

BRIDGE REPORT



President
Makoto Kohno

KITZ Corporation (6498)



Company Information

Market	TSE Prime Market
Industry	Machinery (Manufacturing)
President	Makoto Kohno
HQ Address	Tokyo Shiodome Building, 1-9-1 Higashi-shinbashi, Minato-ku, Tokyo
Year-end	December
HOMEPAGE	https://www.kitz.com/en/

Stock Information

Share Price	Shares Outstanding (End of period)		Market Cap.	ROE (Act.)	Trading Unit
¥1,219	87,565,611 shares		¥106,742 million	11.3%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
¥46.00	3.8%	¥128.77	9.5x	¥1,246.16	0.98x

*Share price is as of closing on March 13. ROE is the result at the end of the previous fiscal year. The number of shares outstanding, DPS, EPS, and BPS are from the financial results for the third quarter of the fiscal year ended December 2024.

Consolidated Earnings Trends

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	DPS (¥)
December 2021 (Act.)	135,790	8,990	8,975	4,954	55.26	20.00
December 2022 (Act.)	159,914	11,051	12,045	8,549	95.35	33.00
December 2023 (Act.)	166,941	13,687	14,452	10,591	118.07	41.00
December 2024 (Act.)	172,042	14,220	15,276	11,824	132.64	46.00
December 2025 (Est.)	180,000	15,000	15,600	11,200	128.77	46.00

*The estimated values are based on the forecasts made by the company. Unit: million-yen, yen. Net income is net income attributable to the owner of the parent company. Same as below.

This Bridge Report presents KITZ Corporation's financial results for the fiscal year ended December 2024 and forecast for the fiscal year ending December 2025, etc.

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Key Points

- In the fiscal year ended December 2024, sales grew 3.1% year on year to 172.04 billion yen. The valve manufacturing business saw a 2.6% increase in sales. The sales of valves for semiconductor equipment declined, but the sales of this segment increased thanks to the price revision, exchange rates, etc. The brass bar manufacturing business saw a 5.0% increase in sales. Sales volume declined, but sales grew thanks to the rise in market price of copper. Operating income rose 3.9% year on year to 14.22 billion yen. The profit in the valve manufacturing business declined 1.2% year on year, due to the shrinkage of sales volume in 1Q, the augmentation of labor costs and other expenses caused by the inflation, etc. The profit in the brass bar manufacturing business increased 72.9% year on year, as they secured a profit margin through the improvement in yield rate and the rise in market price of copper. Net income increased 11.6% year on year to 11.82 billion yen, as gain on sale of investment securities increased year on year through the sale of strategically held shares in the section of extraordinary income. The year-end dividend was 27.00 yen/share, for a total of 46.00 yen/share per year.
- In the fiscal year ending December 2025, sales are expected to rise 4.6% year on year to 180.0 billion yen and operating income is projected to increase 5.5% year on year to 15.0 billion yen. The valve manufacturing business is expected to see a 5.5% increase in sales. In the growth markets, it is forecast that products will sell well in the fields of semiconductor materials (filters), functional chemistry, and hydrogen/decarbonization, and sales will grow 9.2%. In the core market, too, sales are expected to grow 3.5% thanks to the sales growth in each category. The brass bar manufacturing business is projected to see a 0.5% increase in sales. Regarding profit, expenses will augment, but sales quantities, price differences, etc. will increase profit considerably. The expected dividend is 46.00 yen/share, unchanged from the previous fiscal year, including an interim dividend of 19.00 yen/share. The forecast payout ratio is 35.7%.
- The fiscal year ended December 2024 is the final fiscal year of the first medium-term management plan. The upwardly revised financial goals have been attained. The second medium-term management plan titled “SHIN GLOBAL 2027” starts in FY 12/2025. With the aim of realizing a true global enterprise with three “SHIN (true)” things, they set a goal of achieving sales of 200 billion yen, an operating income of 20 billion yen, and an ROE of 11% or higher in FY 12/2027.
- The fiscal year ended December 2024 is the final fiscal year of the first medium-term management plan. The initial targets were upwardly revised, and sales and operating income exceeded the revised targets, hitting a record high. In the valve manufacturing business, the sales of valves for semiconductor equipment were sluggish, but it can be said that overall performance was satisfactory. The second medium-term management plan will start in FY 12/2025. It seems that their performance is quite good in the U.S., where the market of data centers contributes, and India and the Middle East, whose market is growing. We would like to pay attention to the improvement in profit margin as they will proceed with streamlining and the reflection of augmentation of costs in prices. Regarding share price, PBR remains less than 1. It can be expected that share price will rise, considering PER being less than 10 and dividend yield.

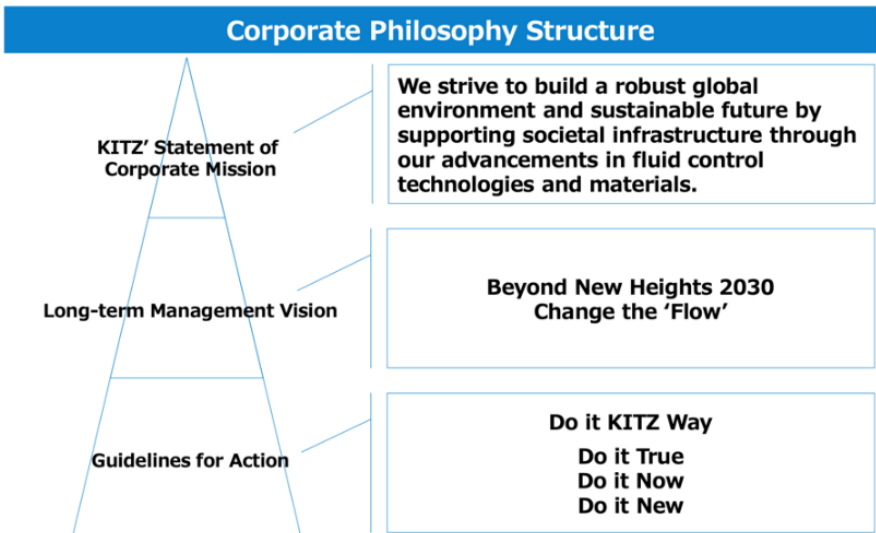
1. Company Overview

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 35 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.

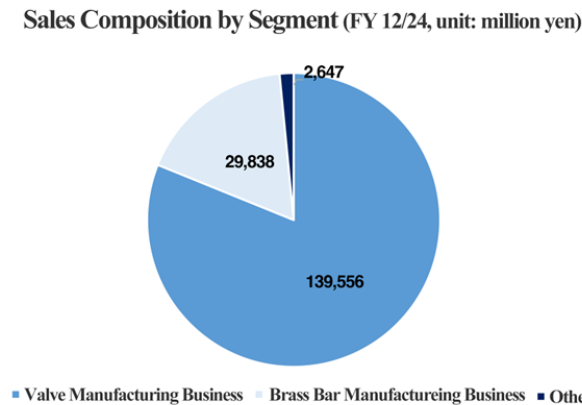
Recognizing that the creation of a prosperous global environment and a sustainable future is its mission to society, the company is deeply committed to continuing to support social infrastructure by further refining the fluid control technology and material development that the company has cultivated 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 2024, these segments accounted for 81.1%, 17.3%, and 1.5% of total sales, respectively.



(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, India, 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

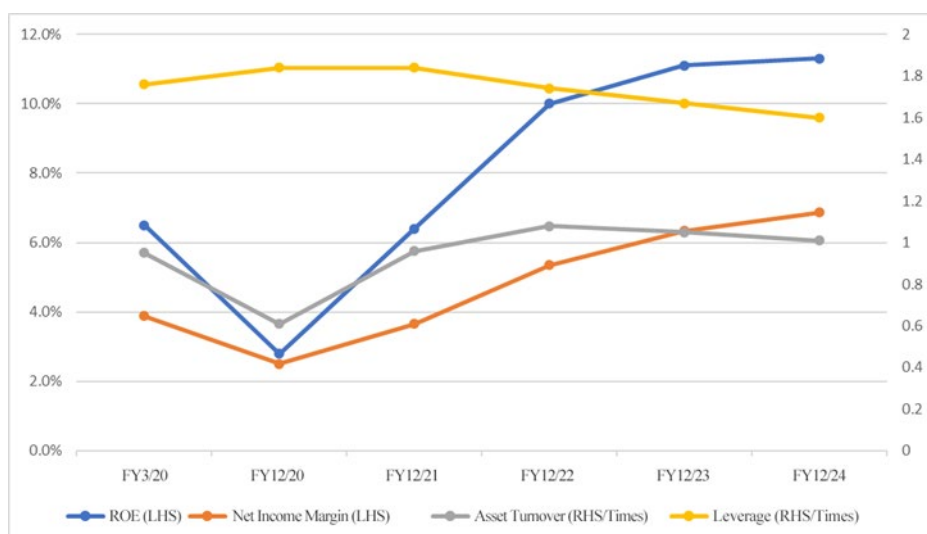
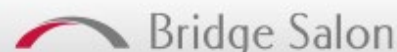
KITZ subsidiary "Hotel Beniya Co., Ltd.," operates a resort hotel in the city of Suwa, Nagano Prefecture. The hotel is located in a highly picturesque setting close to Lake Suwa with hot spring bathing facilities with sunset views and has a number of small and large banquet halls. The hotel also has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

1-3 ROE Analysis

	FY 3/20	FY 12/20	FY 12/21	FY 12/22	FY 12/23	FY 12/24
ROE (%)	6.5	2.8	6.4	10.0	11.1	11.3
Net income margin (%)	3.88	2.51	3.65	5.35	6.34	6.87
Total asset turnover [times]	0.95	0.61	0.96	1.08	1.05	1.01
Leverage [times](x)	1.76	1.84	1.84	1.74	1.67	1.62

*The fiscal year ended December 2020 was a nine-month period.

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*Created by Investment Bridge based on disclosed material of the company.

In the fiscal year ended December 2024, ROE was 11.3%, being double-digit for the 3rd consecutive fiscal year. They aim to keep PBR 1 or higher, and the improvement in profitability would improve it further.

2. Fiscal Year ended December 2024 Earnings Results

2-1 Consolidated Business Results

	FY 12/23	Ratio to Sales	FY 12/24	Ratio to Sales	YoY	The company's forecast	Ratio to Plan
Sales	166,941	100.0%	172,042	100.0%	+3.1%	170,000	+1.2%
Gross Profit	43,537	26.1%	44,971	26.1%	+3.3%		-
SG&A	29,849	17.9%	30,751	17.9%	+3.0%	-	-
Operating Income	13,687	8.2%	14,220	8.3%	+3.9%	14,500	-1.9%
Ordinary Income	14,452	8.7%	15,276	8.9%	+5.7%	14,800	+3.2%
Net Income	10,591	6.3%	11,824	6.9%	+11.6%	10,600	+11.5%

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

Sales grew 3.1% and operating income rose 3.9%.

Sales grew 3.1% year on year to 172.04 billion yen. The valve manufacturing business saw a 2.6% increase in sales. The sales of valves for semiconductor equipment declined, but the sales of this segment increased thanks to the price revision, exchange rates, etc. The brass bar manufacturing business saw a 5.0% increase in sales. Sales volume declined due to the downturn in demand in the entire industry, but sales grew thanks to the rise in market price of copper.

Operating income rose 3.9% year on year to 14.22 billion yen. Profit decreased 1.0% in the first half of the fiscal year, but annual profit grew. The profit in the valve manufacturing business declined 1.2% year on year, due to the shrinkage of sales volume in 1Q, the augmentation of labor costs and other expenses caused by the inflation, etc. The profit in the brass bar manufacturing business increased 72.9% year on year, as they secured a profit margin through the improvement in yield rate and the rise in market price of copper. As non-operating performance, ordinary income rose 5.7% year on year to 15.27 billion yen thanks to the rise in exchange gain. Net income increased 11.6% year on year to 11.82 billion yen, as gain on sale of investment securities increased year on year through the sale of strategically held shares in the section of extraordinary income.

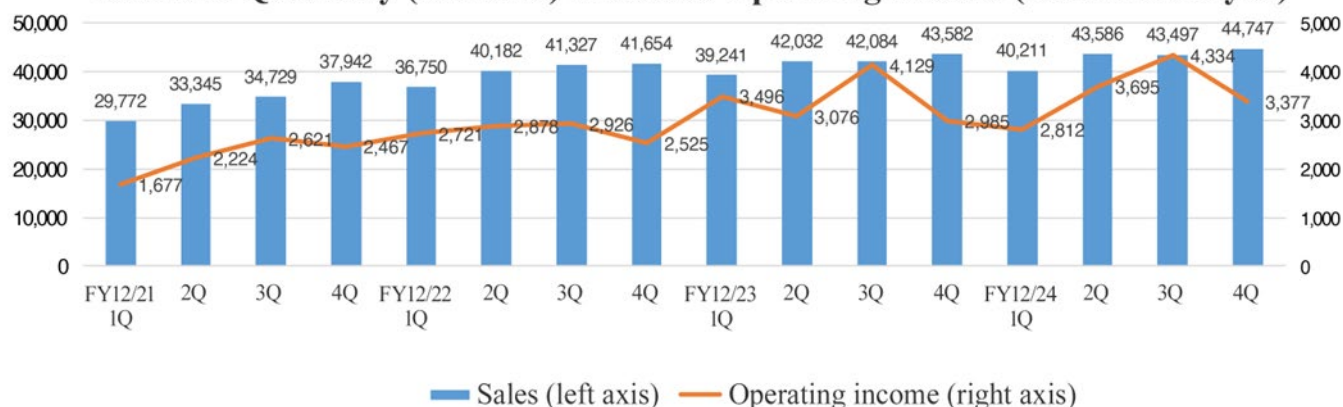
Sales, operating income, and ordinary income were almost as forecast by the company, while net income exceeded the forecast of the company significantly.

The year-end dividend was 27.00 yen/share, for a total of 46.00 yen/share per year.

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Trends of Quarterly (3months) Sales and Operating Income (unit: million yen)



Exchange and raw materials

	FY 12/23	FY 12/24 Act	FY 12/24 Plan
Yen / US Dollar	141.20	152.27	145.00
Yen / Euro	153.14	164.38	157.00
Electrolytic Copper, Yen / kg	1,246	1,436	1,240

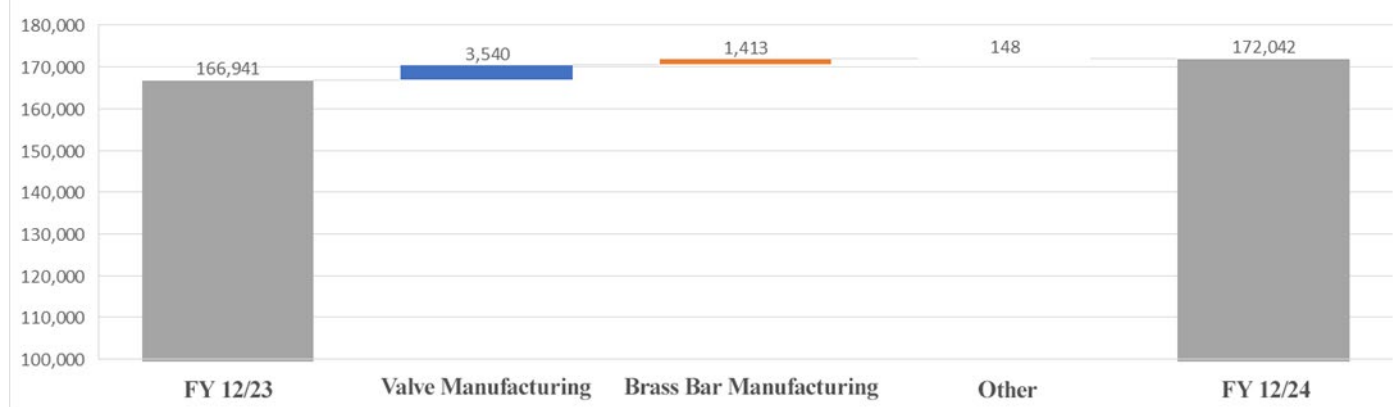
2-2 Business Segments' results

	FY 12/23	Composition	FY 12/24	Composition	YoY	Ratio to Plan
Sales	166,941	100.0%	172,042	100.0%	+3.1%	+1.2%
Valve Manufacturing	136,016	81.5%	139,556	81.1%	+2.6%	-1.0%
Brass Bar Manufacturing	28,425	17.0%	29,838	17.3%	+5.0%	+12.6%
Other	2,499	1.5%	2,647	1.5%	+5.9%	-
Operating income	13,687	8.2%	14,220	8.3%	+3.9%	-1.9%
Valve Manufacturing	17,626	13.0%	17,419	12.5%	-1.2%	-2.7%
Brass Bar Manufacturing	512	1.8%	886	3.0%	+72.9%	-6.7%
Other	105	4.2%	146	5.5%	+38.9%	-

* Unit: million yen. Composition of operating income is the ratio of profit to sales.

Factors for Sales (Segment)

(Unit: Million yen)



*Created by Investment Bridge based on disclosed material of the company.

(1) Valve Manufacturing Business

Sales increased year on year, but operating income declined slightly year on year.

The sales quantities in the Japanese market and overseas markets decreased and the recovery of demand for valves for semiconductor manufacturing equipment was delayed, but sales grew thanks to the price revision, exchange rates, etc. Operating income declined due to the decline in sales volume, higher labor costs resulting from wage hikes, and higher expenses stemming from inflation.

(Performance in each market)

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

In the core market, sales grew 5.4% year on year. In the growing market, sales dropped 1.7% due to the decline in sales of products for semiconductor equipment, etc. The sales in building equipment market increased, because data center projects contributed and the augmentation of costs was reflected in prices in Japan. The sales in the petrochemicals market increased slightly thanks to the growth of overseas sales from projects in China and South Korea, etc. The sales in the water treatment market increased, thanks to the healthy performance in Japan as well as the project for large-scale properties of a South Korean group company in 1Q. The sales of products for semiconductor equipment declined due to the delay in recovery of order receipt. The sales of semiconductor materials (filters) were unchanged year on year. The sales in the fine chemicals market dropped, as the number of projects completed was small. The sales in the hydrogen and clean energy market grew thanks to the increase in sales of package units for hydrogen stations and valves for hydrogen and clean energy.

(Performance in each region)

The ratio of domestic sales is 58% and the ratio of overseas sales is 42%. Domestic sales increased slightly year on year, and overseas sales increased 6.0% year on year.

*The sales in ASEAN countries, South Korea, and other regions grew due to increased sales at group companies in South Korea.

* In China, sales grew as the sales of products for semiconductors and industrial use were healthy although the sales of products for building equipment were stagnant.

* In the Americas, sales increased as the sales of products for building equipment increased although the sales of products for semiconductor equipment declined.

* In Europe, sales rose thanks to the posting of a large amount of sales of products for inventory of agencies.

(2) Brass Bar Manufacturing Business

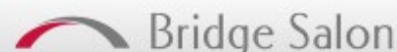
Sales grew 5.0% year on year to 29,838 million yen, thanks to the rise in selling prices caused by the skyrocketing of market price of copper although sales quantities decreased due to the downturn in demand in the entire industry.

Operating income rose 72.9% year on year to 886 million yen, due to the improvement in yield rate through the increase in productivity and the securing of profit margin based on the difference in material price.

(3) Other

Sales and profit grew, as the hotel business performed healthily.

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2-3 Financial Conditions and Cash Flows

◎BS

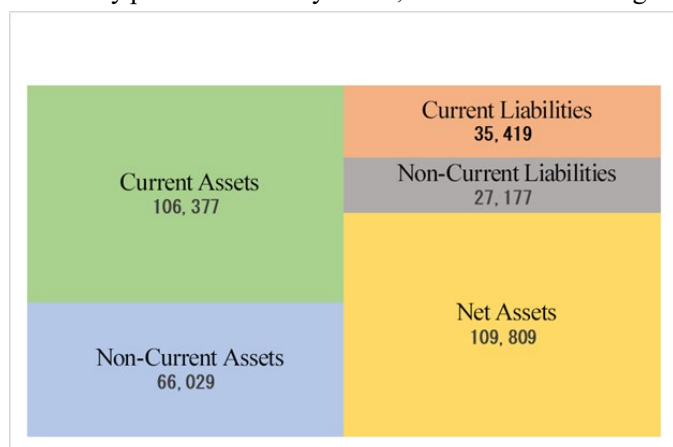
	Dec. 2023	Dec. 2024	Increase and Decrease		Dec. 2023	Dec. 2024	Increase and Decrease
Current Assets	103,859	106,377	+2,517	Current Liabilities	26,490	35,419	+8,929
Cash	29,002	30,729	+1,727	Payables	8,935	9,505	+570
Receivables	34,282	35,285	+1,003	Short-Term Debt	2,804	12,079	+9,275
Inventories	37,045	37,301	+256	Noncurrent Liabilities	37,995	27,177	-10,818
Noncurrent Assets	62,834	66,029	+3,195	Long-Term Debt	33,757	22,699	-11,058
Tangible Assets	49,932	54,427	+4,494	Total Liabilities	64,486	62,596	-1,889
Intangible Assets	1,964	1,698	-265	Net Assets	102,207	109,809	+7,602
Investments, Other	10,937	9,902	-1,034	Retained Earnings	65,258	70,392	+5,134
Total Assets	166,693	172,406	+5,712	Total Liabilities, Net Assets	166,693	172,406	+5,712

* Unit: million yen. Receivables include electronically recorded receivables.

Total assets increased 5.7 billion yen from the end of the previous fiscal year to 172.4 billion yen, due to the rise in tangible fixed assets, etc. Total liabilities decreased 1.8 billion yen from the end of the previous fiscal year to 62.5 billion yen, due to the decline in long-term interest-bearing liabilities, etc. Net assets grew 7.6 billion yen from the end of the previous fiscal year to 109.8 billion yen, due to the increase in retained earnings, etc.

Capital-to-asset ratio rose 2.4 points from the end of the previous fiscal year to 62.9%.

While they purchased treasury shares, their financial standing has improved.



*Created by Investment Bridge based on disclosed material of the company.

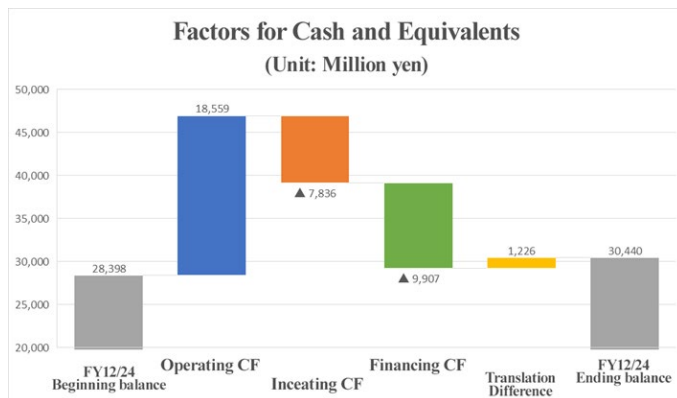
◎CF

	FY 12/23	FY 12/24	Increase and Decrease
Operating Cash Flow(A)	16,007	18,559	+2,551
Investing Cash Flow(B)	-7,407	-7,836	-429
Free Cash Flow(A+B)	8,600	10,722	+2,121
Financing Cash Flow	-5,189	-9,907	-4,717
Cash and Equivalents at Term End	28,398	30,440	+2,041]

* Unit: million yen.

Free cash flow increased, as operating cash flow grew from the previous fiscal year due to the decline in inventory assets, etc. The cash position improved.

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*Created by Investment Bridge based on disclosed material of the company.

3. Fiscal Year ending December 2025 Earnings Forecasts

3-1 Consolidated Earnings Forecast

	FY 12/24	Ratio to Sales	FY 12/25 Est.	Ratio to Sales	YoY
Sales	172,042	100.0%	180,000	100.0%	+4.6%
Operating Income	14,220	8.3%	15,000	8.3%	+5.5%
Ordinary Income	15,276	8.9%	15,600	8.7%	+2.1%
Net Income	11,824	6.9%	11,200	6.2%	-5.3%

Units: million yen.

Exchange and raw materials assumptions

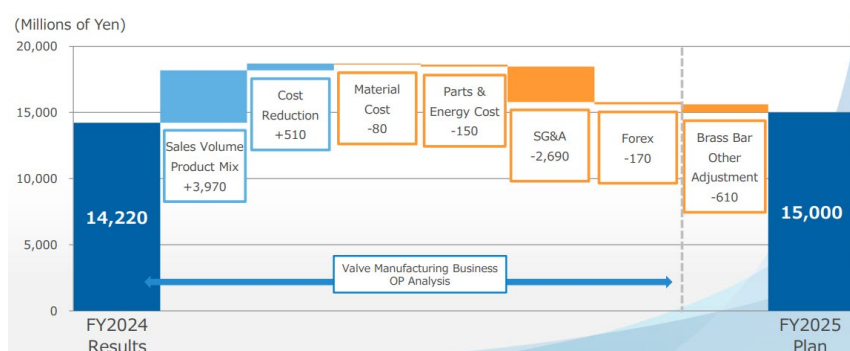
	FY 12/24	FY 12/25 Est.
Yen / US Dollar	152.27	155.00
Yen / Euro	164.38	167.00
Electrolytic Copper, Yen / kg	1,436	1,470

It is expected that sales will grow 4.6% year on year and operating income will rise 5.5% year on year

In the fiscal year ending December 2025, sales are expected to rise 4.6% year on year to 180 billion yen and operating income is projected to increase 5.5% year on year to 15 billion yen.

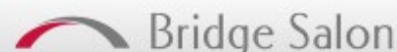
The valve manufacturing business is expected to see a 5.5% increase in sales. In growing markets, it is forecast that products will sell well in the fields of semiconductor materials (filters), fine chemicals, and hydrogen & clean energy, and sales will grow 9.2%. In the core market, too, sales are expected to grow 3.5% thanks to the sales growth in each category. The brass bar manufacturing business is projected to see a 0.5% increase in sales. Profits are expected to increase in both valve manufacturing business and brass bar manufacturing business.

The factors in increasing or decreasing profit are as shown in the figure below. Expenses will augment, but sales quantities, price differences, etc. will increase profit considerably.



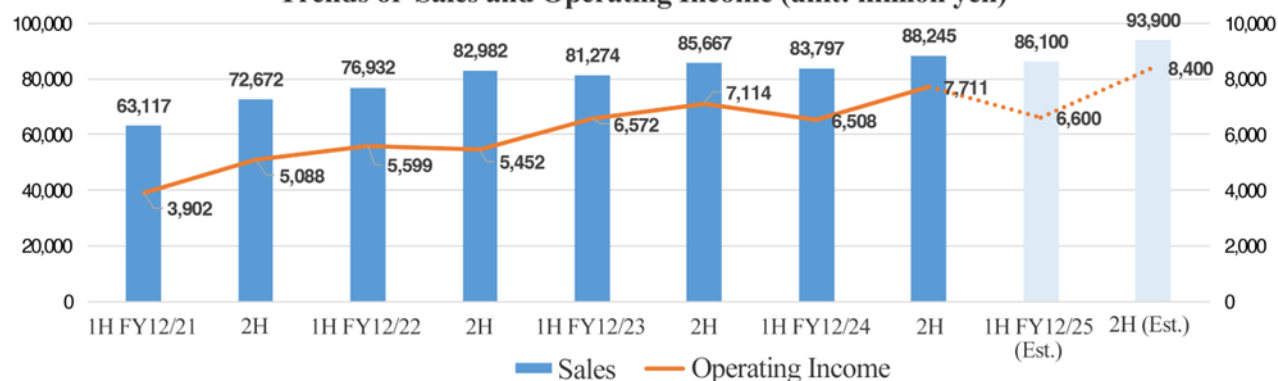
(Taken from the reference material of the company)

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The expected dividend is 46.00 yen/share, unchanged from the previous fiscal year, including an interim dividend of 19.00 yen/share. The forecast payout ratio is 35.7%.

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



*Created by Investment Bridge based on disclosed material of the company.

3-2 Sales and Operating Income by Segment

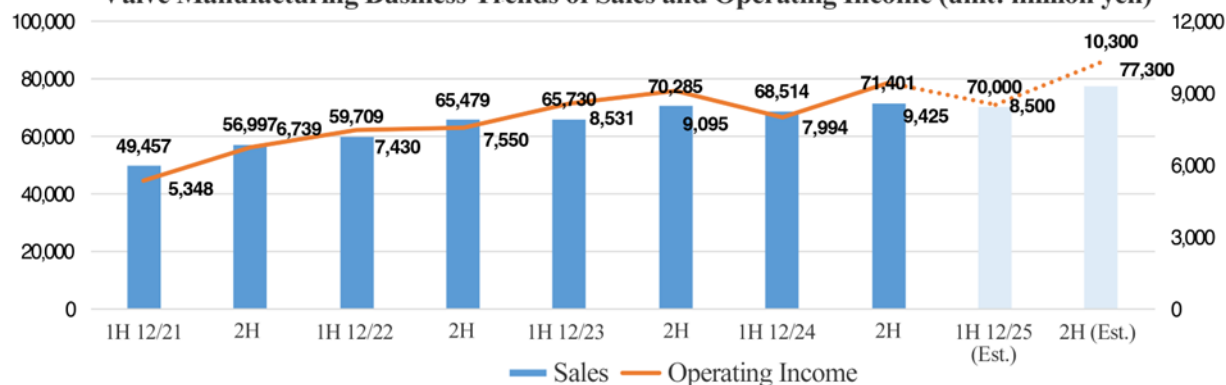
	FY 12/24	Composition Ratio	FY 12/25 Est.	Composition Ratio	YoY
Valve Manufacturing	139,556	81.1%	147,300	81.8%	+5.5%
Brass Bar Manufacturing	29,838	17.3%	30,000	16.7%	+0.5%
Other	2,647	1.5%	2,700	1.5%	+2.0%
Total Sales	172,042	100.0%	180,000	100.0%	+4.6%
Valve Manufacturing	17,419	12.5%	18,800	12.8%	+7.9%
Brass Bar Manufacturing	886	3.0%	900	3.0%	+1.6%
Other	146	5.5%	100	3.7%	-31.5%
Adjustments	-4,232	-	-4,800	-	+13.4%
Total Operating Income	14,220	8.3%	15,000	8.3%	+5.5%

* Unit: million yen. The composition ratio of operating income is the ratio of profit to sales.

(1) Valve Manufacturing Business

Sales and profit are expected to grow. In the core market, the business base will be strengthened further in response to the growth of demand for data centers, urban development, next-generation energy business, etc. inside and outside Japan. In growing markets, they will make efforts so that the investment conducted in accordance with the first medium-term management plan will bear fruit, and strive to modify their revenue structure by developing and releasing products for growing markets.

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

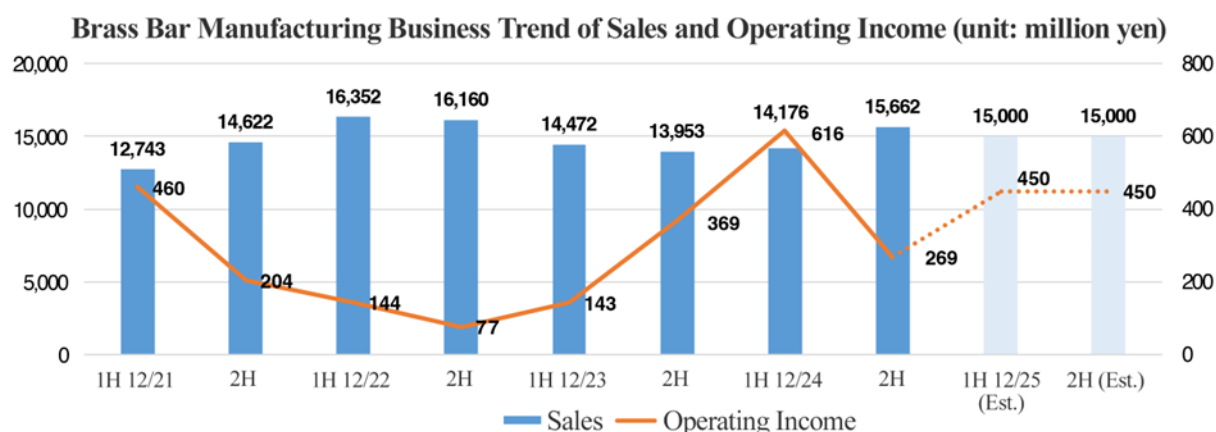


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**(2) Brass Bar Manufacturing Business**

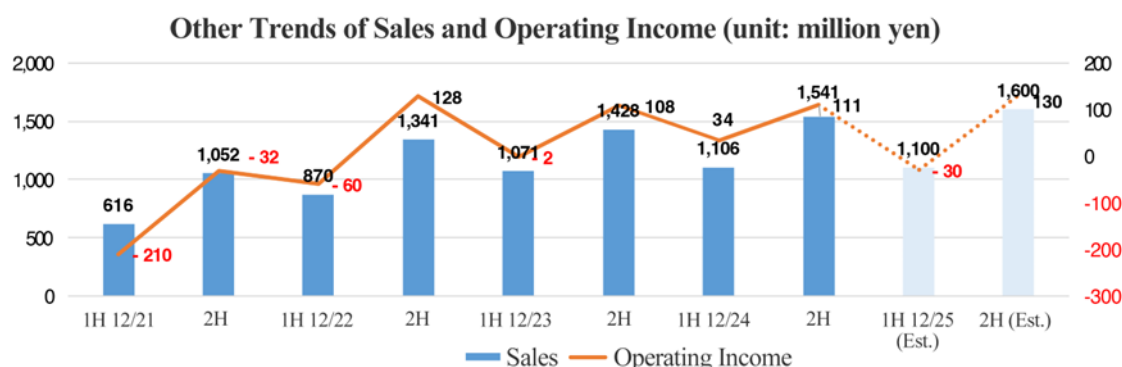
Sales and profit are expected to grow. They will promote the sale of products with high added value and new materials, and strive to improve profitability further by reducing costs by implementing measures for improving yield rate, etc. in growing fields.



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(3) Other

Sales are expected to grow, but profit is projected to drop.



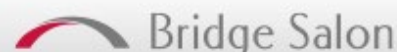
*Created by Investment Bridge based on disclosed material of the company.

4. Medium-term Management Plan**【4-1】 Looking Back at the First Medium-Term Management Plan (FY 12/2022 – FY 12/2024)**

The fiscal year ended December 2024 was the last year of the first medium-term management plan. Initially (in February 2022), the company was aiming for sales of 150.0 billion yen, an operating income of 12.0 billion yen and an ROE of 8% or higher. However, they reached 159.9 billion yen in sales, 11.0 billion yen in operating income and 10.0% in ROE in the fiscal year ended December 2022, and in February 2023 they upwardly revised the targets to sales of 170.0 billion yen, an operating income of 13.0 billion yen and an ROE of 9% or higher. In the fiscal year ended December 2024, they achieved sales of 172.0 billion yen, an operating income of 14.2 billion yen and an ROE of 11.3%, exceeding all revised targets.

Their accomplishments and challenges, incorporating various points of view, are outlined below.

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Viewpoint	Main accomplishments	Remaining challenges	Evaluation
Financial targets	<ul style="list-style-type: none"> • Achieved all target financial KPIs 	<ul style="list-style-type: none"> • Optimize inventories 	Excellent
Non-financial targets	<ul style="list-style-type: none"> • Failed to achieve some target non-financial KPI • Achieved the target reduction of CO₂ emissions (down 80% from fiscal 2013) a year earlier than planned 	<ul style="list-style-type: none"> • Improve engagement score • Further active participation by female employees 	Average
Strategies for each market and each area	<ul style="list-style-type: none"> • Growth of both the core and growing markets • In-house production of parts for semiconductor devices among group companies • Enhanced marketing on the Indian market by founding a sales company • Expanded the sales of commercial valves on the U.S. market 	<ul style="list-style-type: none"> • Recoup investments in semiconductor-related fields • Promote product development, production and sale within a region 	Good
Growth strategy	<ul style="list-style-type: none"> • Established a plant in Vietnam • Invested in boosting production for semiconductor-related markets • Promoted the NEDO business 	<ul style="list-style-type: none"> • Engage in M&A 	Good
ESG/DX	<ul style="list-style-type: none"> • Acquired “B” for COP score and GOLD for PRIDE Index • Shifted to a company with a nomination committee • Acquired DX certification and adopted CRM 	<ul style="list-style-type: none"> • Reinforce health and safety to achieve zero work-related accidents • Recycle resources 	Good
Shareholder return	<ul style="list-style-type: none"> • Highest dividend in the history 	<ul style="list-style-type: none"> • Escape from low P/B ratio 	Good

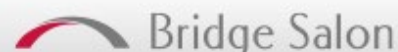
【4-2】Second Medium-Term Management Plan (FY 12/2025 – FY 12/2027)

The new medium-term management plan “SHIN GLOBAL 2027” will start in the fiscal year ending December 2025, aiming for sales of 200.0 billion yen, an operating income of 20.0 billion yen and an ROE of 11% or higher in the fiscal year ending December 2027. The executive summary is as follows.



(Taken from the reference material of the company)

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**Quantitative targets**

Financial KPI	FY 12/24	FY 12/25 Targets	FY 12/27 Targets
Total Sales	1,720	1,800	2,000
Valve Manufacturing	1,396	1,473	1,672
Brass Bar Manufacturing	298	300	300
Other	26	27	28
Total Operating Income	142	150	200
Valve Manufacturing	174	188	231
Brass Bar Manufacturing	9	9	15
Other	1	1	1
Adjustments	-42	-48	-47
ROE	11.3%	10.2%	11% or higher
Dividend Payout Ratio	34.7%	Around 35%	Around 35%

Unit: 100 million yen

Non-financial KPI	FY 12/24	FY 12/25 Targets	FY 12/27 Targets
CO ₂ reduction rate	-88% (Provisional)	-90%	-90%
Employee engagement score			
Job satisfaction	49pt	-	56pt
Job comfort	47pt	-	55pt
Overall ratio of female employees	23.6%	24%	24%
Ratio of female managers	7.5%	10%	12%
Ratio of male employees who have taken childcare leave	70.6%	80%	100%

CO₂ reduction rate is the reduction amount of domestic group companies for Scope 1 and 2, compared to 2013. All numbers other than CO₂ reduction rate refer to KITZ alone.

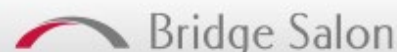
*"Female managers" refers to women who are management professionals based on job grade.

Plans for each segment

Restructuring the in-house organizations from organizations classified by function to BU systems classified by market

The in-house organizations were restructured into business units (BUs) classified by market, centered on eight markets, in step with the start of the second medium-term management plan. The company will realize a system for swiftly addressing customer needs on each market.

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Valve Manufacturing		Building Facilities/ Machine Equipment BU	Industrial BU	Semiconductor BU	Environmental Solutions BU	Hydrogen BU	Brass Bar BU
Core	Building & Facilities	●	-	-	-	-	○
	Petrochemicals	-	●	-	-	-	-
	Water Treatment	○	-	-	●	-	○
	Machinery & Equipment	●	-	-	-	-	-
Growth	Semiconductor Equipment	-	-	●	-	-	-
	Semiconductor Materials (Filters)	-	-	●	-	-	-
	Fine Chemicals	-	●	-	-	-	-
	Hydrogen & Clean Energy	-	○	-	-	●	-
Brass Bar Manufacturing		-	-	-	-	-	●

● : mainstay market, ○ : target market

(Taken from the reference material of the company)

Valve Manufacturing Business

The forecast sales in the fiscal year ending December 2027 are 167.2 billion yen (sales stood at 139.6 billion yen in FY 12/2024). Out of this, the core markets are projected to account for 54% (60% in FY 12/2024) and growing markets for 32% (24% in FY 12/2024). CAGR is expected to be 2.5% and 16.9%, respectively.

In each area, the company will appropriately seize growth opportunities through local management. They are especially intent on investing in the U.S., where they entered the market in 1984. From 2025 to 2027, they will focus on data centers and semiconductors, extending their functions. Furthermore, they will intensify their approach to India and the Middle East. In India, they will expand sales channels for mainly pharmaceutical, food product and chemical markets. Regarding the Middle East, investments in Saudi Arabia are on a rise in step with the Saudi Vision 2030. The company will reinforce their sales network while winning data center projects.

Market		Major strategies for 2025-2027
Core	Building & Facilities	<ul style="list-style-type: none"> •Target data center market •Launch localized models •Build overseas sales networks, gain authorization in each area
	Petrochemicals	<ul style="list-style-type: none"> •Win energy-transition projects •Grow sales of severe-service valves (e.g. corrosion-resistant valves, friction-resistant valves) •Grow sales of instrumentation valves (e.g. control valves, automated on-off valves)
	Water Treatment	<ul style="list-style-type: none"> •Grow sales of water treatment systems in Japan and overseas •Improve construction and engineering solutions (special valves, water treatment systems, groundwater-utilization systems)
	Machinery & Equipment	<ul style="list-style-type: none"> •Grow sales and expand market share of mini automated valves and eco-compliant products •Coordination within Group companies in key overseas areas
Growth	Semiconductor Equipment	<ul style="list-style-type: none"> •Increase value of high-purity gas valves and vacuum valves, improve unit products •Develop (and then grow sales of) value-added products for use in next generation of raw materials

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		<ul style="list-style-type: none"> •Win fab-project contracts •Work closer with gas companies, increase share in integrator market
	Semiconductor Materials (Filters)	<ul style="list-style-type: none"> •Increase sales in photolithographic materials/ equipment market •Boost production capacity further •Work closer with KITZ SCT
	Fine Chemicals	<ul style="list-style-type: none"> •Add to lineup of diaphragm valves and PFA products •Focus marketing efforts on key-account users •Target medical and pharmaceutical markets more effectively
	Hydrogen & Clean Energy	<ul style="list-style-type: none"> •Capitalize on maintenance demand •Build construction and engineering functions •Integrate closer with overseas group companies, develop products matched with market needs

Brass Bar Manufacturing Business

For the fiscal year ending December 2027, sales are projected to be 30.0 billion yen and operating income margin to reach 5%. The company will promote technological tie-ups and collaborations for expanding sales of high value-added products and complying with RoHS regulations.

Major strategies for 2025-2027

Mitigate material market fluctuations and establish a stable, high-profit structure through value-added products

- Grow sales of value-added products (new raw/ processed materials)
 - Expand forged/cut products and boost production of new materials for semiconductor industry
 - More Group synergy (KITZ/ KITZ SCT ⇔ KITZ Metal Works/Hokuto Giken)
- Comply with RoHS directive
- Cut manufacturing costs: Improve production yield, insource casting, purchase PP&E, and further boost recycling
- Manage sales-purchase balance by tightening sales order controls
- Develop trading-company functions; Sell products of Group companies using the KITZ Metal Works' sales network

DX and technological innovation strategy

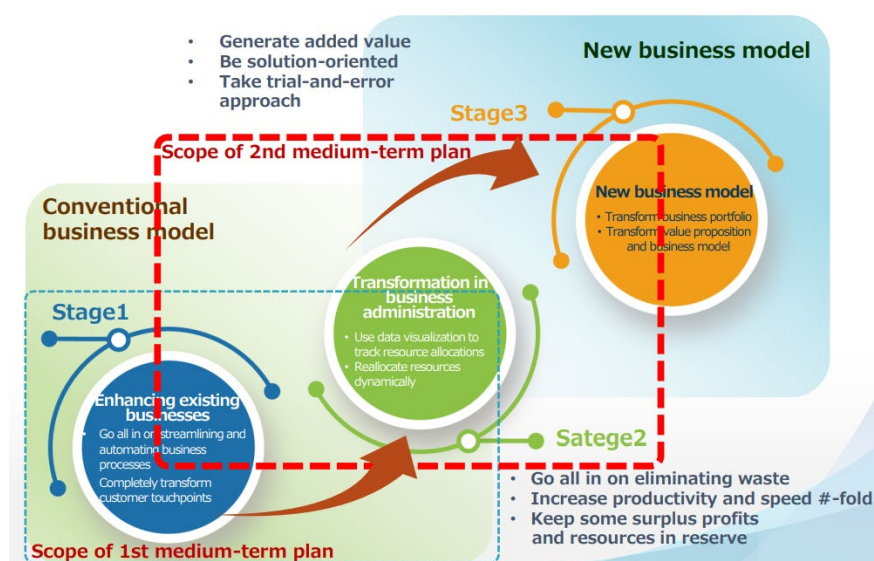
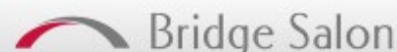
Business reform based on cooperation with “DX: activities for the innovation of business operations”

To implement DX to maximize mobility to conquer markets and areas

(Visualization of management resources and profitability × stimulation of points of contact with customers × automatization and productivity improvement)

Utilizing digital technology to the maximum will elevate group synergy and maximize the mobility of the whole business.

BRIDGE REPORT



(Taken from the reference material of the company)

Technology roadmap

Technology Vision 2030	Technology Strategy 2027 Technology to Upgrade or Refine	Target Markets									
		Core					Growth				
		Building & Facilities	Petrochemicals	Water Treatment	Machinery & Equipment	Semiconductor Equipment	Semiconductor Materials	Fine Chemicals	Hydrogen & Clean Energy		
Drive carbon transition by refining sealing tech	Sealing tech	●	●	●	●	●	●	●	●	●	●
Drive sustainability transition with accident-prediction tech (powered by IoT and AI)	Valve failure prediction and monitoring tech	●	●	●	●	●	●	●	●	●	●
Drive transition to circular economy by using resources more effectively	Tech related to water treatment and purification	●	●	●	●	●	●	●	●	●	●
	Wastewater reuse tech	●	●	●	●	●	●	●	●	●	●
	Improving recycling efficiency and reducing waste	●	●	●	●	●	●	●	●	●	●
Address societal challenges by upgrading fluid control and fluid treatment tech	CO ₂ -separation membrane tech	●	●	●	●	●	●	●	●	●	●
	nano-scale membrane tech for miniaturization	●	●	●	●	●	●	●	●	●	●
	pipe system design and engineering tech	●	●	●	●	●	●	●	●	●	●
Create value with solution-oriented business development	functional copper alloy tech	●	●	●	●	●	●	●	●	●	●
	valve lining molding tech for various materials	●	●	●	●	●	●	●	●	●	●

(Taken from the reference material of the company)

5. Conclusions

The fiscal year ended December 2024 is the final fiscal year of the first medium-term management plan. The initial targets were upwardly revised, and sales and operating income exceeded the revised targets, hitting a record high. In the valve manufacturing business, the sales of valves for semiconductor equipment were sluggish, but it can be said that overall performance was satisfactory. As operating income significantly grew by 23.9% in FY 12/2023, a reactionary decrease could have been expected. However, the company managed to achieve a sufficient growth of profit, although operating income declined 19.6% year on year in the first quarter. The second medium-term management plan will start in FY 12/2025. It seems that their performance is quite good in the U.S., where the market of data centers contributes, and India and the Middle East, whose market is growing. Moreover, they have set a target of 10% for operating income margin as their sales expand. We would like to pay attention to the improvement in profit margin as they will proceed with streamlining and the reflection of augmentation of costs in prices.

Although share price has improved gradually since the second half of the previous year, P/B ratio still remains below 1.0. It can be expected that share price will rise, considering PER being less than 10 and dividend yield. First of all, it is important to keep PBR 1 or higher.

<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 Medium-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 goal for fiscal year 2030 is as follows.

☆ ROE: 13% or higher

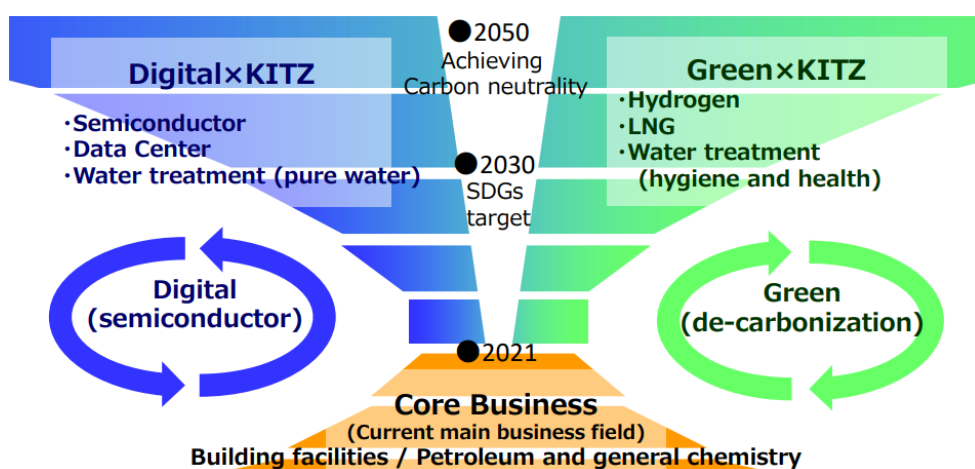
② Management structure

The company aims to expand the business domain toward the growing fields of semiconductors, fine chemicals, hydrogen, new businesses 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) Basic Sustainability Policy

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.

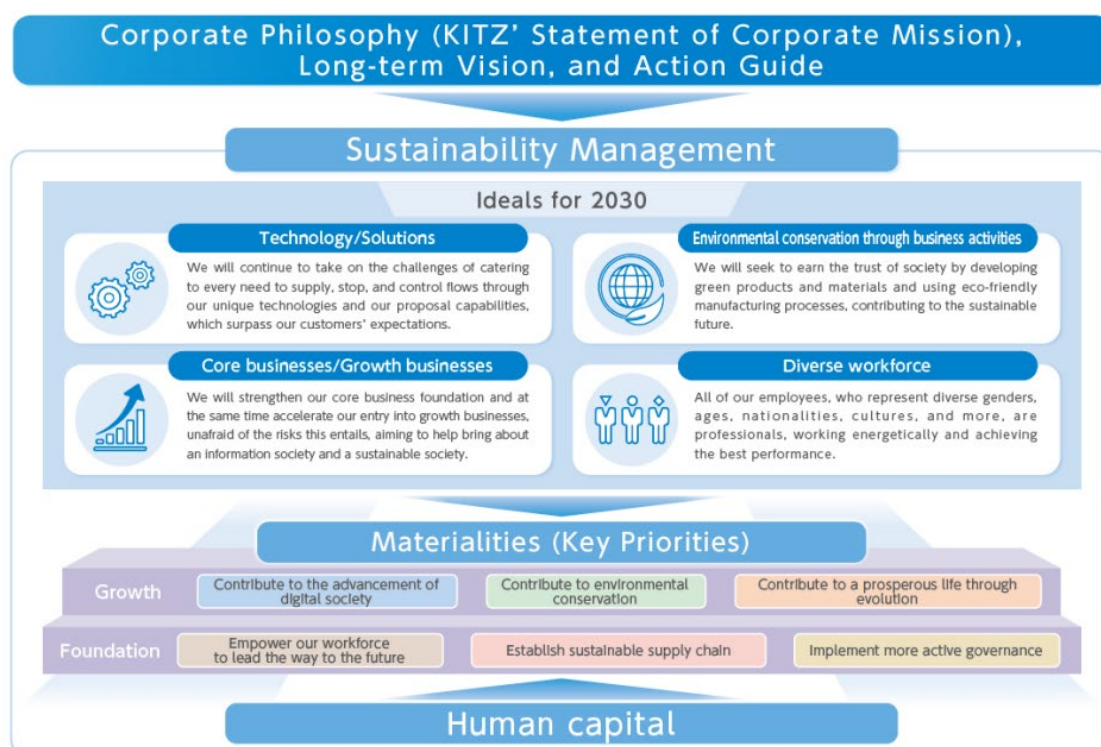
Preserve the Future

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 ESG Initiatives

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

◎ E (environment)

The company aims to realize a sustainable, recycling-oriented society in fiscal year 2050 by promoting Triple-Zero initiatives: zero CO₂ emissions, zero environmental impact, and zero risk.

The goals for fiscal year 2030 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 fiscal year 2013 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.

(6) Road Map after Accomplishing the First Medium-Term Management Plan

Targets were achieved in the first medium-term management plan.

The target ROE in 2030 was revised from the initially targeted 10% or higher to 13% or higher.

	1st MTP (2022–24)	2nd MTP (2025–27)	3rd MTP (2028–30)
Strategic theme	Ambidextrous approach: Core markets and growth markets <ul style="list-style-type: none"> ■ A mechanism for growth ■ Profits earned in core markets to be actively reinvested in growth markets 	SHIN Global 2027 <ul style="list-style-type: none"> ■ Getting results from investments in growth ■ Becoming globally competitive for each market and area 	Beyond New Heights 2030 <ul style="list-style-type: none"> ■ Change the Flow and rise to New Heights ■ Transform the portfolio and penetrate more markets
Outcome	<ul style="list-style-type: none"> ■ Greater sales in growth markets ■ Margins secured with price revisions ■ Improvement in copper material costs (Improve production yield) 	<ul style="list-style-type: none"> ■ Market and Area specific strategies ■ Higher profits from businesses for semiconductor market ■ Generate more group synergy 	<ul style="list-style-type: none"> ■ New Business portfolio <ul style="list-style-type: none"> · More upstream and downstream businesses · Greater penetration of growth markets ■ Establish globalized development/production/consumption <ul style="list-style-type: none"> · Optimize products with optimized costs · Smaller but more talented teams; more efficient business administration
Action, investment	<ul style="list-style-type: none"> ■ Start market-specific management, prepare SBU system ■ Invest in production for semiconductor market ■ Increase assets sharing across group 	<ul style="list-style-type: none"> ■ Globalize development/production/consumption ■ Enhance engineering business ■ Establish data-driven approach, automate (save labor) 	<ul style="list-style-type: none"> ■ Explore and invest in new growth markets

(Taken from the reference material of the company)

<Reference 2: Regarding Corporate Governance>

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

Organizational structure	Company with a nominating committee, etc.
Board of directors	10 directors (7 are outside directors)

◎ Corporate governance report (Updated on: February 21, 2025)

Basic policy

Based on its corporate philosophy system, the KITZ Group will strengthen its management foundation to support the enhancement of corporate and social value through sustainable growth and will realize effective corporate governance by establishing and continuously operating a system to enhance legal compliance, transparency, soundness, and efficiency in management, thereby further increasing the trust and confidence of its stakeholders.

[Our Group's Corporate Philosophy System]

■ KITZ' Statement of Corporate Mission (Corporate Philosophy)

We strive to build a robust global environment and sustainable future by supporting societal infrastructure through our advancements in fluid control technologies and materials.

■ Long-term Management Vision

Beyond New Heights 2030—Change the “Flow”

■ Action Guide

Do it KITZ Way

- Do it True (Integrity and truth)
- Do it Now (Speedy and timely)
- Do it New (Creativity and endeavor)

Our initiatives and efforts for sustainability and corporate governance are disclosed on our website.

• Initiatives toward sustainability https://www.kitz.com/en/sustainability/about_sustainability/

• Efforts for corporate governance <https://www.kitz.com/en/sustainability/governance/>

• "Basic Policy on Corporate Governance"

<https://www.kitz.com/en/cms/wp-content/themes/kitz/images/sustainability/governance/corporate-governance/policy.pdf>

• "Status of Implementation of the Corporate Governance Code" (Japanese only)

<https://www.kitz.co.jp/cms/wp-content/themes/kitz/images/sustainability/governance/corporate-governance/cgc2024.pdf>

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

The Company implements all of the principles of the Corporate Governance Code.

<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.

Every year at the beginning of the fiscal year, the Board of Directors scrutinize the purpose of holding individual strategically held shares own by the company, the quantitative economic rationality associated with holding, and the risks of holding such shares, etc. and check their appropriateness based on this policy.

At the Board of Directors' meeting held in January 2024, the Board reviewed the status of strategic shareholding with reference to the status at the end of the fiscal year.

<Number of listed stocks held for purposes other than pure investment and the variation in ratio of strategically held shares to net assets>

	FY 3/16	FY 3/17	FY 3/18	FY 3/19	FY 3/20	FY 12/20	FY 12/21	FY 12/22	FY 12/23
The number of strategically held shares (Note 1)	40	24	24	24	19	20	21	21	19
Ratio of strategically held shares to net assets [%] (Note 2)	10.5	7.4	7.3	5.7	6.7	8.0	7.8	7.3	6.2

(Note 1) The number of strategically held shares does not include stocks with small amounts held in single unit (approximately 1 million yen).

(Note 2) Ratio of strategically held shares to net assets [%] = Strategically held shares (amount recorded on the balance sheet) ÷ Consolidated net assets

■ Standard for exercise of voting rights related to strategically held shares

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 our company's website for the "Policy Regarding Cross-shareholdings" and to the annual securities reports for the number of shares of each specific investment stock.

【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

As one of our key management strategies, we are accelerating the promotion of our diversity and inclusion activities, which started in fiscal year 2015, as "Diversity, Equity & Inclusion (DE&I)" which further clarifies the perspective of "Equity."

We consider our employees to be our company's assets (human resources) and believe that our mission is to create an environment in which employees with diverse attributes (age, gender, nationality, occupation, position, and working style) and values can respect and appreciate each other and demonstrate their individual strengths. We respect the satisfaction of employees in their work and the diversity of their values and opinions, and are working to enhance the creativity of "each individual" employee and maximize organizational strength.

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.

■ DE&I (Diversity, Equity & Inclusion) Policy

The KITZ Group promotes DE&I as one of its key management strategies.

We aim to enhance the creativity of each individual and maximize organizational strength through the improvement of employees' job satisfaction and the utilization of their diverse values and opinions, which, in turn, contributes to a sustainable society.

* DE&I is an acronym of Diversity, Equity and Inclusion.

◆ Diversity

This means to respect "Individuality" of employees who have various internal and external attributes.

External and internal attributes refer to: Attributes that encompass all forms of differences, such as race, religion, beliefs, nationality, language, place of birth, ethnic origin, disability, age, citizenship, marital status, presence of a partner, sex/gender, sexual orientation, gender identity, gender expression, health, family, social status, education, work history, values, perspectives, experiences, and work styles.

◆ Equity

This means offering everyone equal opportunities where they can exercise their ability to the maximum level.

◆ Inclusion

This means to acknowledge the "individuality" of each other and maximize organizational strength.

■ Human Resources Development Policy

In order to achieve our long-term management vision, it is important for all of our diverse employees to maximize their individual capabilities. To that end, we will promote the creation of a foundation for nurturing innovative human resources and self-reliant employees who can adapt to changes in the environment.

Specifically, we have established the “Takumi (highly skilled professional)” system in fiscal year 2024 as a mechanism for acquiring, passing on, and evaluating skills and techniques, and have initiated measures to evaluate and reward human resources who can contribute to our business by demonstrating a high level of expertise that is essential for our business growth.

■ Internal Environment Improvement Policy

In order to achieve our long-term management vision, it is important for all of our diverse employees to maximize their individual capabilities. To this end, it is necessary to realize Well-Being, a state in which each and every employee is physically, mentally, and socially satisfied, and we will promote the development of an environment to achieve this goal.

[1] Approach to ensuring diversity in the appointment and promotion of core human resources

(1) Promoting women's active participation in the workforce and promoting women to managerial positions

As part of our “DE&I” promotion activities, we are working to make our company a place where female employees can flourish. At the end of fiscal year 2023, 22.2% of our employees were female, and we aim to increase this ratio to 25% by fiscal year 2030.

Regarding the promotion of women to managerial posts (management specialists), there is currently a gap in the ratio of male and female employees in decision-making positions, including managerial posts. As part of efforts to achieve our goal of “having female employees naturally involved and actively participating in the decision-making process of the company and the organization, without anyone being conscious of their gender,” we are promoting the appointment of women to managerial positions. Specifically, we are strengthening efforts such as enhancing education and training for female employees and their superiors, and job rotation.

The ratio of female managers at the end of fiscal year 2023 was 6.0%, and we have a goal of increasing it to 20% by fiscal year 2030. To achieve this, we intend to gradually increase the ratio of women in managerial posts by steadily implementing measures such as hiring female employees and promoting female mid-career hires to managerial posts, in addition to initiatives such as increasing the number of female leaders (associate management level), who will be the source of the next generation of female managers.

(2) Promotion of non-Japanese employees to managerial posts

In our group, 53.9% of employees work outside Japan. In addition, we are promoting the recruitment in each overseas region for our group companies and training locally hired employees to become managers.

In addition, in order to accelerate the globalization of our business toward 2030, it has become necessary to promote the localization of operations, which has become common around the world, and improve business efficiency from the perspective of overall optimization. In addition to hiring non-Japanese employees, we will actively promote the exchange of human resources across national and regional boundaries to achieve optimal human resource utilization on a global basis. On the other hand, in our company alone, the average number of non-Japanese employees hired over the past five years was 3.6, and the overall ratio of non-Japanese employees was 1.4% at the end of fiscal year 2023, and we have not yet reached the point of setting a target for the appointment of non-Japanese nationals to managerial posts. Therefore, we are focusing on developing measures to increase the number of non-Japanese hires and the ratio of non-Japanese employees appointed to managerial posts.

(3) Promotion of mid-career hires to managerial posts

The ratio of mid-career hires to managerial posts was already 44% at the end of fiscal year 2023. Therefore, we will continue our efforts to maintain the current ratio.

[Supplementary Principle 3-1-3] Sustainability initiatives (human capital investment, intellectual property investment, and climate change risks)

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

[1] Initiatives to promote sustainability

We believe that sustainability-oriented management is important for achieving both sustainable development of society and medium to long-term growth of our group, and that addressing ESG (Environmental, Social, and Governance) issues will provide an opportunity to create new corporate value. In our long-term management vision for 2030, “Beyond New Heights 2030—Change the Flow,” we have placed sustainability-oriented management at the core of our management strategy.

In promoting sustainability-oriented management, we have established a “Basic Sustainability Policy” and a “Sustainability Slogan” and set priority themes for sustainability-oriented management based on these.

We have also established the Sustainability Promotion Office under the Corporate Planning Division and formed the Sustainability Committee. The committee is chaired by the Director, Representative Executive Officer, and President and vice-chaired by the Head of the Corporate Planning Division, with members comprising senior executive officers, executive officers, and the presidents of KITZ group companies.

The Sustainability Committee promotes sustainability-oriented management within the group and advances corporate activities that aim to solve environmental and social issues to help realize a sustainable society. The committee also has the mission of playing a leading role in achieving sustainable growth and enhancing corporate value in the medium/long-term for the KITZ Group.

In December 2023, in recognition of our ESG initiatives, the stock of our company was selected for the first time as a constituent of the “FTSE Blossom Japan Sector Relative Index” created by FTSE Russell.

<https://www.kitz.com/en/news/kitz-joins-the-ftse-blossom-japan-sector-relative-index-for-the-first-time/>

[2] Impact of climate change-related risks and opportunities on the company's business activities and revenue

Based on the recognition that climate change is a serious issue affecting the global environment and our group's business activities, in December 2021, we expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and conducted trial climate scenario analysis as part of our efforts to achieve “3 ZEROs” (zero CO₂, zero environmental impact, and zero risk), which are medium/long-term environmental targets in our long-term environmental vision.

Going forward, we intend to further advance data-based analysis, identify risks and opportunities related to climate change, and gradually enhance the quality and quantity of information disclosure in line with the TCFD framework.

In addition, the Board of Senior Executive Officers, consisting of all executive officers, confirms the progress and performance against the major targets of the Medium-term Management Plan, long-term environmental vision, and disclosed environmental targets, and determines the direction and important measures to be taken. In addition, particularly important matters are reported to the Board of Directors.

Information on our response to climate change (disclosure in accordance with the TCFD) is disclosed on our website.

https://www.kitz.com/en/sustainability/environment/env_warming/

■ 3 ZEROs (triple zeroes)

(1) Zero CO₂

By changing the electric power consumed by our group companies in Japan to the one derived from renewable energy by fiscal year 2024, we aim to achieve a medium-term environmental target of 90% or more reduction from the level in fiscal year 2013 by fiscal year 2030, and a long-term environmental target of becoming carbon neutral by 2050.

(2) Zero environmental impact

In order to shift from conventional mass consumption-oriented manufacturing to manufacturing that contributes to a sustainable recycling-oriented society, we established a task force for promotion of resources recycling in fiscal year 2022 and have started initiatives targeting water resources, waste, plastics, and hazardous substances. In particular, with regard to water resources, we have set water neutrality as a KPI for fiscal year 2030, and are promoting water conservation, recycling, and groundwater recharging.

With regard to waste, we have set the landfill disposal rate as a KPI and are working toward zero emissions. We also contribute to effective use of resources by recycling casting sand discharged from the production process and returning it to the production process.

(3) Zero risk

Through pollution prevention, occupational accident and fire prevention activities, we are working to maintain safe and secure manufacturing and stable operations.

[3] Strategy for allocation of management resources and business portfolio, including investment in human capital and intellectual property

In our long-term management vision and Medium-term Management Plan, we have included strategies for allocating management resources, including investments in human capital and intellectual property, and our business portfolio as steps toward growth that will enable us to realize our long-term management vision.

Our basic policy on our business portfolio is disclosed on our website.

https://www.kitz.com/en/investor_ir/management-policy/m_vision/

In addition, with regard to investment in intellectual property, we have identified “Technology and Intellectual Property Strategy for Sustainable Growth” as one of our management strategies and issues, and have defined six fundamental technologies in which we should continuously invest management resources, and are promoting the enhancement of brand value by upgrading technology and pursuing better materials, as well as creating an environment for the next generation through human resources development and other measures. The details are disclosed on our website.

<https://www.kitz.com/en/sustainability/products/>

[4] Investment in human capital

To achieve our long-term management vision and realize “the active participation of diverse human resources,” we formulated a human resources portfolio that takes the entire group into consideration in fiscal year 2024, and are working to create a system that allows for flexible recruitment, training, and allocation of human resources among domestic and overseas group companies. In addition, to strengthen our human capital, we have begun efforts centered on three pillars: “building a strong organization,” “creating a good organization,” and “fostering a corporate culture.” We aim to maximize the value of our human capital toward 2030 and become a company that continues to be chosen.

In addition, we have established a human resources development policy and an internal environment improvement policy as standards for implementing each measure, and in line with these, we are taking the following initiatives regarding respect for human rights, improving employee engagement, promoting DE&I (diversity, equity and inclusion), promoting work-life balance, and health management.

(1) Respect for human rights

In addition to supporting the Universal Declaration of Human Rights, the international standard on human rights, our group has expressed its support for the United Nations Global Compact (UNGC) and is committed to putting the UNGC's 10 principles into practice. We have also established supplier guidelines and green procurement standards, including items related to respect for human rights, to ensure that our suppliers understand our corporate philosophy and values and work together with us.

Based on these, we are conducting surveys (self-assessments) of our major suppliers, and in fiscal year 2023, we will extend these surveys to some of our group companies as we develop procurement activities aimed at “creating a rich global environment and a sustainable future” as stated in our corporate philosophy.

(2) Initiatives to improve employee engagement

We have set the continuous improvement of employee engagement as one of the key themes of sustainability-oriented management, and we conduct engagement surveys at our company and other domestic and overseas group companies (excluding some overseas group companies) to understand the current status of our organizational climate.

The survey results are then reported to the management and fed back to each workplace to confirm and analyze the current organizational climate. In addition, the survey results are used to set specific action plans and targets for activities at each workplace aimed at improving engagement.

(3) Diversity, Equity & Inclusion (DE&I) Initiatives

We are promoting DE&I (Diversity, Equity & Inclusion) as one of our key management strategies. We have set goals for fiscal year 2030 regarding the active participation of female employees, promotion of understanding of LGBTQ, and promotion of employment of people with disabilities, and are promoting specific initiatives to achieve these goals.

(4) Improvement of work-life balance and health-oriented management

To ensure that our employees can continue to work with peace of mind, we have set targets for the enhancement of work-life balance, support for employees who are raising children or caring for family members, and health-oriented management, and are working to create an environment in which employees can achieve harmony between their work and private lives. In addition, based on the recognition that the management and promotion of employees' health is increasingly important for a company to achieve sustainable growth, we have established the KITZ Group's Health Management Statement and Policy in 2021, which consists of five pillars (realizing a healthy work-life balance, improving working environments based on health and safety promotion, addressing lifestyle-related diseases with a focus on prevention, measures for mental health and reducing job stress, and employee education to improve health literacy), to strategically promote the physical and mental health of employees and create a vibrant organization.

As a company that implements excellent health management, we have been certified as a "corporation excellent in health-oriented business administration" by the Ministry of Economy, Trade and Industry in 2023, like in 2022.

Detailed information on (1) through (4) is disclosed in the Integrated Report and on our company's website.

Respect for human rights:	https://www.kitz.com/en/sustainability/social/human-rights/
Flourishing of diverse human resources:	https://www.kitz.com/en/sustainability/social/initiatives/
Health-oriented management and securing of occupational health and safety:	https://www.kitz.com/en/sustainability/social/safety-health/
Supply chain management:	https://www.kitz.com/en/sustainability/social/procurement
Dialogue with employees:	https://www.kitz.com/en/sustainability/stakeholders/employees/

[Principle 5-1] Constructive dialogue with shareholders

[1] Promoting dialogue with shareholders

To promote dialogue with our shareholders, we are taking the following actions.

1. We have appointed an Executive Director in charge of IR, and we promote dialogue with shareholders through a system led by the head of the division in charge of IR.

2. In order to provide timely, accurate, and fair information to all shareholders and investors, we have established a Disclosure Policy, which is published on our website.

https://www.kitz.com/en/investor_ir/management-policy/disclosure_policy/

3. In principle, financial results presentations for institutional investors and analysts are held on a quarterly basis, and company briefings for individual investors are held annually. The President and Representative Executive Officer, the Executive Director in charge of IR or the head of the division in charge of IR provide explanations, and directors, including outside directors, attend as necessary to promote dialogue with shareholders.

4. When a shareholder requests an interview, in principle, the head of the division in charge of IR handles the request. Depending on the purpose of the interview and the number of shares held, the President and Representative Executive Officer or the Executive Director in charge of IR handles the request.

5. When engaging in dialogue with shareholders, our company appropriately manages information in order to prevent insider trading.

6. The long-term management vision and Medium-term Management Plan are explained in an easy-to-understand manner.

7. To support dialogue with shareholders, the relevant departments organically collaborate with each other as necessary.

8. The head of the division in charge of IR regularly reports to the President and Representative Executive Officer and the Executive Director in charge of IR on opinions, requests, and other information obtained through dialogue with institutional investors and analysts, and when necessary, the President and Representative Executive Officer reports the information to the Board of Directors for use in management improvement.

9. In addition to financial results information such as financial summaries and annual securities reports, IR information such as management information, stock-related information, and information on general meetings of shareholders is disclosed on our company website.

https://www.kitz.com/en/investor_ir/

10. We monitor our shareholder distribution as of the end of December each year.

[2] Measures to realize management that is conscious of capital costs and stock prices

At the Board of Directors' meeting, we evaluate and analyze the current situation of our company with regard to measures to realize management that is conscious of capital costs and stock prices and determine future policies and specific measures to increase corporate value. We analyze the cost of shareholders' equity from two perspectives: calculation using the CAPM method and the expected rate of return to our company.

While our return on capital is currently at the same level as investors' expected rate of return, we recognize that our future challenge is to gain the market's confidence in our medium to long-term earnings growth potential.

Therefore, we will strive to increase corporate value by further generating profits, fostering growth expectations, and reducing the cost of capital by promoting "ROIC x ESG" management, accelerating our growth strategy, and strengthening our investor relations strategy.

Regarding [Measures to achieve management that is conscious of cost of capital and stock price] [English disclosure available] [Update date: February 21, 2025], we have disclosed this on our website.

https://www.kitz.co.jp/investor_ir/management-policy/m_vision/

[English disclosure] https://www.kitz.com/en/investor_ir/management-policy/m_vision/

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