audit & Supervisory Board Members	3 persons
Number of External Audit & Supervisory Board Members Designated as Independent Audit & Supervisory Board Members	3 persons

External Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Shuzo Hashimoto	Attorney-at-law													
Kiyoshi Miura	From another company										△			
Tsuyoshi Takeuchi	Certified public accountant													

* Categories for "Relationship with the Company"

* "○" when the audit & supervisory board member presently falls or has recently fallen under the category;

"△" when the audit & supervisory board member fell under the category in the past

* "●" when a close relative of the audit & supervisory board member presently falls or has recently fallen under the category;

"▲" when a close relative of the audit & supervisory board member fell under the category in the past

- a. Person executing the operations ("Executing Person") of the Company or its subsidiaries
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or Executing Person of a parent company of the Company
- d. Audit & supervisory board member of a parent company of the Company
- e. Executing Person of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an Executing Person thereof
- g. Major client or supplier of the Company or an Executing Person thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an audit & supervisory board member
- i. Major shareholder of the Company (or an Executing Person of the said major shareholder if the shareholder is a legal entity)
- j. Executing Person of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the audit & supervisory board member himself/herself only)
- k. Executing Person of a company, between which and the Company external directors/audit & supervisory board member are mutually appointed (the audit & supervisory board member himself/herself only)
- l. Executing Person of a company or organization that receives a donation from the Company (the audit & supervisory board member himself/herself only)
- m. Others

External Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons for Election
Shuzo Hashimoto	○	-	<p><Reasons for Election> Mr. Shuzo Hashimoto has extensive experience and professional expertise as an attorney-at-law. The Company believes that he will appropriately perform his duties as an External Audit & Supervisory Board Member.</p> <p><Reasons for Designation as an Independent Audit & Supervisory Board Member> Although he concurrently holds a position as an Executing Person at another company, there is no business relationship between that company and the Company. Therefore, the Company believes that there is no risk of a conflict of interest between him and general shareholders, and has designated him as an Independent Audit & Supervisory Board Member.</p>
Kiyoshi Miura	○	Mr. Kiyoshi Miura was enrolled at the Sumitomo Mitsui Banking Corporation until April 2014, which is a major client of the Company. Although the Company has borrowing from the bank, since about nine years have passed since he retired, he is not in a position to be influenced by the bank's intentions. In addition, the ratio of shares held by the bank is around 2%, this does not affect the independence of the Company.	<p><Reasons for Election> Mr. Kiyoshi Miura has long term of experience at financial institutions, and extensive experience and insight as a manager. The Company believes that he will appropriately perform his duties as an External Audit & Supervisory Board Member.</p> <p><Reasons for Designation as an Independent Audit & Supervisory Board Member> The Company believes that there is no risk of a conflict of interest between him and general shareholders, and has designated him as an Independent Audit & Supervisory Board Member.</p>
Tsuyoshi Takeuchi	○	-	<p><Reasons for Election> Mr. Tsuyoshi Takeuchi has professional knowledge as a certified public accountant and abundant overseas experience. The Company believes that he will appropriately perform his duties as an External Audit & Supervisory Board Member.</p> <p><Reasons for Designation as an Independent Audit & Supervisory Board Member> The Company believes that there is no risk of a conflict of interest between him and general shareholders, and has designated him as an Independent Audit & Supervisory Board Member.</p>

[Independent Directors/Audit & Supervisory Board Members]

Number of Independent Directors/Audit & Supervisory Board Members	6 persons
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Other Matters relating to Independent Directors/Audit & Supervisory Board Members

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[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration / Other
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Supplementary Explanation

The Company has introduced a restricted stock remuneration plan.

Eligibility for Stock Options	
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Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation

The amount of remuneration for Directors is disclosed in the annual securities report and business report.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

[Policy on determining the remuneration for Directors]

1. Basic Policy

- (i) Design the system to motivate officers 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 officers 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 performance-linked compensation is higher for the higher ranks of directors by compensation type. The amount of remuneration for Directors is determined by the Board of Directors within the scope approved by the General Meeting of Shareholders after consulting with the Nomination and Remuneration Advisory Committee, which is chaired by an independent outside director and a majority of its members are outside directors. In addition, the decision-making policy is decided by the Board of Directors after consulting with the Nomination and Remuneration Advisory Committee.

[Types of remuneration (composition ratio)]

- Basic remuneration (about 30 to 70%) (Note)

The amount is fixed by position according to responsibilities determined upon comprehensive consideration while referring to the levels of employee's salaries and remuneration levels at other companies.

- Performance-linked remuneration (about 20 to 40%) (Note)

To raise awareness on improving performance each year, performance-linked remuneration shall be 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 shall be consulted with the Nomination, Remuneration Advisory Committee as necessary in accordance with changes in the environment and shall be 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.

- Restricted stock remuneration (about 5 to 20%) (Note)

Restricted stock remuneration shall consist 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 shall be resolved in advance at a Board of Directors meeting. The restrictions on shares shall be 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.

[Supporting System for External Directors and/or Audit & Supervisory Board Members]

The Company has established a Board of Directors Secretariat which distributes materials concerning the agenda and reports for a Board of Directors meeting to all officers including External Directors and External Audit & Supervisory Board Members beforehand, provides supplementary explanation as necessary, and relays any other information. In addition, the Secretariat transmits information to officers as necessary on important matters not limited to the regular Board of Directors meeting.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

(1) Overview of the current system

- a) In principle, the Board of Directors meets at least once a month, and the Corporate Officers' Meeting, which consists mainly of corporate officers, meets as necessary. The Company recognizes that rapid management decision-making is one of the most important issues for responding to rapid changes in the business environment and continuously increasing corporate value. The Board of Directors is positioned as an organization that decides on the basic management policies and important management matters, in addition to matters required by laws and regulations. The Corporate Board of Directors promotes prompt management decisions and flexible business execution to achieve not only short-term but also medium- to long-term performance targets and further enhance corporate value.
- b) The Company has adopted an Audit & Supervisory Board Members system and the Audit & Supervisory Board consists of four Audit & Supervisory Board Members, including three External Audit & Supervisory Board Members. Each Audit & Supervisory Board Member audits the execution of duties by the Directors by attending meetings of the Board of Directors and other important meetings, and by examining the status of operations and assets, in accordance with the audit policy and audit plan formulated by the Audit & Supervisory Board.

- c) At the Monthly Business Review, which is held monthly with the participation of officers and division heads, information is shared and reflected in management decisions by discussing management issues in each business division, analyzing the business environment, and reporting on the progress of business plans.
 - d) Accounting audits are conducted under an audit contract with Deloitte Touche Tohmatsu LLC for audits under the Companies Act and the Financial Instruments and Exchange Act. The Company requests accounting audits that are fair and unbiased.
 - e) The Company established the Nomination, Remuneration Advisory Committee as a voluntary advisory body to the Board of Directors on April 27, 2018. The purpose of establishing the Nomination, Remuneration Advisory Committee is to ensure objectivity and transparency in the determination process for matters such as the nomination of Directors and Audit & Supervisory Board Members and the remuneration, etc. for Directors and to further enhance the corporate governance system. The Committee has a total of three members consisting of two External Directors who are independent officers and one Representative Director, and is chaired by an independent officer selected from among the members themselves.
- (2) Efforts to strengthen the functions of Audit & Supervisory Board Members
- Audit & Supervisory Board Members cooperate with the Internal Control Audit Department, and the Accounting Auditor by exchanging information regularly and as necessary.

3. Reasons for Adoption of Current Corporate Governance System

Of the six Directors, three are External Directors, and of the four Audit & Supervisory Board Members, three are External Audit & Supervisory Board Members. All six External Officers are independent officers, and the Company believes that there is a system in place where advice and oversight are expected to be provided based on specialized knowledge and experience of each officer. Please refer to the attached organizational chart for the details of the business execution and audit/oversight system.

Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of Annual General Meeting of Shareholders	The paper notice of convocation of the General Meeting of Shareholders is sent three weeks before the General Meeting of Shareholders. Electronic provision measures are posted on the Company's website, the Tokyo Stock Exchange website, the Sumitomo Mitsui Trust Bank, Limited's portal site, and ICJ's voting platform two days prior to the date of shipment.
Allowing Electronic Exercise of Voting Rights	The Company uses an Internet-based voting system and voting rights can be exercised by PC, mobile phone and smartphone.

Participation in Electronic Voting Platform and Other Measures to Improve the Environment for Exercise of Voting Rights by Institutional Investors	The Company participates in the voting rights exercise platform for institutional investors operated by ICJ, Inc.
Providing Convocation Notice (abridged) in English	An English notice is prepared and posted on the Company's website and on the voting rights exercise platform of ICJ, Inc. prior to the sending date.

2. IR Activities

	Supplementary Explanations	Explanation by the Representative Directors in person
Preparation and Publication of Disclosure Policy	The Company's Basic IR Policy is posted on the Company's website in both Japanese and English.	-
Regular Investor Briefings for Individual Investors	In March 2022, we held an online briefing for individual investors.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	After the quarterly announcement of financial results, financial results briefings are held online and by telephone at the Tokyo venue or remotely. The Company also participates in conferences organized by brokerage firms and also holds individual meetings and remote online meetings as requested.	Yes
Regular Investor Briefings for Overseas Investors	The Company participates in conferences organized by brokerage firms and also holds individual meetings and remote online meetings as requested.	Yes
Posting of IR Materials on the Company's website	Financial results ("Kessan Tanshin"), financial results briefing materials, annual securities reports, press releases, integrated reports, etc. are posted on the Company's website.	-
Establishment of Department and/or Person in Charge of IR	Investor Relations Office, Corporate Planning Department	-

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
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<p>Stipulation of Provisions in Internal Regulations Concerning Respect for the Standpoint of Stakeholders</p>	<p>The Conduct Guidelines stipulates that the Company values its relationship with all its stakeholders, fulfills its corporate responsibilities through its business activities, and contributes to society.</p>
<p>Implementation of Environmental Preservation Activities, CSR Activities, etc.</p>	<p>The Company will further strengthen its initiatives for the environment with the establishment of the Sustainability Committee, chaired by the President, and the Sustainability Promotion Department, as a division to promote SDGs, effective April 1, 2021.</p> <p>Activities mainly comprise is reducing greenhouse gas emissions, developing and expanding sales of low environmental impact products, and promoting waste reduction.</p> <p>As part of our efforts to reduce greenhouse gas emissions, we have installed solar power generation systems at major plants in Japan and overseas. (Komaki, Kasugai, China, and Thailand) We will continue to systematically install these systems at our plants in Japan and overseas, and to actively promote activities to reduce CO2 emissions and protect the environment.</p>
<p>Formulation of Policies, etc. Relating to the Provision of Information to Stakeholders</p>	<p>The Company has formulated the Basic IR Policy and aims to achieve sustainable growth and increase its corporate value in the medium-to-long term as it actively maintains constructive dialogue with shareholders and investors. The Company endeavors to make timely, appropriate, and fair information disclosure and to be a corporation that is trusted.</p>
<p>Other</p>	<p><Human Rights Initiatives></p> <p>Based on the Corporate Philosophy and Corporate Commitment, the Company Group has established the CKD Group Human Rights Policy in order to practice actions that respect the human rights of everyone involved in its business activities.</p> <p>(https://www.ckd.co.jp/assets/images/csr/sdgs/human_rights.pdf)</p>

Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of its Development

The following describes the system for ensuring the appropriateness of the Company operations and the overview.

1. Compliance system

[Content of the basic policy]

- a. The Company shall establish the Code of Conduct to fulfill its corporate social responsibility and establish rules and regulations regarding related laws and regulations to ensure compliance.
- b. The Company shall not have any relationship with antisocial forces, and will take a firm stand against them as an organization.
- c. The Company shall establish a reporting contact point and implement a system to prevent and correct violations of laws and regulations.

[Overview of the system operations status]

- a. The Company has established the Compliance Committee as an organization to promote the enhancement of business ethic awareness of employees and the Company's value and is conducting activities.
- b. The Company clearly states its basic policy on antisocial forces in the Code of Conduct. In addition, this policy is made known to employees working at the Group through initiatives such as internal training.
- c. The Company has established a reporting contact point as a whistle-blowing mechanism for employees, working in the Group. In addition to the internal reporting contact point, by setting up an external reporting contact point using independent attorney-at-law, the Company ensures the anonymity of the reporter and the confidentiality of reporting, giving consideration to the protection of the reporter and endeavoring to ensure the early detection and correction of any compliance violations.

2. Risk management system

[Content of the basic policy]

The Company identifies various risks ancillary to business activities to ensure business continuity and raise the corporate value, and based upon the proper assessment of such risks, undertakes efficient and effective management activities.

[Overview of the system operations status]

The Risk Management Committee has been established as an organization under the direct control of the Board of Directors. It reports the progress and results of its activities to the Board of Directors regularly to promote risk management.

We established a Risk Management Office as a subordinate organization of the Risk Management Committee in July 2022 and a monitoring system by the Internal Control Audit Office to further strengthen our risk management system.

Specifically, the Risk Management Office comprehensively identifies and analyzes the risks for CKD, checks the status of each division's efforts to address each risk, and encourages improvements as necessary. It regularly reports to the Risk Management Committee.

The Internal Control Audit Office, the third line of risk management, monitors the appropriateness of functions of each division, the first line of risk management, and the Risk Management Office, the second line. Additionally,

the Internal Control Audit Office reports directly to the Board of Directors to share information to ensure that the Board of Directors and the Audit & Supervisory Board fulfill their functions.

3. System to the duties efficiently

[Content of the basic policy]

- a. In principle, the Board of Directors convenes once a month, and the Board of Corporate Officers, composed mainly of Corporate officers, is convened as needed to facilitate swift management decision-making.
- b. The Company shall hold business reporting meetings with directors and division heads in attendance. Management issues at each business division, and share information through reports on the analysis of the business environment and business planning progress, and reflect such information in management decisions.
- c. With the introduction of the Executive Officer System, the Board of Directors will separate the functions previously held by the Board of Directors, such as managerial decision-making, supervision, and business execution. As a result, the Board of Directors makes accurate and prompt decisions by reducing the number of Directors. Regarding business execution, the Company will execute business flexibly by delegating authority to executive officers and clarifying responsibility. In principle, the Board of Directors convenes once a month, and the Management Meeting, which is composed mainly of Company officers, is convened as needed to facilitate swift management decision-making.

[Overview of the system operations status]

- a. The Board of Directors' regulations clearly define the matters to be resolved and reported by the Board of Directors, and the Board of Directors held its meetings 12 times in the current fiscal year, discussed issues, and formulated management plans as needed.
- b. Important matters related to business execution are discussed at the Board of Corporate Officers and the Business Reporting Meeting just before reaching the Board of Directors meetings, and discussions are held to determine whether there are potential risks. Through these discussions, we are working to ensure the appropriateness and efficiency of business execution by directors.
- c. Executive officers perform their duties under the supervision of the Board of Directors within the scope of their authority and responsibilities. The Board of Directors' regulations clearly define the matters to be resolved and reported by the Board of Directors, and the Board of Directors held its meetings 12 times last year. Seven directors, including three External Directors, were present at all meetings to report and discuss issues and formulate management plans as needed.

4. Information Storage and Management System

[Content of the basic policy]

Information concerning the execution of duties by Directors, including documents for obtaining management approval and minutes of various meetings, shall be stored and managed appropriately in accordance with laws and regulations and internal rules to ensure that the execution of duties by Directors is conducted appropriately.

[Overview of the system operations status]

Documents concerning the execution of duties by Directors, including documents for obtaining management approval and minutes of the Board of Directors meetings, are stored and managed appropriately in accordance with the document control regulations and other relevant internal rules.

5. Group management system

[Content of the basic policy]

- a. In addition to establishing approval rules for the execution of operations, the Company shall establish a system to ensure that essential management matters of subsidiaries shall be approved in advance by the Company or reported to the Company in accordance with internal regulations.
- b. The scope of the Code of Conduct and the risk management system shall include subsidiaries to ensure that the operations of the Group as a whole are appropriate.
- c. The Company shall ensure that the Group is fully aware of the Company's corporate commitment and ensure the appropriateness of its operations. In addition, the Company shall establish Subsidiary Management Regulations both in and outside of Japan to promote efficiency in the management of its subsidiaries.
- d. In addition to establishing the Code of Conduct applicable to the Group as a whole, the Company shall adequately understand the actual conditions of its subsidiaries and provide necessary advice and guidance to ensure compliance thoroughly.

[Overview of the system operations status]

- a. The Management Regulations stipulate matters for which prior approval and reporting are required for subsidiaries.
- b. The Company extends its Code of Conduct and risk management initiatives to its subsidiaries to ensure the appropriateness of operations.
- c. The Company extends the dissemination of its corporate commitment and the Subsidiary Management Regulations to its subsidiaries, to promote more efficient management at subsidiaries.
- d. The management status and other information are reported monthly to the Company's Board of Directors. In addition, the internal audit departments undertake timely audits, and the departments in charge provide guidance and support to enable appropriate business operations.
- e. The internal audit departments have established a new overseas department to strengthen group governance. The Subsidiary Management Regulations set forth matters that the Subsidiary should apply for or report in advance.

6. Audit System for Auditors

[Content of the basic policy]

- a. Whenever necessary, the Company shall appoint employees to assist the Audit & Supervisory Board Members in their duties and authorize those employees to conduct investigations at the direction of the Audit & Supervisory Board Members. In such cases, Directors and Audit & Supervisory Board Members shall discuss the personnel matters in advance.
- b. Directors and employees of the Company and its subsidiaries shall provide necessary reports and information upon request of Audit & Supervisory Board Members in accordance with laws and regulations, and provisions stipulated by the Audit & Supervisory Board.

- c. No disadvantageous treatment shall be given to any employee for reporting or providing information to Audit & Supervisory Board Members.
- d. Opportunities for Audit & Supervisory Board Members, the Accounting Auditor, and the Internal Control & Audit Office to exchange information shall be secured. In addition, Audit & Supervisory Board Members may consult with external experts in law, accounting, etc., as necessary, and the Company shall bear the cost of such consultations.

[Overview of the system operations status]

- a. Two dedicated employees have been appointed to assist the Audit & Supervisory Board Members in their duties.
- b. Audit & Supervisory Board Members periodically exchange opinions with the Representative Director, other Directors, Executive Officers, etc., and participate in Board of Directors meetings and other important committees. They also check important material documents concerning the execution of duties, as necessary.
- c. In the current fiscal year, the Company held 12 meetings of the Audit & Supervisory Board, which consists of four Audit & Supervisory Board Members, including three External Audit & Supervisory Board Members. During these meetings, Audit & Supervisory Board Members conducted discussions with Executive Officers on four occasions and with the Accounting Auditor on three occasions. In addition, the Audit & Supervisory Board also held 12 three-way audit meetings with the Accounting Auditor and internal audit departments to exchange audit information. The Company has assigned two employees to assist with the duties of the Audit & Supervisory Board Members.

2. Basic Views on Eliminating Antisocial Forces and the Progress of its Development

The Conduct Guidelines formulated in internal regulations stipulates that the Company shall not have any relationship with antisocial forces and shall reject any unreasonable inducement or coercion, and the Conduct Guidelines Manual is distributed to all employees to ensure that they are fully aware of the Guidelines. The General Affairs Department oversees the response to antisocial forces and works in close cooperation with the police, corporate defense measures councils, attorneys, and other external specialist organizations. In addition, the Company has concluded a memorandum of understanding with its suppliers regarding the elimination of antisocial forces and it has taken measures to eliminate any relationship with antisocial forces thoroughly.

Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
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Supplementary Explanation

2. Other Matters Concerning Corporate Governance System

<Overview of the timely disclosure system>

1. Timely disclosure policy

The Company is fully aware that timely and appropriate disclosure of corporate information to investors forms the basis of a sound securities market, and it provides timely and appropriate corporate information to investors through

means such as enhancing its internal systems to ensure that corporate information is appropriately disclosed in a prompt, accurate, and fair manner from an investor's perspective at all times.

2. Internal system for information disclosure

The Company's internal system for timely disclosure is as follows:

The contents of disclosures are posted on the Tokyo Stock Exchange's TDnet, as well as on the Company's website (including news and updates).

(1) Decisions

In principle, decisions requiring disclosure are resolved by the Board of Directors. The General Affairs Department (the person responsible for handling information) consolidates the matters submitted to the Board of Directors, considers the content, timing, method, etc. of disclosure, and promptly discloses the information after a resolution by the Board of Directors.

(2) Facts

The Information Disclosure Committee considers the content, timing, method, etc. of disclosure of facts requiring disclosure, and the information shall be disclosed promptly upon approval of the President.

(3) Financial settlement information

In principle, financial settlement information is resolved by the Board of Directors. The Accounting Department prepares disclosure materials and promptly discloses the information after the resolution by the Board of Directors.

Corporate Governance System Diagram

