Corporate Governance Report

CORPORATE GOVERNANCE | CKD Corporation

Last Update: June 29,2026

CKD Corporation

Katsuhito Okuoka, Representative Director, President
Contact: 0568-74-1111
Securities code: 6407
https://www.ckd.co.jp /

The corporate governance of CKD Corporation (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information

1. Basic Views

Corporate governance at the Company means, based on "Values" as corporate philosophy, building good relationships with diverse stakeholders in order to continue being a trusted company, establishing and maintaining 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 Non-compliance with the Principles of the Corporate Governance Code

The Company has complied with all principles of the Corporate Governance Code.

Disclosure Based on each Principle of the Corporate Governance Code

Principle 1.4 Cross-Shareholdings

In principle, the Company will not hold cross-shareholdings 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 purpose and rationale at the meeting of the Board of Directors. 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 Related Party Transactions

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 Ensuring Diversity, Including Active Participation of Women

(Supplementary principle 2.4.1)

To realize "Purpose", the Company will improve corporate value by linking management strategies with human resources management. The Company believes that human resources as the motivation behind value creation, we are committed to fostering an environment where each individual can think independently, break free from conventional frameworks, shift their perspective, take on new challenges, and fully realize their potential. 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.

As a promotion system, we have established the "Human Resources Strategy Committee" to promote management that makes the most of all the people in the CKD Group. In addition, in order to realize a company and workplace where all employees can work with enthusiasm, we have launched the "Future Human Resources Project" as a sub-organization of the "Human Resources Strategy Committee" with the aim of outlining the ideal situation and promoting an ideal human resources strategy. In order to develop autonomous co-creative human resources, we are working to develop human resources capable of creating new value through co-creation both inside and outside the company. Efforts regarding human resource development policy and priority measures are described in the "Annual Securities Report" and the "Integrated Report".

Principle 2.6 Roles of Corporate Pension Funds as Asset Owners

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 manage the defined contribution pension plan themselves.

Principle 3.1 Full Disclosure and Supplementary Principle 4.10.1 Establishment of Voluntary Nomination Committee and Compensation Committee

（１） The Company has established “Purpose” as “the Company will continue to explore and co-create automation technologies to cultivate a healthy global environment and a prosperous future,” strives for the purpose of accurately fulfilling social responsibility and continuing and developing business.

（２） Please refer to the Company's website for our basic philosophy and basic policies on corporate governance.

（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 (excluding directors who serve on the Audit and Supervisory Committee and External Directors) consists of basic remuneration, performance-linked compensation, and stock compensation, directors who serve on the Audit and Supervisory Committee and External Directors 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 (excluding directors who serve on the Audit and Supervisory Committee and External 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 officer as the chairperson and a majority of its members are external officers, 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

Directors have been appointed who have excellent personalities and insight and have extensive knowledge and experience in corporate management, etc.

External 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 extensive 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, 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.

(Supplementary Principle 3.1.3 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 (1)

(Supplementary Principle 4.1.1)

The Company has established, in accordance with the Board of Directors Regulations of CKD Corporation, 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 Standards and Qualification for Independent Directors

The Company believes that creating an environment in which independence can be ensured when deciding on External Directors will contribute to maintaining and strengthening corporate governance, and has established standards for the independence of External Directors and discloses them on the Company's website.

Principle 4.11 Preconditions for Board and the Audit and Supervisory Committee Effectiveness

(Supplementary Principle 4.11.1)

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. The skills matrix is stated in the "Notice of General Meeting of Shareholders," "Integrated Report," etc. In addition, independent External Directors include individuals with management experience at other companies.

(Supplementary Principle 4.11.2)

For information on concurrent officers, please refer to the business report and the 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.

(Supplementary Principle 4.11.3)

Every year, the Company conducts a questionnaire to evaluate the effectiveness of the Board of Directors by all directors, and periodically verifies the composition and operation of the Board of Directors and the support system for directors and members of the Audit and Supervisory Committee in order for the Board of Directors to effectively fulfill its roles and responsibilities. The results are reported to the Board of Directors, then issues and improvement plans are shared to implement the PDCA cycle. An overview of the results is also disclosed in the "Integrated Report."

Principle 4.14 Director Training

(Supplementary Principle 4.14.2)

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 members of the Audit and Supervisory Committee participate in seminars for newly appointed officers to improve the knowledge necessary for officers. In addition, directors who serve as full-time members of the Audit and Supervisory Committee strive to acquire the necessary knowledge by participating in training sessions and study groups organized by the Japan Audit and Supervisory Board Members Association, as well as in external networking events. In conjunction with these initiatives, we hold in-house seminars as appropriate inviting experts, etc.

Principle 5.1 Policy for 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 officer in charge of management supervises and actively takes measures to realize various dialogues, including financial results briefings.

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

（3） Once every three months, the Company holds financial results briefings on financial results information, management measures, and management policies. In addition, the Company has established a contact point for opinions and questions on the Company’s 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.

Action to Implement Management That Is Conscious of Cost of Capital and Stock Price

Content of Disclosure	Disclosure of Initiatives (Update)
Availability of English Disclosure	Available
Date of Disclosure Update	June/29/2026

Explanation of Actions

The Company positions the sustainable enhancement of corporate value through improved capital profitability as an important issue and aims to achieve management that is conscious of capital costs and stock prices.

The Company aims to secure capital profitability that exceeds the cost of capital and will promote initiatives to expand profitability and improve asset efficiency, targeting an ROE of 10% or higher.

The Company allocates capital primarily using operating cash flow and maintains appropriate liquidity by utilizing external funds as necessary. Based on this approach, the Company aims to enhance corporate value through investments in growth, such as human capital and research and development, as well as investments to strengthen the business foundation, including security, governance, and digital transformation (DX).

Regarding shareholder returns, the Company aims to provide stable shareholder returns while balancing capital efficiency, targeting a dividend payout ratio of 40%, through measures such as the establishment of a lower limit.

In addition to these initiatives, the Company aims to enhance the effectiveness of management through constructive dialogue with investors, achieve both improved capital efficiency and sustainable growth, and maximize corporate value and shareholder value.

These targets and policies are stated in our medium-term management plan and are published on the Company’s website.

2. Capital Structure

Foreign Shareholding Ratio	30% or more

Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	9,689,100	14.50
Custody Bank of Japan, Ltd. (Trust account)	5,667,900	8.48
CKD Shareholding Association	2,605,533	3.90
SUMITOMO LIFE INSURANCE COMPANY	1,914,000	2.86
CKD Cooperative Companies Investment Association	1,801,310	2.70
BNY GCM CLIENT ACCOUNT JPRD AC ISG （FE－AC）	1,534,740	2.30
The Dai-ichi Life Insurance Company, Limited	1,400,000	2.09
Sumitomo Mitsui Banking Corporation	1,281,257	1.92
STATE STREET BANK AND TRUST COMPANY 505001	1,191,973	1.78
THE CHASE MANHATTAN BANK，N．A． LONDONSECS LENDING OMNIBUS ACCOUNT	1,010,239	1.51

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	—
Name of Parent Company, if applicable	None

Supplementary Explanation

—

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Stock Exchange/Prime Market, Nagoya Stock Exchange/Premier market
Fiscal Year-End	March
Business Sector	Machinery
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for 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 fewer than 50

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

—

5. Other Special Circumstances which may have a 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.

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

1. Organizational Composition and Operation

Corporate Governance System	Company with an Audit and Supervisory Committee

Directors

Number of Directors Stipulated in Articles of Incorporation	14
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman (except when concurrently holding the post of President)
Number of Directors	10
Election of External Directors	Elected
Number of External Directors	6
Number of Independent Directors	6

External Directors’ Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Stefan Sacré	From another company											
Hiroko Shimada	Other											
Shuhei Ishikawa	From another company											
Shuzo Hashimoto	Lawyer											
Kenichi Hosomi	From another company								△			
Sakie Kondo	CPA											

*Categories for “Relationship with the Company”.
(Use “○” 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; and “▲” when a close relative of the director fell under the category in the past.)

a. Person who executes business for the Company or its subsidiary
b. Person who executes business for a non-executive director of the Company's parent company
c. Person who executes business for a fellow subsidiary
d. Person/entity for which the Company is a major client or a person who executes business for said person/entity
e. Major client of the Company or a person who executes business for said client
f. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets from the Company in addition to remuneration as a director/company auditor
g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business for the corporation)
h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to director him/herself only)
i. Person who executes business for another company that holds cross-directorships/cross-auditorships with the Company (applies to director him/herself only)
j. Person who executes business for an entity receiving donations from the Company (applies to director him/herself only)
k. Other

External Directors’ Relationship with the Company (2)

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Stefan Sacré		○	—	<Reasons for appointment> 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, he 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. Therefore, we request that he continue to be elected. <Reasons for designation as an independent director> Although he 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 director.
Hiroko Shimada		○	—	<Reasons for appointment> Ms. Hiroko Shimada appropriately fulfills her role of deciding important management issues and supervising business execution from an independent and fair standpoint. Furthermore, although she has never been involved in corporate management other than having served as an External Director,

				she has extensive experience both in Japan and overseas in personnel policies and laws, such as recruitment and training, diversity, work style reform, and labor-related issues, mainly at the National Personnel Authority and the Ministry of Foreign Affairs, and we expect her to supervise the Company's overall management as well as provide advice and opinions from a broad perspective. Therefore, we request that she continue to be elected. <Reasons for designation as an independent director> The Company 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.
Shuhei Ishikawa		○	—	<Reasons for appointment> Mr. Shuhei Ishikawa is expected to make decisions on important management issues and supervise business execution from an independent and fair standpoint. In addition, he has extensive experience in formulating management strategies and marketing, having primarily managed businesses in the fields of metals, electronic components, semiconductors, insulators, energy solutions, and industrial processes. Therefore, we propose his appointment as a new director, as we expect him to provide oversight of the Company’s overall management and offer advice from a broad managerial perspective. <Reasons for designation as an independent director> Although he concurrently serves as an advisor to NGK INSULATORS, LTD., and there is a business relationship between

				NGK INSULATORS, LTD. and the Company, including product sales, such transactions account for less than 1% of the consolidated sales of each company. Therefore, the Company believes that there is no risk of a conflict of interest between Mr. Shuhei Ishikawa and general shareholders, and has designated him as an independent director.
Shuzo Hashimoto	○	○	—	<Reasons for appointment> Although Mr. Shuzo Hashimoto has never been involved in corporate management other than having served as an External Audit and Supervisory Board Member, he has extensive experience and professional expertise as an attorney-at-law, and can be expected to oversee all aspects of the Company's operations as well as offer advice and opinions from broad management perspectives. Therefore, we request that he be elected. <Reasons for designation as an independent director > Although he 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 director.
Kenichi Hosomi	○	○	Mr. Kenichi Hosomi was enrolled at the Sumitomo Mitsui Banking Corporation until June 2022, which is a major client of the Company. Although the Company	<Reasons for appointment> Mr. Kenichi Hosomi has extensive experience at financial institutions, where he led international divisions responsible for Europe and the Americas, and promoted organizational globalization as well as management planning and operations, and

			has borrowed from the bank, more than three 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.	can be expected to oversee all aspects of the Company’s operations and provide advice and opinions from a broad management perspective. Therefore, we propose his appointment as a new director. <Reasons for designation as an independent director> Although he 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 with general shareholders, and has designated him as an independent director.
Sakie Kondo	○	○	―	<Reasons for appointment> Although Ms. Sakie Kondo has never been involved in corporate management other than having served as an External Director, she has professional knowledge and extensive experience in the field of finance and accounting as a certified public accountant. In addition, she has extensive knowledge of risk management and internal control systems based on her experience as a director and member of the Audit and Supervisory Committee, and can be expected to oversee all aspects of the Company’s operations and provide advice and opinions from a broad management perspective. Therefore, we propose her appointment as a new director. <Reasons for designation as an independent director> The Company believes that there is no risk of a conflict of interest with general shareholders, and has designated her as an independent director.

Supervisory Committee

Composition of Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Full-time Members	Internal Directors	External Directors	Committee Chair
Supervisory Committee	4	1	1	3	Inside Director

Appointment of Directors and/or Staff to Support the Supervisory Committee	Appointed

Matters Concerning Independence of Said Directors and/or Staff from Executive Officers/Reasons for Adopting Current System

———

Cooperation among the Supervisory Committee, Accounting Auditors and Internal Audit Department

An audit report meeting is held at the end of each fiscal year with the Accounting Auditor and members of the Audit and Supervisory Committee.
Regular monthly liaison meetings are held with the Audit and Supervisory Committee, the Internal Control Audit Office, and the officer in charge of internal control.

Voluntary Established Committee(s)

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee	Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson

	Committee's Name	All Members	Full-time Members	Internal Directors	External Directors	External Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination, Remuneration Advisory Committee	4	0	1	3	0	0	External Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Nomination, Remuneration Advisory Committee	4	0	1	3	0	0	External Director

Supplementary Explanation

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

Matters Concerning Independent Directors

Number of Independent Directors	6

Other Matters Concerning Independent Directors

———

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Introduction of Performance-linked Remuneration Scheme / Other

Supplementary Explanation for Applicable Items

The Company has introduced a restricted stock remuneration plan.

Persons Eligible for Stock Options	—

Supplementary Explanation for Applicable Items

—

Director Remuneration

Status of Disclosure of Individual Director's Remuneration	No Disclosure for any Directors

Supplementary Explanation for Applicable Items

For the total amount of Directors' Remuneration, the Annual Securities Report shall post on the Company' s website and available for public inspection.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

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 External Director and a majority of its members are External Directors. In addition, the decision-making policy is decided by the Board of Directors after consulting with the Nomination and Remuneration Advisory Committee. In fiscal 2024, in order to revise the remuneration policy and structure, a third-party organization with extensive experience and expertise participated in the

Nomination and Remuneration Advisory Committee for discussions. The revised policy and structure have been in effect since fiscal 2025.

・The Appropriateness of Directors' remuneration

In a rapidly changing business environment, the Company will increase the certainty of achieving its management plan, strengthen governance, achieve global growth, and enable directors to further increase the Company's corporate value.

・Key points of the revision

1. Increase the performance-linked ratio of directors' remuneration and shift to management that is more conscious of performance-linked indicators.
2. Reduce the proportion of sales and profits (financial statements) in performance-linked remuneration and increase the proportion of non-financial indicators such as ESG.
3. Revise performance-linked indicators in terms of items, standards, weighting, etc. to better reflect the image the Company aspires to achieve.
4. Reduce the evaluation levels of performance-linked indicators and make performance-linked remuneration more clearly aligned with the evaluation indicators.

[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 60%) (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 the Board of Directors.

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 all below the stated range. Therefore, basic remuneration may surpass the stated range.

Support System for External Directors

The Company has established a Board of Directors Secretariat which distributes materials concerning the agenda and reports for the Board of Directors to all officers including External Directors beforehand, provides supplementary explanations 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.

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, 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 the Audit and Supervisory Committee system. The Audit and Supervisory Committee consists of four members, comprising three External Directors serving as members of the Audit and Supervisory Committee and one director serving as a full-time member of the Audit and Supervisory Committee. Each director serving as member of the Audit and Supervisory Committee has audited the execution of duties by the directors by attending 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 and Supervisory Committee. The Audit and Supervisory Committee cooperates with the audit department and the accounting auditor by exchanging information regularly and as necessary.

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 in April 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 serving members of the Audit and Supervisory Committee, and the remuneration, etc. for directors and to further enhance the corporate governance system. The Committee has a total of four members consisting of three External Directors who are independent officers and one inside director, and is chaired by an independent officer selected from among the members themselves. In fiscal 2024, in order to revise the remuneration policy and structure, a third-party organization with extensive experience and expertise participated in the Nomination and Remuneration Advisory Committee for discussions. The revised policy and structure have been in effect since fiscal 2025.

(2) Efforts to strengthen the functions of Audit and Supervisory Committee

Audit and Supervisory Committee cooperates 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

Pursuant to a resolution adopted at the 106th Annual General Meeting of Shareholders held on June 26, 2026, the Company has

transitioned to a structure with the Audit and Supervisory Committee. The Board of Directors engages in substantive discussions regarding management strategy, and the Company has established the current corporate governance framework to further enhance corporate governance. In addition, a majority of the Company's directors are independent External Directors.
Please refer to the attached organizational chart for the details of the business execution and audit/oversight system.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	The paper notice of convocation of the General Meeting of Shareholders is sent two 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 three weeks prior to the General Meeting of Shareholders.
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 a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company participates in the voting rights exercise platform for institutional investors operated by ICJ, Inc.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders 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. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	The Company's Basic IR Policy is posted on the Company's website in both Japanese and English.	
Regular Investor Briefings held for Individual Investors	The Company exhibits at the IR Expo hosted by the Nagoya Stock Exchange and holds a factory tour.	Held
Regular Investor Briefings held for Analysts and Institutional Investors	After announcing our quarterly financial results, we hold financial results briefings via online. The Company also participates in conferences hosted by securities companies and conducts individual interviews and online remote interviews upon request.	Held
Regular Investor Briefings held for Overseas Investors	The Company participates in conferences hosted by securities companies and also conducts individual interviews and online remote interviews upon request.	Held
Online Disclosure of IR Information	The Company provides Japanese and English versions of financial statements, financial results briefing materials, securities reports, press releases, integrated reports, business overviews, etc. on its website.	

Establishment of Department and/or Placement of a Manager in Charge of IR	Investor Relations Office, Corporate Planning Department

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The Company's Code of Conduct stipulates that we will respond to all stakeholders appropriately and in good faith, value our relationships with them, fulfill our corporate responsibilities through our business activities, and contribute to society.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	The Sustainability Committee, chaired by the President and CEO, reviews and discusses the status of initiatives for sustainability issues, including the environment. The content of the discussions is reported to the Board of Directors once a year and whenever necessary. The main environmental initiatives include reducing greenhouse gas emissions, developing and expanding sales of products that reduce the environmental impact, and promoting waste reduction. As part of our efforts to reduce greenhouse gas emissions, we have introduced solar power generation systems at our main factories in Japan and overseas (Komaki, Kasugai, Tohoku, Hokuriku, Shikoku, China, Thailand). We will continue to introduce these systems in a planned manner at our factories in Japan and overseas, and will continue to take proactive steps to reduce CO2 emissions and protect the environment.
Formulation of Policies, etc. on Provision of Information to Stakeholders	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.
Other	<Human Rights Initiatives> CKD Group has established the CKD Group Human Rights Policy to ensure that we act in a way that respects the human rights of all people involved in our business activities. Based on the CKD Group Human Rights Policy, we identify and evaluate human rights risks and conduct annual human rights surveys of CKD Group companies and major suppliers.

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of 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.

2. Risk management system

[Content of the basic policy]

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

3. Efficient execution of duties

[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 holds business reporting meetings with directors and division heads in attendance on management issues at each business division, and shares information through reports on the analysis of the business environment and business planning progress, and reflects such information in management decisions.

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.

4. System for the retention and management of information

[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.

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 Purpose and ensure the appropriateness of its operations. In addition, the Company shall establish Subsidiary Management Regulations both in and outside of Japan to promote efficiency in the management of its subsidiaries.

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.

e. To ensure the reliability of financial reporting, the Company shall establish, maintain, and operate internal control regulations applicable to the entire Group.

6. Audit and Supervisory Committee Audit System

[Content of the basic policy]

a. The Company shall appoint employees to assist the Audit & Supervisory Committee in their duties and authorize those employees to conduct investigations at the direction of the Audit & Supervisory Committee. In such cases, Directors and Audit & Supervisory Committee 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 Committee in accordance with laws and regulations, and provisions stipulated by the Audit & Supervisory Committee.

No disadvantageous treatment shall be given to any employee for reporting or providing information to Audit & Supervisory Committee.

c. Opportunities for Audit & Supervisory Committee, the Accounting Auditor, and the Internal Control & Audit Office to exchange information shall be secured. In addition, Audit & Supervisory Committee may consult with external experts in law, accounting, etc., as necessary, and the Company shall bear the cost of such consultations.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of 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.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation for Applicable Items

—

2. Other Matters Concerning the 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.

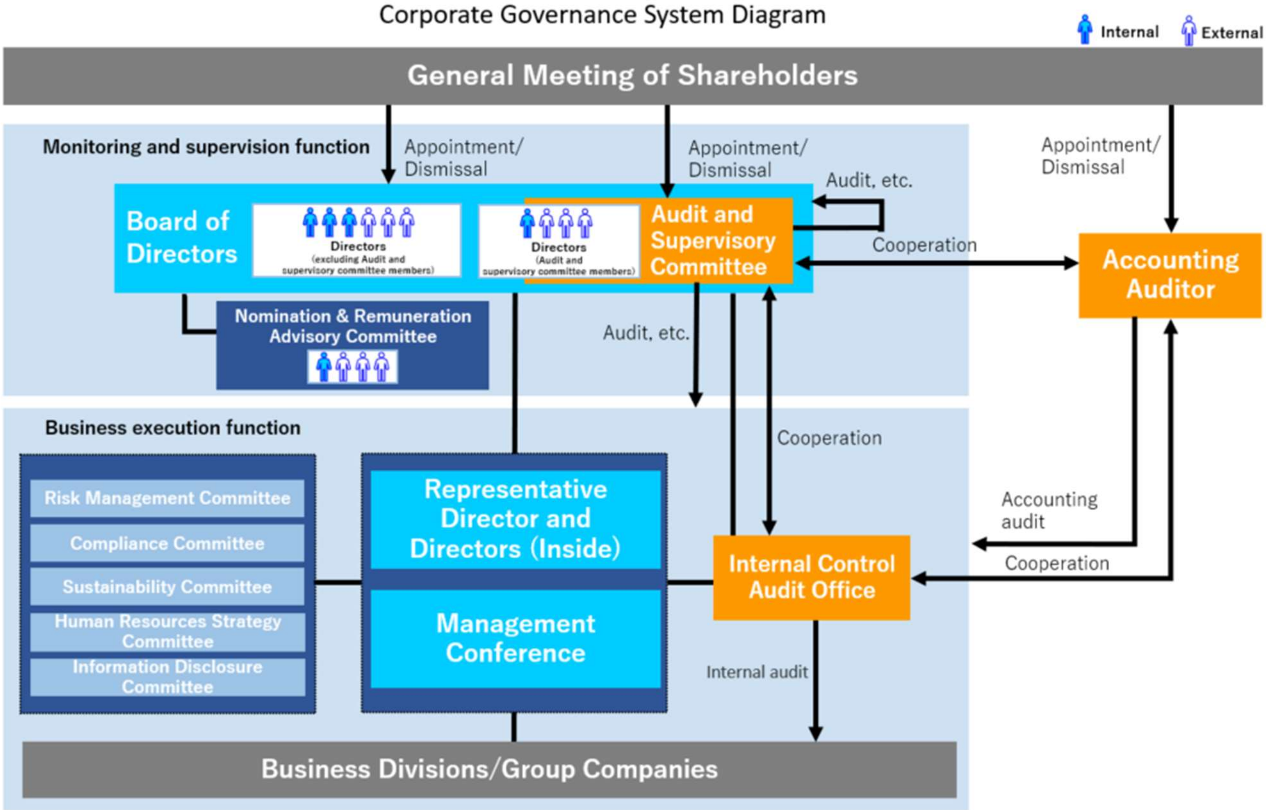
(2) Facts

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



END