


 <p>President Makoto Kohno</p>	KITZ Corporation (6498)
	

Company Information

Market	TSE Prime Market
Industry	Machinery (Manufacturing)
President	Makoto Kohno
HQ Address	1-10-1 Nakase, Mihama-ku, Chiba, Japan
Year-end	December
HOME PAGE	https://www.kitz.com/english/

Stock Information

Share Price	Shares Outstanding (End of period)	Market Cap.	ROE (Act.)	Trading Unit
¥747	90,396,511 shares	¥67,526 million	6.4%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)
¥31.00	4.1%	¥85.87	8.7x	¥984.37
				PBR (Act.)
				0.8x

*Share price is as of closing on August 10. Shares outstanding, DPS, EPS, BPS are based on the financial report for the second quarter of fiscal year ending December 2022. ROE is from the previous results.

Consolidated Earnings Trends

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	DPS (¥)
March 2019 (Act.)	136,637	11,713	11,883	5,625	58.50	20.00
March 2020 (Act.)	127,090	6,950	7,241	4,937	53.06	20.00
December 2020 (Act.)	84,245	3,751	3,169	2,113	23.38	9.00
December 2021 (Act.)	135,790	8,990	8,975	4,954	55.26	20.00
December 2022 (Est.)	158,000	11,300	11,750	7,700	85.87	31.00

*The estimated values are based on the forecasts made by the company. Unit: million-yen, yen. The fiscal year ended December 2020 was a nine-month period due to the change of the closing month. Net income is net income attributable to the owner of the parent company. Same as below.

This Bridge Report presents the financial report for the second quarter of fiscal year ending December 2022, etc.

Table of Contents

[Key Points](#)

[1. Company Overview](#)

[2. The Second Quarter of Fiscal Year ending December 2022 Earnings Results](#)

[3. Fiscal Year ending December 2022 Earnings Forecasts](#)

[4. Conclusions](#)

[<Reference1: Long-term Management Vision, Beyond New Heights 2030 – Change the ‘Flow’>](#)

[<Reference2: The first medium-term management plan 2024>](#)

[<Reference3: Regarding Corporate Governance>](#)

Key Points

- In the second quarter of the fiscal year ending December 2022, sales increased 21.9% year on year to 76,932 million yen. In the Valve Manufacturing Business, sales increased 20.0% year on year due to the increased sales of products for semiconductor manufacturing equipment both in Japan and overseas and the effect of price revisions contributing to the performance in the domestic market. In overseas markets, there were effects of foreign exchange rates, and sales to the Americas and ASEAN countries increased. Domestic sales increased 11% year on year and overseas sales grew 37% year on year. In the Brass Bar Manufacturing Business, sales increased 28.3% year on year due to a rise in selling prices with the rising prices of raw materials affecting selling prices and an increase in sales volume. Operating income increased 43.5% year on year to 5,599 million yen. Profit in the Valve Manufacturing Business increased 38.9% year on year. Although the Brass Bar Manufacturing Business was profitable due to the improved unadjusted ratio and other factors, profit decreased 68.6% year on year due to the higher depletion loss caused by the rising market price and the augmentation of energy costs. Both consolidated sales and profit exceeded the forecast.
- In response to the steady performance of both sales and profit in the first half, the company upwardly revised its earnings forecast for the fiscal year ending December 2022. Sales are expected to increase 16.4% year on year to 158 billion yen, and operating income is projected to increase 25.7% year on year to 11.3 billion yen. In both businesses, forecast sales were revised upwardly. Profit was revised upwardly for the Valve Manufacturing Business while it was slightly revised downwardly in the Brass Bar Manufacturing Business. The dividend forecast was also revised from 25.00 yen/share to 31.00 yen/share (an increase of 11.00 yen/share from the previous term). The expected payout ratio is 36.1%.
- Although there remain some risk factors such as rising raw material prices, the impact of the lockdown in Shanghai, and Russia's invasion of Ukraine, business performance has been strong due to the penetration of price revisions and the steady satisfaction of strong demand, although demand varies among markets. The profit margin of the Valve Manufacturing Business, which is the mainstay, is expected to rise nearly 1 point from the previous fiscal year. We would like to keep an eye on the extent to which the results of various initiatives in growth markets will contribute to the business performance in the 3Q and beyond.

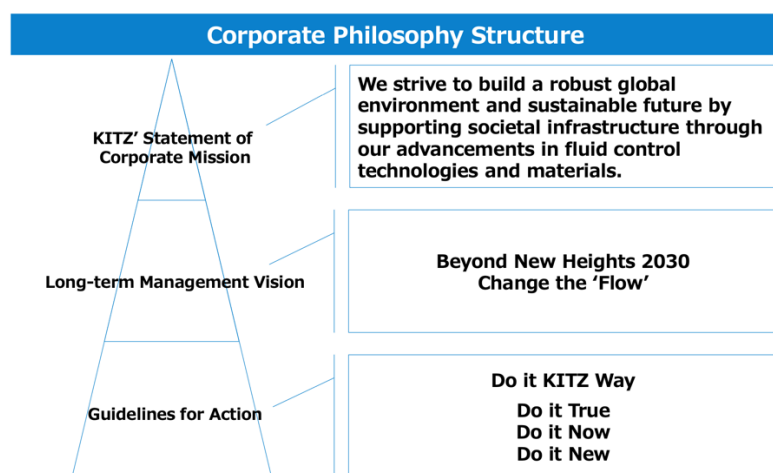
1. Company Overview

KITZ is an integrated manufacturer of valves and other fluid control equipment and devices. In valve manufacturing, it ranks highest in Japan and within the top 10 worldwide. Valves are made of various materials depending on their application, including bronze, brass, cast iron, ductile cast iron (cast iron with greater strength and ductility) and stainless steel. KITZ in principle assumes integrated production (casting, processing, assembling, inspecting, packaging, and shipping) of products from raw materials. The KITZ Group consists of 36 domestic and overseas subsidiaries. In addition to the production and sale of brass bars used for valves, water faucets and gas equipment (KITZ is ranked among the top manufacturers of brass bars within Japan), the Group also operates a hotel business.

1-1 Corporate Philosophy

In 2021, on the occasion of the 70th anniversary of its founding, the company held a series of discussions on its purpose as a company and its contribution to society, and when announcing its long-term management vision, the company revised its corporate philosophy: the KITZ' Statement of Corporate Mission.

Recognizing that the creation of a prosperous global environment and a sustainable future is its mission to society, the company is deeply committed to continuing to support social infrastructure by further refining the fluid control technology and material development that the company has cultivated since its founding.

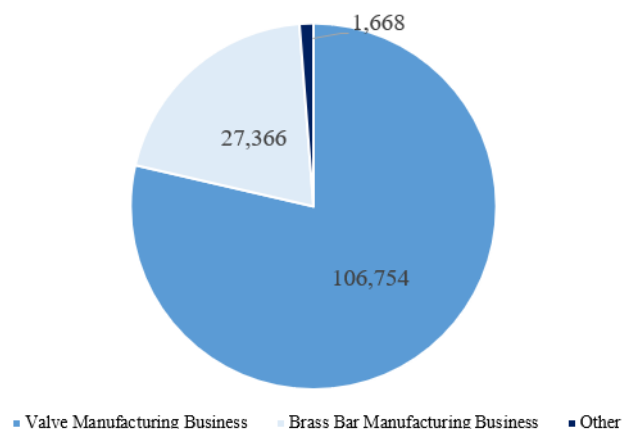


(Taken from the reference material of the company)

1-2 Overview of KITZ's Business Segments

KITZ's businesses consist of the valve manufacturing, brass bar manufacturing and other (including hotel and restaurant management) segments. During the fiscal year ended December 2021, these segments accounted for 78.6%, 20.2%, and 1.2% of total sales, respectively.

Sales Composition by Segment (FY 12/21, unit: million yen)



(1) Valve Manufacturing Business

Valves are used to pass, stop, and adjust the flow of fluids in various pipe systems (water, air, gas, and other substances). They are used in building facilities, residential utility systems, water supply facilities, fresh water and sewer systems, fire prevention equipment, machinery and industrial equipment manufacturing facilities, chemical, medical, and petrochemical product manufacturing facilities, semiconductor manufacturing facilities, oil refineries and other industrial complexes, among other applications. The Company operates an integrated production system that begins with the casting process (KITZ was the first Japanese company to acquire ISO 9001 international quality standard certification). The Company's product offerings include commercial valves, which are made of corrosion-resistant bronze and highly economical brass for use in the building construction sector, including building facilities and residential utility systems, and industrial stainless-steel valves such as high-value-added ball valves. The Company has a high share of the domestic market in these mainstay product areas.

In terms of sales, the company covers the country nationwide by expanding marketing bases in the domestic major cities and an elaborate network of distributors. As for overseas, the company has a global sales network where the company did not only establish representative offices in India and U.A.E but also marketing bases in China, Hong Kong, South Korea, Singapore, Malaysia, Thailand, Vietnam, the U.S., Brazil, Germany, and Spain. Regarding the manufacturing, the company has a production network that helps achieve global cost and optimal production locations as the company has deployed production bases in China, Taiwan, South Korea, Thailand, India, Germany, Spain, and Brazil in addition to the domestic factories.

Building facilities Valves, etc. used for air-conditioning, sanitary, and anti-disaster equipment when constructing hotels, hospitals, office buildings, and so on	Water supply/water supply facilities Devices and equipment for pipes for water supply and sewage systems, valves used for facilities for treating water and sludge, products for water supply equipment for detached house, housing complexes, etc.
Gas/energy facilities Valves, etc. used for liquefied natural gas (LNG) production facilities, pipelines, and so on	Industrial machinery/production equipment All kinds of valves used for industrial machinery and production equipment
Oil refining and oil complex facilities Valves, etc. used for the processing lines of oil refineries, petrochemical facilities, and chemical plants	Semiconductor manufacturing equipment Valves and joints for semiconductor manufacturing equipment (manufactured and sold by its group company, KITZ SCT Corporation)

(2) Brass Bar Manufacturing Business

Copper alloy can take many different shapes, including sheets, strips, pipes, bars, and wires through hot or cold deformation processing such as dissolution, casting, rolling, extruding, and forging. It can be made with a range of different materials, including brass (copper with zinc), phosphor bronze (copper with tin and phosphorous), and nickel silver (copper with nickel and zinc). The KITZ Group's Brass Bar Manufacturing Business is led by KITZ Metal Works Corporation and Hokutoh Giken Kogyo Corporation. These companies manufacture and sell brass bars, which are used not only as material for valves, but also in the manufacture of water faucets, gas equipment, electrical appliances, and other brass-derived items.

(3) Other

KITZ subsidiary Hotel Beniya Co., Ltd., operates a resort hotel in the city of Suwa, Nagano Prefecture. The hotel is located in a highly picturesque setting close to Lake Suwa with hot spring bathing facilities with sunset views and has a number of small and large banquet halls. The hotel also has a large convention hall, giving it the capacity to hold international conferences.

2. The Second Quarter of Fiscal Year ending December 2022 Earnings Results

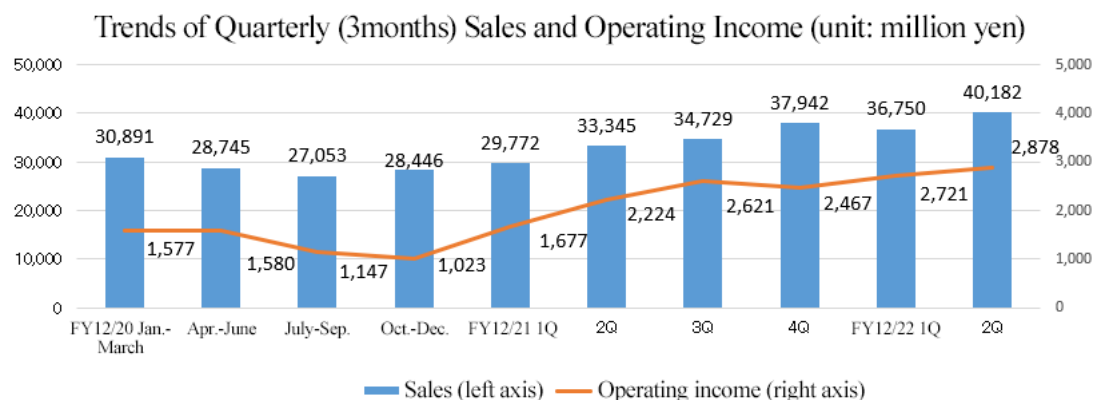
2-1 Consolidated Business Results

	FY 12/21 2Q	Ratio to Sales	FY12/22 2Q	Ratio to Sales	YoY	Plan
Sales	63,117	100.0%	76,932	100.0%	+21.9%	+10.9%
Gross Profit	16,107	25.5%	18,845	24.5%	+17.0%	-
SG&A	12,205	19.3%	13,246	17.2%	+8.5%	-
Operating Income	3,902	6.2%	5,599	7.3%	+43.5%	+30.8%
Ordinary Income	3,958	6.3%	6,133	8.0%	+54.9%	+48.0%
Net Income	2,063	3.3%	4,147	5.4%	+101.0%	+53.6%

* Unit: million yen. Net income is net income attributable to owners of the parent company, same as below.

Sales and operating income increased. Exceeded plan.

Sales increased 21.9% year on year to 76,932 million yen. In the Valve Manufacturing Business, sales increased 20.0% year on year due to the increased sales of products for semiconductor manufacturing equipment both in Japan and overseas and the effect of price revisions contributing to the performance in the domestic market. In overseas markets, there were effects of foreign exchange rates, and sales to the Americas and ASEAN countries increased. Domestic sales increased 11% year on year and overseas sales grew 37% year on year. In the Brass Bar Manufacturing Business, sales increased 28.3% year on year due to a rise in selling prices with the rising prices of raw materials affecting selling prices and an increase in sales volume. Operating income increased 43.5% year on year to 5,599 million yen. Profit in the Valve Manufacturing Business increased 38.9% year on year. Although the Brass Bar Manufacturing Business was profitable due to the improved unadjusted ratio and other factors, profit decreased 68.6% year on year due to the higher depletion loss caused by the rising market price and the augmentation of energy costs. Both consolidated sales and profit exceeded the forecast.



Exchange and raw materials

	FY 12/21 2Q	FY 12/22 2Q Act	FY 12/22 Plan
Yen / US Dollar	108.47	124.54	128.00
Yen / Euro	130.47	135.14	138.90
Electrolytic Copper, Yen / Ton	1,019,500	1,249,167	1,370,000

2-2 Business Segments' results

	FY 12/21 2Q	Ratio to Sales	FY 12/22 2Q	Ratio to Sales	YoY	Plan
Sales						
Valve Manufacturing	49,757	78.8%	59,709	77.6%	+20.0%	+10.2%
Brass Bar Manufacturing	12,743	20.2%	16,352	21.3%	+28.3%	+13.6%
Other	616	1.0%	870	1.1%	+41.2%	+8.8%
Segment profit						
Valve Manufacturing	5,348	10.7%	7,430	12.4%	+38.9%	+17.2%
Brass Bar Manufacturing	460	3.6%	144	0.9%	-68.7%	+141.5%
Other	-210	-	-60	-	-	-

* Unit: million yen.

(1) Valve Manufacturing Business

Both sales and profit exceeded those in the same period of the previous year and the forecast.

(Performance in each market)

This fiscal year, the medium- and long-term target markets have been divided into eight market segments. Based on the current core businesses (building & facilities, petrochemicals, water treatment, machinery & equipment), the company plans to promote the transfer of resources to growing and new fields (semiconductor equipment, semiconductor materials (filters), fine chemicals, hydrogen & clean energy) and change its revenue composition.

Their business in the building & facilities, petrochemical, machinery & equipment, and semiconductor equipment markets is progressing well according to the annual plan.

The water treatment business has been somewhat slow due to seasonal factors.

Semiconductor materials (filters) are selling well.

Fine chemicals and hydrogen & clean energy are considered as the areas to nurture over the medium to long term and the company will focus on the development of new products and receiving orders.

◎ Progress of the First Medium-term Management Plan 2024: Initiatives in the Growth Market

* Fine Chemicals Market

Through market and customer analyses, the company narrowed down its target fields to three areas: electronics, pharmaceuticals (biotechnology), and pure water/ultrapure water.

Investigation into the methods and processes for manufacturing pharmaceuticals clarified necessary valve types.

In order to enhance lineup of PFA lined valves, the company will develop new valve types such as diaphragms.

An integrated production line for automatic butterfly valves for the pure water field will be launched to achieve quick delivery.

The company is building a scheme that can contribute to customers through group synergies.

* Hydrogen Market

In terms of marketing and promotion, the company will promote the sales of valves and package units for hydrogen stations to commercial and non-commercial facilities in the energy industry and municipal facilities. In particular, the company will put a great focus on hydrogen filling facilities.

In the development and design of new products, thanks to the efforts of the NEDO business in which the company participates, a large valve for liquefied hydrogen under development has entered the actual temperature test stage.

Along with the decarbonization trend, the company is keen to capture demand for hydrogen in industries other than energy-related industries, which will lead to sales of package units.

* Market of semiconductors

KITZ SCT Corporation, which manufactures and sells valves and fittings for semiconductor and FPD manufacturing process, and KITZ Micro Filter Corporation, which manufactures and sells filter products, will be invested in the construction of new plants and production facilities, respectively.

The investment amount is approximately 3.2 billion and 3.4 billion yen.

Construction of the new plant at KITZ SCT is progressing smoothly and the plant is scheduled to begin operations in early 2023. The KITZ Micro Filter is scheduled to start operations of new production facilities in January 2024.

(Performance in each area)

* Japan

Sales increased 11% year on year to 35.4 billion yen.

Sales increased due to favorable performance of products for construction equipment and semiconductor equipment. Price revisions, also, contributed.

* Overseas

Sales increased 37% year on year to 24.2 billion yen, of which 2.6 billion yen was due to exchange rates.

The performance in ASEAN countries has recovered moderately from the slump caused by COVID-19.

Sales of semiconductor equipment have been steady in South Korea.

Although the impact of the lockdown in Shanghai was minor in China, the market slowed down due to the stagnation in the real estate industry and the re-expansion of COVID-19.

In the Americas, sales to industries such as petrochemicals performed well.

In Europe, the economy is slowing down due to the impact of Russia's invasion of Ukraine.

(2) Brass Bar Manufacturing Business

Sales grew, but profit declined. Both sales and profit exceeded the forecast.

Selling prices remained high due to the raw material prices that affect selling prices. Production and sales volumes remained steady.

The defects in the furnace upgrade work were resolved, and although the company posted a loss in the first quarter, it earned profit in the second quarter.

(3) Other

Sales grew, and loss shrank.

In the hotel business, the number of guests increased due to the easing of restrictions on transportation of people, such as the lifting of all priority measures to prevent the spread of COVID-19.

2-3 Financial Conditions and Cash Flows

◎BS

	Dec. 2021	Jun. 2022	Increase and Decrease		Dec. 2021	Jun. 2022	Increase and Decrease
Cash	27,943	25,714	-2,228	Payables	8,037	9,647	+1,609
Receivables (Including Electronically Recorded Monetary Claims)	30,031	32,934	+2,903	Bonus and Bonus Reserve for Directors	2,767	2,711	-55
Inventories	26,809	32,395	+5,586	Retirement Benefit Related	1,201	1,250	+49
Current Assets	86,621	93,488	+6,867	Interest-bearing Liabilities	39,710	39,035	-675
Tangible Assets	41,436	43,621	+2,185	Liabilities	62,166	62,369	+203
Intangible Assets	4,590	3,913	-676	Net Assets	81,253	89,307	+8,054
Investments, Others	10,772	10,653	-118	Total Liabilities, Net Assets	143,419	151,677	+8,257
Noncurrent Assets	56,798	58,188	+1,390	Equity ratio	56.0%	58.2%	+2.2pt

* Unit: million yen.

Receivables, inventories, and tangible assets increased, so total assets grew 8.2 billion yen year on year to 151.6 billion yen. Total liabilities was 62.3 billion yen nearly equal to the last term. Net assets increased 8 billion yen year on year to 89.3 billion yen due to an increase in retained earnings and foreign currency translation adjustments.

The equity ratio increased 2.2 points from the end of the previous fiscal year to 58.2%.

◎CF

	FY 12/21 2Q	FY 12/22 2Q	Increase and Decrease
Operating Cash Flow(A)	3,897	2,693	-1,203
Investing Cash Flow(B)	-1,860	-3,190	-1,330
Free Cash Flow(A+B)	2,036	-496	-2,533
Financing Cash Flow	-8,330	-2,921	+5,409
Cash and Equivalents at Term End	27,611	25,598	-2,012

* Unit: million yen.

The cash inflow from operating activities shrank due to a decrease in provision for bonuses and an increase in the amount of income tax paid. The cash outflow from investing activities augmented due to an increase in purchase of property plant and equipment, etc. As a result, free CF turned negative.

2-4 Topics

(1) Engagement Forum held

In February 2022, in order to instill the long-term management vision, the company launched KITZ Group Engagement Forum 2022, a dialogue event with employees, in which the president himself visits each business sites in person. The forum has already been held at 17 sites in Japan and 7 sites overseas.

(2) 70th anniversary gathering event held

In July 2022, the events to commemorate the 70th anniversary of its founding, which had been postponed for a year due to COVID-19, were held in Tokyo and Nagano, and a total of 430 business partners and customers attended. President Kohno expressed his gratitude to the visitors, introduced the new KITZ' Statement of Corporate Mission, Long-term Management Vision, and Medium-term Management Plan, and expressed his determination to quickly and boldly take on new and ambitious challenges in the lead up to the company's 100th anniversary.

(3) Domestic sales prices revised (raised)

In April 2022, the prices of products (other than bronze and brass products) were revised for shipments from June 21, 2022.

The reason for the revision is that the prices of raw materials remained high and supply insecurity due to Russia's invasion of Ukraine spurred a rise in raw material prices, making it difficult for companies to maintain prices through the streamlining of business operations and the reduction of production costs and expenses.

(4) Development of water treatment equipment for effectively use of water resources

As a result of KITZ Water Solutions, which is an activity to propose solutions to customers by comprehensively utilizing water-related technologies, products and services of its group companies, the company has developed a water treatment equipment that purifies groundwater to a portable level. Its performance was verified through a demonstration at the KITZ Group Innovation Center.

Even when the water supply is interrupted by a disaster, it is possible to supply groundwater and industrial water as safe and secure water by combining it with in-house power generation system, and constant monitoring and maintenance management can be performed through the unique cloud-based remote monitoring system.

(5) Issuing the Sustainability-Linked Bond

In August 2022, in order to promote sustainability management from the aspect of finance side under the corporate philosophy "KITZ Statement of Corporate Mission," the company decided to issue a Sustainability Link Bond.

KPIs are indicators to measure progress toward achieving the most important theme "Net zero CO₂ emissions" in the long-term environmental vision "3 (triple) ZERO." The company improves corporate and social value by addressing, through business, the climate change issues, which are urgent social issues. With an issuance amount of 10 billion yen and a redemption period of five years, it is scheduled to be issued after September 2022.

3. Fiscal Year ending December 2022 Earnings Forecasts

3-1 Full Year Consolidated Earnings Forecast

	FY 12/21	Ratio to Sales	FY 12/22 Est.	Ratio to Sales	YoY	Revision	Progress
Sales	135,790	100.0%	158,000	100.0%	+16.4%	+10.5%	48.7%
Operating Income	8,990	6.6%	11,300	7.2%	+25.7%	+13.0%	49.5%
Ordinary Income	8,975	6.6%	11,750	7.4%	+30.9%	+21.1%	52.2%
Net Income	4,954	3.6%	7,700	4.9%	+55.4%	+22.2%	53.9%

Units: million yen.

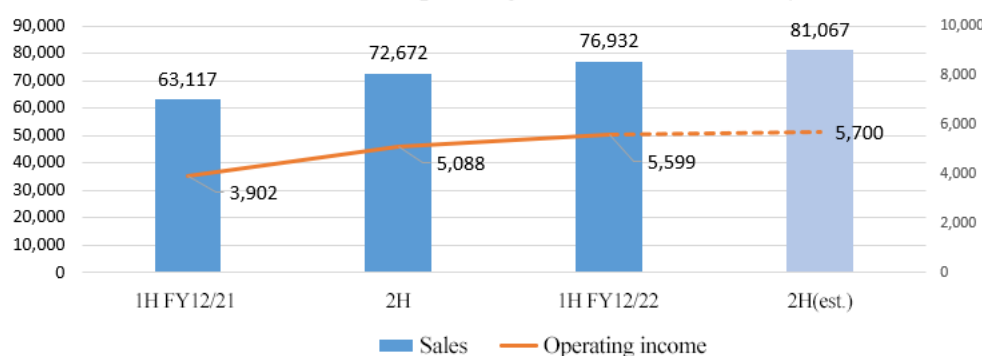
Exchange and raw materials assumptions

	FY 12/21	2Q of FY 12/22	FY 12/22 Est.	Initial forecast
Yen / US Dollar	110.39	124.54	136.69	115.0
Yen / Euro	130.36	135.14	142.65	130.0
Electrolytic Copper, Yen/ Ton	1,067,000	1,249,167	1,100,000	1,200,000

Revised earnings forecast upwardly

In response to the steady performance of both sales and profit in the first half, the company upwardly revised its earnings forecast for the fiscal year ending December 2022. Sales are expected to increase 16.4% year on year to 158 billion yen, and operating income is projected to increase 25.7% year on year to 11.3 billion yen. In both businesses, forecast sales were revised upwardly. Profit was revised upwardly for the Valve Manufacturing Business while it was slightly revised downwardly in the Brass Bar Manufacturing Business. The dividend forecast was also revised from 25.00 yen/share to 31.00 yen/share (an increase of 11.00 yen/share from the previous term). The expected payout ratio is 36.1%.

Trends of Sales and Operating Income (unit: million yen)



3-2 Sales and Operating Income by Segment

	FY 12/21	Composition /Ratio to Sales	FY 12/22 Est.	Composition /Ratio to Sales	YoY	Revision	Progress
Valve Manufacturing	106,754	78.6%	123,500	78.2%	+15.7%	+10.1%	48.3%
Brass Bar Manufacturing	27,366	20.2%	32,500	20.6%	+18.8%	+12.1%	50.3%
Other	1,668	1.2%	2,000	1.3%	+19.8%	+11.1%	43.5%
Total Sales	135,790	100.0%	158,000	100.0%	+16.4%	+9.5%	48.7%
Valve Manufacturing	12,088	11.3%	14,900	12.1%	+23.3%	+9.8%	49.9%
Brass Bar Manufacturing	665	2.4%	500	1.5%	-24.8%	-5.7%	28.8%
Other	-243	-	0	-	-	-	-
Adjustments	-3,519	-	-4,100	-	-	-	-
Total Operating Income	8,990	6.6%	11,300	7.2%	+25.7%	+13.0%	49.5%

* Unit: million yen. The composition ratio of operating income is the ratio of profit to sales. The revised rate of sales is the revised rate from the original plan announced on February 10, 2022. The revised rate of operating income is the revised rate from the revised plan announced on May 9, 2022.

(1) Valve Manufacturing Business

Sales and profit will grow

(Domestic)

* For building equipment

Although sales of products for data centers have been healthy, distribution inventory of commercial valves seems to be stagnant due to the backlash from temporary demand due to price revisions. The progress of construction projects is also likely to be delayed due to soaring material prices and product shortages, and adjustments are expected from the third quarter onward.

* For industrial purposes

Although large-scale orders have been few, the company will focus on receiving orders for more flexible small and medium-sized projects. The supply of stainless steel valves affected by the lockdown in Shanghai is expected to be restored by the end of the year.

* For semiconductors

Against the backdrop of digital demand, the company is expected to maintain its strong performance in Japan and overseas, and this will spread to the trend of related equipment and data centers. This will likely also contribute to increase in sales of valves for construction equipment and industrial applications.

* For water treatment

Water supply and sewerage valves are mainly for governmental and public demand, and sales will increase in the second half due to seasonality.

* For hydrogen

The company will also focus on sales for non-commercial projects and aim to win orders.

(Overseas)

* The Americas

Capital investment in petrochemicals is expected to increase and the company is likely to maintain its strong performance.

* Europe

The Russian invasion of Ukraine has led to the rise of raw material and energy prices, and a decline in capital investment is a concern.

* China

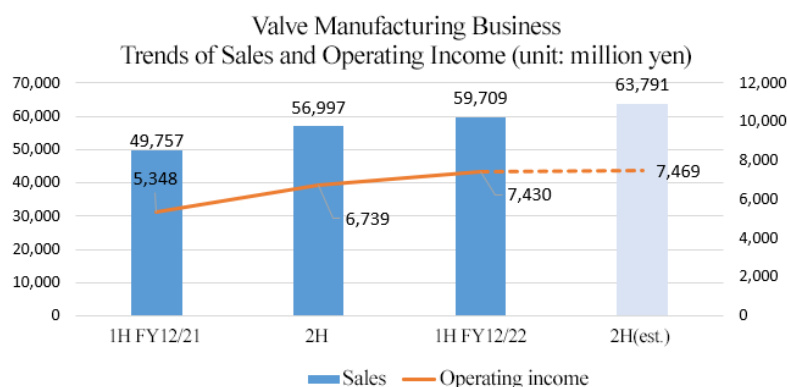
Sales volume is expected to increase in the second half, from the first half of the year in which the business was affected by the lockdowns and the Chinese New Year, but there are concerns over the economic slowdown due to deteriorating real estate industry.

* ASEAN countries

Although they have been implementing measures for coexisting with COVID 19, the recovery is slow. The company is hoping for a recovery in orders from the third quarter.

* Market of semiconductors for China and South Korea

The company expects the strong performance to continue like in Japan.

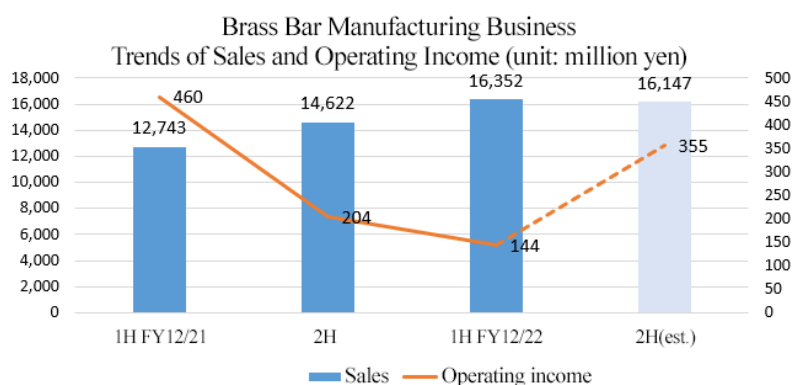


(2) Brass Bar Manufacturing Business

Sales will grow and profit will decrease.

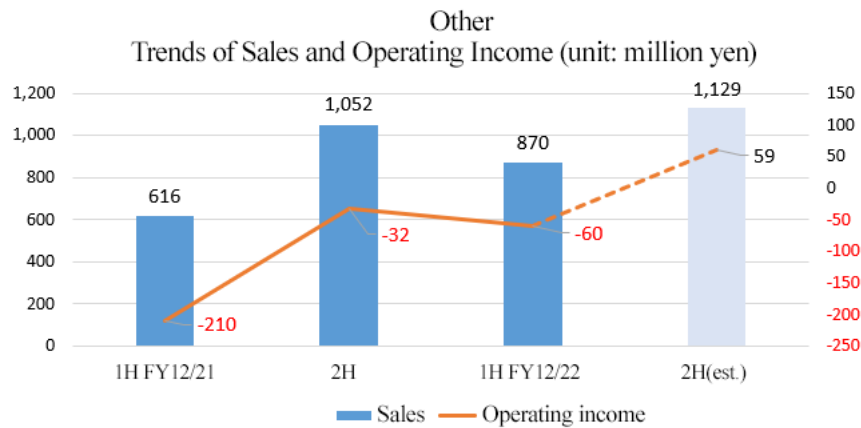
Domestic demand for brass bars is expected to remain firm. The company will focus on expanding sales of environmentally friendly materials (lead-free materials and cadmium-free materials).

In addition to improving productivity by starting operations of new production lines and cost reductions centering on yield rate improvements, the company will work to improve processing costs.



(3) Other

Revenue will grow and profit below will be recorded.



4. Conclusions

Although there remain some risk factors such as rising raw material prices, the impact of the lockdown in Shanghai, and Russia's invasion of Ukraine, business performance has been strong due to the penetration of price revisions and the steady satisfaction of strong demand, although demand varies among markets. The profit margin of the Valve Manufacturing Business, which is the mainstay, is expected to rise nearly 1 point from the previous fiscal year. We would like to keep an eye on the extent to which the results of various initiatives in growth markets will contribute to the business performance in the 3Q and beyond.

<Reference1: Long-term Management Vision, Beyond New Heights 2030 - Change the 'Flow'>

In February 2022, in order to realize the new KITZ' Statement of Corporate Mission, for the purpose of further long-term growth and enhancement of corporate value along with the contribution to the realization of a sustainable society, we have formulated our long-term management vision, Beyond New Heights 2030 - Change the 'Flow', as well as our first Mid-Term Management Plan 2024.

(1) Our Aspirations for 2030

The following are the four ideals.

Technology/Solutions	KITZ will continue to challenge in Stream, Block and Squeeze by leveraging its one-of-a-kind technology and exceeding the user's expectations through its powerful proposal capability.
Core Business/Growth Business	KITZ will strengthen the foundation of its core business for the information and the sustainable society, while also accelerating its entry into growth businesses without fear of risk.
Environmental Conservation Through Business	KITZ will garner favor of society by contributing to a sustainable future, pursuing environmentally friendly product and material development and production processes.
Diverse Human Resources	KITZ will ensure each and every employee, regardless of gender, age, nationality, or culture, can work in high spirits of maximum performance as professionals.

(2) Ideal Management Structure and Quantitative Goals

① Quantitative goals

The two goals for FY2030 are as follows.

☆ Average sales growth rate: 4% or higher (Consolidated sales of 200 billion yen for FY2030)

☆ ROE: 10% or higher (Consolidated net income of 10 billion yen for FY2030)

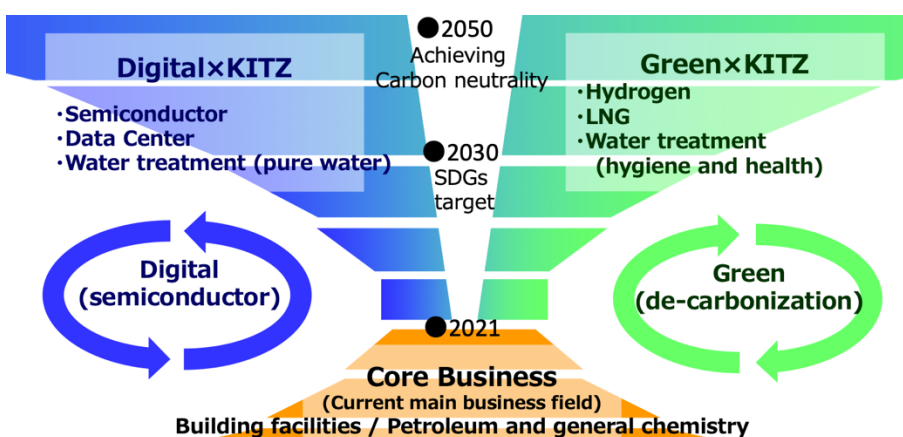
② Management structure

The company aims to expand the business domain toward the growing fields of semiconductors, functional chemistry, hydrogen, etc. based on its current core businesses such as building facilities and petroleum/general chemistry.

The company will proactively allocate resources to growing fields and regions against the backdrop of digitalization and de-carbonization with emphasis on return on invested capital (ROIC).

(3) Ideal State for 2030: Shift in Business Domains

They aim for two-sided management that can generate earnings in core businesses and growing areas.



(Taken from the reference material of the company)

① **Long-term strategic investment policy**

The total investment budget (for nine years) is set at 80 billion yen, of which approximately 60% will be for strategic investment in growing and new areas (including DX and M&A).

Management resources will be intensively allocated for shifting from core businesses.

(4) **Sustainability**

① **Basic sustainability policy and sustainability slogan**

The following are the basic sustainability policies and slogans.

◎ **Basic sustainability policy**

KITZ Group is committed to realizing its corporate philosophy, the KITZ' Statement of Corporate Mission, through the following activities

- ① Work to solve social issues through our business and enhance our corporate value and social value
- ② Achieve efficient, fair, and transparent corporate management and become a company trusted by society.
- ③ Build strong trusting relationships through dialogue with all stakeholders

◎ **Sustainability slogan**

Create the Future, Preserve the Future

Create the Future

The KITZ Group will create a new future by acting with integrity and taking on challenges without fear of change, aiming to realize a recycling-oriented society that is friendly to the earth and people.

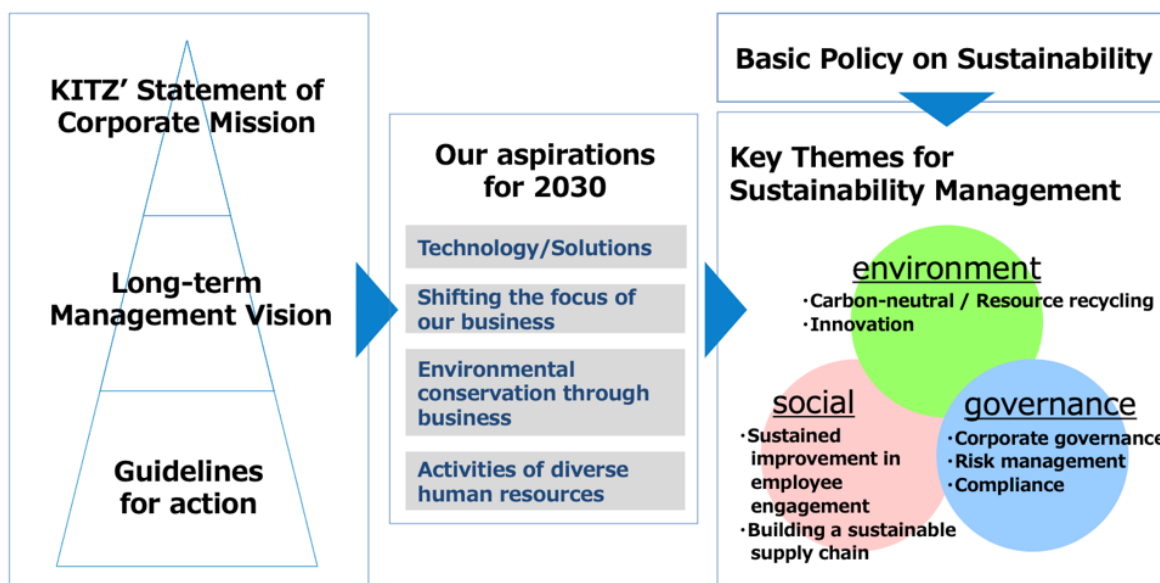
Preserve the Future

The KITZ Group will continue to protect the Earth's limited resources and human life and strive to realize a society that we can pass on to the next generation.

◎ **Sustainability management**

① **Overall view**

In our long-term strategy toward 2030, we have placed sustainability management at the core of our business strategy.



(Taken from the reference material of the company)

② Key themes for sustainability management

We will establish key management themes for each of E (Environment), S (Society), and G (Governance) and work on concrete measures to address them.

	Key Themes for Sustainability Management	Specific Initiatives
E	Carbon Neutral/Resource Recycling	Development of KPI targets to achieve Triple Zero (CO ₂ reduction rate/water discharge/waste landfill disposal rate)
	Innovation	Development of Fluid Control Technology to Support a Decarbonized/Hydrogen Society Development of materials that contribute to reducing the environmental footprint
S	Sustainable Improvement in Employee Engagement	Instillation of corporate philosophy/vision To promote D&I and foster a culture of collaboration Human resource development and system reform to support global management Creating a work environment in which employees can work with enthusiasm
	Building a Sustainable Supply Chain	Emphasizing CSR procurement To establish a stable raw material and parts procurement system
G	Corporate Governance Risk Management Compliance	Further transparency in management decision-making Risk management focused on both risk reduction and opportunity creation Global Compliance for Sustainability Management

◎ E (environment)

The company aims to realize a sustainable, recycling-oriented society in FY2050 by promoting Triple-Zero initiatives: zero CO₂ emissions, zero environmental impact, and zero risk.

The goals for FY2030 are i) a CO₂ reduction rate of 90%, ii) a waste to landfill ratio of less than 1.0%, and iii) 100% reduction of water resources discharge.

(All figures are comparisons with FY2013 in the domestic group)

◎ S (society)

To create an environment where each and every employee works professionally and energetically at their best performance, regardless of gender, age, nationality, culture, etc., with the aim of achieving the success of diversified human resources.

◎ G (governance)

In terms of corporate governance, the Company will strengthen portfolio management by incorporating an evaluation yardstick for the cost of capital and enhance the monitoring function and strengthen the implementation system by establishing a Sustainability Committee.

In risk management, we will identify and assess risks, and implement, verify, and continuously update countermeasures throughout the Group, as well as seek to discover new business opportunities by shifting our thinking from risks related to social needs and market changes.

In the area of compliance, we will shift to a compliance program that meets the needs of society (strengthening our measures for human rights, labor, the environment, anti-corruption, etc.) and aim to spread autonomous compliance throughout the Group, with each employee taking responsibility for his or her own compliance.

(5) Toward DX

Achieve business transformation (BX) by linking DX and business innovation activities.

They aim to transform into a customer-oriented and agile organization by thoroughly streamlining existing businesses and visualizing and mobilizing management resources in order to support the world's social infrastructure and create a prosperous future through fluid control and digital technology.

<Refernce2: First Mid-Term Management Plan 2024>

(1) Review of the Fourth Mid-term Management Plan (FY2019-FY2021)

Numerical management targets were not achieved. The main reasons were the excessively optimistic market outlook, significant stagnation in the market due to the COVID-19 pandemic, and delays in profit-earning structure reforms, such as the restructuring of low-profit categories. Due to the lack of operating CF and the uncertainty of market conditions caused by the COVID-19 pandemic, capital expenditures were kept within depreciation costs, and growth investments were carried over to the next mid-term plan.

While the company continues to enhance shareholder returns, it recognizes that it still faces challenges in executing strategic investments for sustainable growth. Meanwhile, steady progress was made in strengthening the global/ESG management foundation.

(2) Overview of the First Mid-Term Management Plan 2024 (FY2022-FY2024)

① Basic management policy

The company aims for a two-pronged management approach that can generate earnings in both core businesses and growing fields.

*Actively allocate resources to growing fields and regions against a backdrop of digitalization and decarbonization.

*Business operation with emphasis on return on invested capital (ROIC).

② Quantitative targets

The following KPIs were established.

Financial KPI	FY2021(results)	FY2024(targets)
Sales	135.8	150.0
Operating Income	9.0	12.0
ROE	6.4%	8% or more
Dividend Payout Ratio	36%	around 35%

Unit: Billions of yen

*Segments

	FY2021(results)	FY2024(targets)
Valve Manufacturing Business	106,754	118,500
Brass Bar Manufacturing Business	27,366	29,500
Other	1,668	2,000
Total Sales	135,790	150,000
Valve Manufacturing Business	12,088	15,100
Brass Bar Manufacturing Business	665	1,000
Other	-243	100
Adjustment	-3,520	-4,200
Total Operating Income	8,990	12,000

Unit: Millions of yen

Non-financial KPIs	FY2021(results)	FY2024(targets)
CO ₂ reduction rate	-26.9%	-80%
Employee Engagement Score		
Worthwhile place to work	48 pts	56 pts
Ease of working	43 pts	55 pts
Ratio of female employees	21.7%	23%
Ratio of female managers	3.4%	10%
Ratio of male employees who took childcare leave	29.0%	50%

CO₂ reduction rate is the reduction amount of domestic group companies, compared to 2013. The result for FY2020 is -26.9%. Other than the CO₂ reduction rate, all numbers refer to KITZ alone.

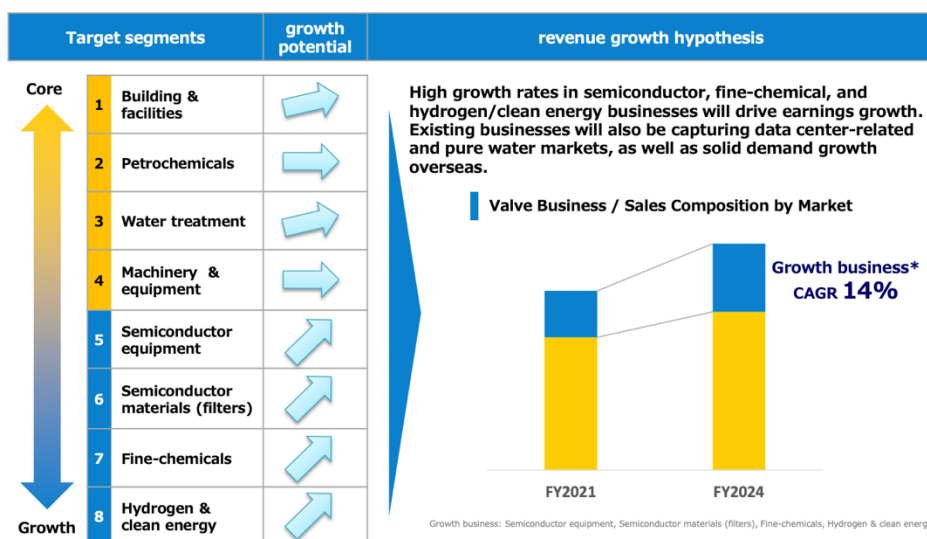
*“Female managers” refers to women who hold positions as department heads.

(3) Mid-term Plan for Each Business

(3)-1 Valve Manufacturing Business

(3)-1-1 Strategy in Each Market

Medium- to long-term target markets were classified into eight market segments. Based on the current core businesses (building facilities, petrochemicals, water treatment, and machinery equipment), the company will shift resources to growing and new fields (semiconductor equipment, semiconductor materials [filters], fine-chemicals, and hydrogen, clean energy) and change its profit-earning structure.



(Taken from the reference material of the company)

① Building facilities

Although new housing starts are on a downward trend domestically, overseas markets will continue to grow, especially in ASEAN countries. In developed countries, the needs for simplified construction are increasing. Globally, demand for data centers is expected to grow rapidly.

(Key measures)

The company will promote the stocking of products to respond to the need for quick delivery in order to capture demand in the data center market.

In addition to the development of products with connection methods compatible with simplified installation, the company will develop products that are compatible with changes in piping construction methods and materials, as well as automation and smart construction.

② Petrochemicals

Global oil demand is expected to increase in emerging markets as they recover from the COVID-19 pandemic. Petrochemical demand is expected to remain strong in developed countries as well, despite the shift to clean energy.

(Key measures)

- To develop products that follow user trends such as the shift to clean energy and environmental measures.
- To improve services and MRO order rates for key account users, especially Japanese-affiliated companies.
- To raise the implementation rate of the KITZ predictive diagnostic system.
- To promote compliance with global standards and customer certifications.

③ Water treatment

Global demand for water infrastructure will increase, but price ranges and certification systems are barriers to entry. Investment in pure water/ultrapure water plants will increase due to rising demand for semiconductors.

(Key measures)

To develop marketing activities closely tied to pure water plant manufacturers and pure water equipment manufacturers.

To develop resin-based products and promote the compliance with the strict prohibition on the elution of metal ions.

To provide solutions for the water infrastructure field, focusing on purification equipment (Pureculaser, AquaRescue, etc.).

④ Machinery equipment

The company will provide new customer value by accurately grasping the increasingly sophisticated environmental needs for RoHS/REACH, green refrigerants, etc. in the machinery and equipment sector.

(Key measures)

To establish a new Machinery & Equipment Sales Department.

To develop machinery and equipment that is smaller, lighter, and better suited to automation, and introduce them to the market.

To expand the number of products compliant with environmental regulations such as RoHS and REACH.

To capture demand for switching to next-generation (green) refrigerants.

⑤ Semiconductor equipment

Against the backdrop of the solid expansion of the semiconductor market, the company will expand its production capacity of clean valves for semiconductor equipment and promote the development of its research and development system.

(Key measures)

New building construction at the Nitta SC Plant to increase production capacity.

To implement DX (automation and labor saving) investment on the production side.

To reinforce the R&D system.

⑥ Semiconductor materials (filters)

Against the backdrop of strong semiconductor demand, the company also expects steady growth in semiconductor photoresist filters (Polyfix). Production capacity will be expanded to meet growing demand.

(Key measures)

To expand the production capacity of industrial filters such as Polyfix.

To work on the development of next-generation membranes compatible with semiconductor sub-nano.

To develop methods of applying precision filters to other fields (other than photoresists).

⑦ Fine-chemicals

Chemical companies, which are the company's major customers, are focusing on high value-added functional chemical fields. The company will expand its product lineup to meet increasingly sophisticated process requirements and increase earnings.

(Key measures)

To expand its product lineup to meet the demand for high cleanliness and easy maintenance, such as diaphragm valves.

Form a cross-functional sales and engineering organization dedicated to fine chemicals and pursue synergies with KITZ SCT.

To build and strengthen process and production technology networks with fine chemical/equipment and machinery manufacturers, etc.

⑧ Hydrogen, clean energy

Hydrogen energy-related market potential is expected to expand rapidly toward a decarbonized society. The company aims to expand its business by entering the hydrogen supply chain, which is being implemented in society.

(Key measures)

The company will capture the hydrogen station market with packaged units. Also, they will enter the small-scale, locally produced and consumed green hydrogen energy chain business.

Large-scale demonstration plant for liquefied hydrogen (shipping and receiving terminals, carriers), and research and development for entry into the hydrogen aircraft market (NEDO project) will be promoted.

To capture new hydrogen energy demand for hydrogen power generation, hydrogen pipelines, etc.

To expand the lineup of ultra-low temperature valves for LNG for overseas markets and strengthen sales.

(3)-1-2 Group Strategy

The company aims to increase revenues by focusing on three key areas: creating group synergies, strengthening user contact points, and global product and area strategies.

(3)-1-3 Area Business Strategy**① North American market**

◎ Key Target Markets

Building facilities, petrochemicals, water treatment, semiconductor equipment, fine-chemicals, and hydrogen, clean energy

◎ Business opportunities

*Expansion of oil, petrochemical, and gas markets in the oil-producing U.S.

*Trend of strengthening environmental regulations (decarbonization, lead-free, etc.)

◎ Key measures

The U.S. marketing base is positioned as a control tower for market strategies for oil and gas.

Aiming to develop and launch low-cost ball valves to enter the chemical market.

Regarding industrial use valves, the sale of three-piece trunnion ball valves and high-performance butterfly valves will be expanded.

Regarding general use commercial valves, the company aims to expand sales in the commercial valve market.

② Chinese market

◎ Key target markets

Building facilities, petrochemicals, water treatment, machinery and equipment, semiconductor equipment, fine chemicals

◎ Business opportunities

*Expansion of the data center market, etc., against the backdrop of the new infrastructure policy.

*Expansion of ethylene and other production capacity in line with policy guidance (chemical shift) in the petroleum industry.

*Market expansion through policy-oriented domestic production of semiconductors.

◎ Key measures

*Building facilities, petrochemical, and fine chemicals markets

In the area of general use commercial valves, the company will actively utilize its integrated system of design, production, and sales: it will strengthen its ability to respond to the speed of market demand.

Regarding industrial use valves, the company will expand sales of industrial products, which have a large market size, by utilizing its production plant in China.

For automatic valves, an assembly and inspection system will be established at the production base in China.

*Semiconductor Equipment Market

To increase local production capacity and expand sales.

③ ASEAN and Indian markets

◎ Key target markets

Building facilities, petrochemicals, water treatment, machinery and equipment, fine-chemicals, and hydrogen, clean energy

◎ Business opportunities

*Expansion of Middle-Zone economy in parallel with the growth of emerging middle-class markets, including urban infrastructure.

*Expanding key account marketing opportunities in parallel with the entry of Japanese users.

◎ Key measures

*ASEAN

To establish a network of key accounts with a focus on Japanese users.

To identify hot-selling products through community-based marketing and develop an integrated local supply system (development, production, and sales).

To maximize revenues through collaboration between local brands and Unimech, Inc.

*India

To establish a regional strategy for region completion following the domestic production policy.

(3)-2 Brass Bar Manufacturing Business

Although existing business domains are shrinking, the company will increase profitability through continuous cost reduction by cultivating growing areas (automotive, semiconductors, etc.), capturing demand for processed products in line with supply chain reviews, promoting manufacturing cost reduction and recycling, and improving operational efficiency through DX and other measures.

(3)-3 Other Business (Services: Hotel Beniya)

To shift the sales policy to target individual customers and the nearby prefectures' trading areas to secure profits during the COVID-19 pandemic. To take the opportunity presented by environmental changes to drastically reform and establish service productivity.

(4) Digital Transformation (DX)

DX will be introduced in the areas of design and development, production and assurance, marketing, sales and customer service and back office. Reduction of operation ratio and shift to value-added operations will be promoted.

DX improves EX (employee value) and CX (customer value).

(5) Financial Strategy and Capital Policy

The cornerstone of management is medium- to long-term improvement of return on invested capital, and as the main KPI for target management, ROE is used externally, while ROIC is used internally.

To execute strategic investments and raise necessary funds for future growth and ROE improvement.

The thick liquidity on hand for contingency planning during the COVID-19 pandemic will be returned to the normal mode, and consolidated cash and deposits will be reduced to about a month (compared to consolidated monthly sales).

Item	Goals and Plans
ROE	2024: 8% or higher. 2030: 10% or higher.
ROIC	Adoption of ROIC management ① To improve profitability (implement pricing strategy, reconsider unprofitable products) ② ROIC Tree deployment and PDCA management ③ CCC improvement and asset reduction
Operating CF	38 billion yen (cumulative total for 2022-2024)
Investment	Total investment: 37 billion yen. Strategic investment: 24 billion yen.
Shareholder return	Dividend payout ratio: mid-term policy of 35% continued
Interest-bearing debt	Bond redemption: 10 billion yen (September 2022)

<Reference3: Regarding Corporate Governance>

◎ Organizational structure, Composition of board of directors and company auditors

Organizational structure	Company with board of company auditors
Board of directors	7 directors (4 are outside directors)
Company auditors	5 auditors (3 are outside auditors)

◎ Corporate governance report (Updated on: March 30 2022)

Basic policy

We recognize that a well-functioning corporate governance allows the company to fulfil their social responsibility, elevates the efficiency and transparency of the management and contributes to a sustainable improvement of the corporate value. That is why our group aims for an effective corporate governance system based on the KITZ' Statement of Corporate Mission by placing importance on compliance and building and operating a precise and swift management system as well as a business execution system which can swiftly respond to changes in the management environment while living up to the trust of all kinds of stakeholders and fulfilling the social mission and responsibility as a company.

In addition, our company has set Basic Policy for Corporate Governance, which is disclosed on the company website alongside Compliance Table of the Governance Code.

We have established the Basic Policy on Corporate Governance, which can be accessed through our company website alongside the "Status of Implementation of the Corporate Governance Code" and the information on sustainability initiatives.

https://www.kitz.com/english/sustainability/kitz_sustainability.html

<https://www.kitz.com/english/sustainability/governance.html#t01/>

<Reasons for Non-Compliance with the Principles of the Corporate Governance Code>

Our company follows all principles of the Corporate Governance Code revised by the Tokyo Stock Exchange (hereinafter referred to as "TSE") in June 2021.

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

【Principle 1-4】 Cross-shareholdings

We have established a "Policy on Cross-shareholdings," which stipulates that, in principle, any shares for the purpose of forming stable shareholders will not be held, and that we will reduce, as much as possible, the number of the shares that are deemed not to meet this policy.

In addition, at the meeting of the Board of Directors held every year at the beginning of the fiscal year, we scrutinize the purpose of holding individual strategically held shares, the quantitative economic rationality associated with holding, and the risks of holding such shares, etc. and check their appropriateness based on this policy.

Regarding the exercise of voting rights regarding strategically held shares, we comprehensively take into consideration the management situation and suitability of decision-making for improving the governance system and corporate value in a mid-to long-term of the share-issuing company, and whether an improvement of our company group's corporate value can be expected or not and pass a judgement for or against in regard to each proposal.

Please refer to the "Basic Policy for Corporate Governance" and "Policy Regarding Cross-shareholdings" disclosed on our company's website for the policy regarding Cross-shareholdings, and to the Financial Statements for the number of shares of each specific investment stock respectively.

【Supplementary Principle 2-4-1】 Human Resources Development Policy and In-house Environment Development Policy for Ensuring the Diversity of Core Human Resources, and the State of Achievement

[1] Policy for ensuring diversity in regard to promotion, etc. of core personnel

Our company has been promoting diversity since FY2015 as one of important strategies for management. We believe that it is the mission of a company to treat their employees as assets of the company (human resources), respect the individuality of employees with diverse characteristics (age, sex, nationality, occupation, position, workstyle, etc.) and values, recognize each other and build an environment where each employee can demonstrate their respective abilities.

Moreover, our company has been promoting personnel based on the individual, placing importance on their ability and achievements, regardless of sex or nationality. We believe that respecting diverse viewpoints and values is vital for the realization of sustainable growth and the improvement of corporate value, and alongside proactive recruitment of human resources with different experiences, skills, and careers, we are developing a workplace environment that allows such personnel to flourish.

[2] Promotion of women to managerial positions

Our company views the empowerment of women as one of management challenges. In order to promote diversity, we have forged ahead with various initiatives for achieving further growth of female employees by implementing measures such as support for the career development of women and endeavors for expanding the range of work where women can participate in addition to improving the ratio of female employees in recruitment and creating an environment easy for women to work in. We will keep upholding our policy to forge ahead with further initiatives in order to become a company where women can achieve their full potential. Moreover, while the current ratio of female employees in our company is 21.7%, our goal is to increase it to 23% by FY2024 and to 25% by FY2030.

Regarding the promotion of women to managerial positions, the current ratio of women in managerial positions is 3.4% and there is a difference between men and women in regard to promotion to positions that involve decision-making, such as managerial positions. Our company views this as an item to be addressed. From now on, we plan to gradually raise the ratio of women in managerial positions, to 10% by FY2024, 16% by FY2027 and 20% by FY2030 through steady implementation of measures concerning the promotion of women to managerial positions in regard to female mid-career recruits, etc. in addition to engaging in initiatives to bring more women to leadership positions (semi-managerial positions), which also form the pool for the next managerial position candidates, by enriching the education and development of female employees, alongside further promotion of the recruitment of female employees.

[3] Promotion of foreign nationals to managerial positions

In order to accurately grasp different demands of various customers and quickly provide quality products and services, our company group has developed bases for manufacturing and sales in 18 countries, including Japan. Moreover, foreign employees working at bases other than Japan account for 54.5% of all of our company group's employees.

However, while our company has been putting efforts into the recruitment of mid-career recruits and new graduates of foreign nationalities since FY2015, the average number of recruited foreign employees in the last five years is 3.8 and the overall ratio of foreign employees stands at 2% as of the end of FY2021. In this situation, we have not quite reached the point where we could set a goal for the promotion of foreign nationals to managerial positions and our company recognizes this as a task to be addressed. From now on, we shall consider the promotion of foreign employees to managerial positions in the process of forging ahead with the recruitment of even more foreign employees.

Furthermore, it is our company's policy to place importance on further acceleration of the business globalization, promote the localization of the operation spreading into the whole world and proceed with streamlining of business from the perspective of total optimization, toward FY2030. In order to accomplish this, we shall proactively promote the communication between human resources beyond the barriers of countries and regions and aim for realizing a globally optimal utilization of human resources alongside promoting outstanding personnel in each region who have a good understanding of the particular region's characteristics, regardless of the nationality, race, sex, etc., based on the KITZ Global HR Policy.

[4] Promotion of mid-career hires to management positions

The ratio of mid-career hires in management positions has already reached 45%. Therefore, we will make efforts to maintain the current ratio.

【Supplementary Principle 3-1-3】 Initiatives Concerning Sustainability (Investment in Human Capital, Investment in Intellectual Property, and Climate Change Risks)

Upgrading the quality and quantity of information disclosure based on frameworks such as TCFD

[1] Initiatives concerning the promotion of sustainability

Our company believes that sustainability management is important in order to realize both sustainable development of the society and mid-to long-term growth of our company group, and tackling challenges concerning ESG (environment, society, governance) can bring about an impulse for creating new corporate value. With regard to promoting sustainability management, our company has established Basic Policy on Sustainability and Slogan on Sustainability, and based on them, we have set the priority sustainability themes.

Moreover, regarding the system for promoting sustainability, we have set up Corporate Committee for the Promotion of Sustainability, where the head of the Management Planning Dept. serves as committee chairman, and the executives of our company as well as Presidents of the domestic group companies are involved as permanent members, alongside establishing Group for the Promotion of Sustainability within the Management Planning Dept.

The objective of the Corporate Committee for the Promotion of Sustainability is to powerfully boost sustainability management in the whole group by sharing priority challenges as well as KPIs (key performance indicators) concerning respective challenges, reflecting them on the formulation of KPIs in each company and corrections of the plan.

[2] Investment in human capital, intellectual property, etc.

The "KITZ Group Long-Term Management Vision" and "Medium-Term Management Plan" announced in February 2022 give the information on our strategies related to the allocation of management resources and business portfolios, including quantitative targets for growth, profitability, capital efficiency and payout ratio, as well as the investments related to human capital and development (including intellectual property investment) as the steps toward growth to realize the long-term management vision.

[3] Impact on business activities, income, etc. of the company brought about by risks and opportunities for gaining income related to climate changes

Our company set a mid-term environmental goal regarding the reduction of emissions of greenhouse gases such as CO₂ by 2030, outlined below, in FY2021. In order to upgrade gradual disclosure of information concerning the impact of climate changes on business activities in terms of financial affairs alongside quicker realization of the relevant mid-term environmental goals, we expressed our approval of the TCFD (Task Force on Climate-related Financial Disclosures) proposal in December 2021.

Consequently, our policy is to conduct analysis based on data and upgrade the quality and quantity of information disclosure in step with TCFD, in addition to grasping risks and opportunities related to climate changes.

In addition, the information on our responses to the climate change is disclosed on our website.

https://www.kitz.co.jp/environment/env_warming.htm

1. Governance

Our company formulated Long-Term Environmental Vision in 2021, based on the philosophy of the Group Environment Management. The progress and accomplishments regarding the mid-term management plan, long-term environmental vision and the main items of the disclosed environmental goals are checked at a management meeting involving the executives, with decisions passed on the direction, challenges, and especially important measures. In addition, especially important items are discussed with the board of directors, who then deliberate and pass the decision.

2. Strategy

Our company recognizes the importance of the consideration of risks and opportunities related to climate changes using future environmental changes (scenario) and the resiliency of our strategies.

A working group conducted a qualitative analysis of risks and opportunities of our important businesses related to climate changes in regard to the influence and impact of climate changes on management strategy, business, and financial affairs in FY2021, while taking into consideration the long-term environmental vision based on the long-term management vision, and made an evaluation at a management meeting, while taking into account the results of this analysis.

It is our company's policy to build a mechanism for evaluating and managing risks related to climate changes, use a scenario of future environmental changes based on data analysis and upgrade the quality and quantity of information disclosed in step with the TCFD proposal, alongside considering risks and opportunities related to climate changes and inspecting the resiliency of our company's strategies.

3. Risks and management

The process consists of an in-house working group analyzing risks and opportunities related to climate changes in regard to important businesses, evaluating these analysis results at a management meeting and formulating/implementing measures as well as grasping the results thereof. From now on, we shall rebuild the mechanism for evaluating and managing risks related to climate changes and use future environmental changes (scenario) to disclose countermeasures and the influence on financial affairs.

4. Indicators and goal

Regarding the mid-term environmental goal of reducing the emissions of greenhouse gases such as CO₂ by 2030 set by our company group, we are aiming for a production system that is both efficient and environment-friendly, intending to achieve a 90% reduction in the domestic group companies by 2030 with the year 2013 being the reference year, and decreasing the energy consumption rate as well as the output level of CO₂ by 50% at our overseas manufacturing bases.

【Principle 5-1】 Constructive Dialogue with Shareholders

Our company engages in following initiatives in order to promote dialogue with shareholders.

1. We nominate an executive in charge of IR in order to promote dialogue with shareholders.
2. We formulate Disclosure Policy and disclose it on our website to provide information to all shareholders and investors in a timely, accurate, impartial way.
https://www.kitz.com/english/ir/disclosure_policy.html
3. As a general rule, we hold a results briefing session targeted at institutional investors and analysts every quarter, and a company briefing session targeted at individual investors every year, with the President or executive in charge of IR taking care of the explanation. In addition, directors, including outside directors, and auditors participate if required and promote dialogue with shareholders.
4. In case of a request for an interview from a shareholder, the head of the division in charge of IR will deal with it as a general rule. Based on the intent of the interview, the number of held shares, etc., the President or the executive officer in charge of IR will take care of the interview.
5. In case of dialogue with shareholders, we appropriately manage information in order to prevent insider transactions.
6. We explain the group management vision, mid-term management plan, etc. in a way that is easy to understand.
7. In order to support dialogue with shareholders, we work toward an organic cooperation of the Publicity and IR Promotion Office, the Corporate Planning Department, the Accounting and Finance Department, the Sustainability Promotion Office, the General Administration Department, the Legal Department, etc. as required.
8. We regularly report the opinions, requests, etc. earned from dialogue with institutional investors and analysts to the President and the executive officer in charge of IR. The President reports the contents thereof at the board of directors meeting as well as management meeting as required and utilizes them in improving management.
9. We disclose IR information regarding management information, shares, general meetings of shareholders, etc. on our website in addition to settlement information such as financial statements and Annual Securities Reports.
10. We organize the information on the shareholder structure every year at the end of June and the end of December.

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