

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
HOME PAGE	https://www.kitz.com/en/

Stock Information

Share Price	Shares Outstanding (End of period)		Market Cap.	ROE (Act.)	Trading Unit
¥1,454	87,565,611 shares		¥127,320 million	11.3%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
¥48.00	3.3%	¥128.77	11.3x	¥1,259.47	1.2x

*Share price is as of closing on August 21. 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 interim period of the fiscal year ending December 2025.

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	48.00

*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 interim period of the fiscal year ending December 2025 and forecast for the fiscal year ending December 2025, etc.

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Key Points

- In the interim period of the fiscal year ending December 2025, sales grew 3.1% year on year to 86,380 million yen. The sales of the Valve Manufacturing Business increased 0.8% year on year, as sales volume grew inside and outside Japan and the price revision produced some effects, although the sales of valves for semiconductor equipment declined. The sales of the Brass Bar Manufacturing Business rose 13.9% year on year, thanks to the growth of sales volume. Operating income rose 21.9% year on year to 7,933 million yen. The operating income of the Valve Manufacturing Business rose 22.8% year on year, thanks to the sales growth due to the increase in sales volume. The operating income of the Brass Bar Manufacturing Business declined 49.9% year on year, as repair costs augmented due to the planned repair of furnaces in 1Q and the rise in material prices did not contribute to profit like in the previous year. Interim net income was 5,968 million yen, up 10.1% year on year. Each kind of profit exceeded the company's forecast significantly. They will pay an interim dividend of 21.00 yen/share, up 2.00 yen/share from the same period of the previous year and also from the forecast.
- The full-year forecast has been left unchanged, so it is forecast that sales will grow 4.6% year on year to 180 billion yen and operating income will rise 5.5% year on year to 15 billion yen in the fiscal year ending December 2025. 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 equipment, 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 3.1% 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 expected year-end dividend is 27.00 yen/share, unchanged from the previous fiscal year, and the annual dividend amount is expected to be 48.00 yen/share. Accordingly, the expected payout ratio is 37.3%.
- The new medium-term management plan “SHIN GLOBAL 2027” has started in the fiscal year ending December 2025. With the aim of becoming a true global enterprise with three “SHINs,” 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 the fiscal year ending December 2027. They also set target values of non-financial KPIs, such as a CO₂ reduction rate of 90%, job satisfaction, and the ratio of female employees.
- The second medium-term management plan has begun in the fiscal year ending December 2025. This interim period was the first half-year period, but it can be said that they had a good start. At the time of announcement of the second medium-term management plan, the U.S. market, which is driven by the data center market, seemed to be profitable, and it is about to be realized. From now on, their business is expected to expand based on their forte. They have recently enhanced IR activities. Share price rose steadily, and it can be said that PBR is constantly over 1. However, PER remains low. When the results in this interim period and the room for expansion of the data center market are considered, it can be considered that share price will rise further.

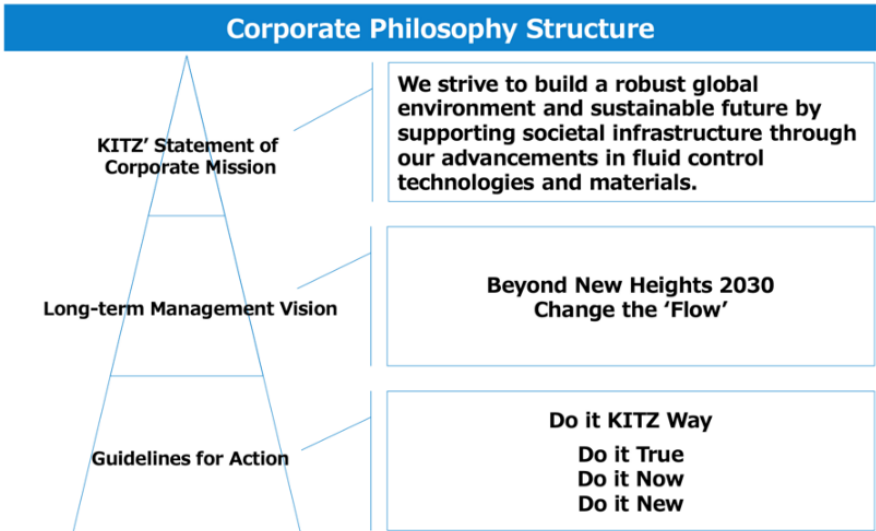
1. Company Overview

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 33 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.

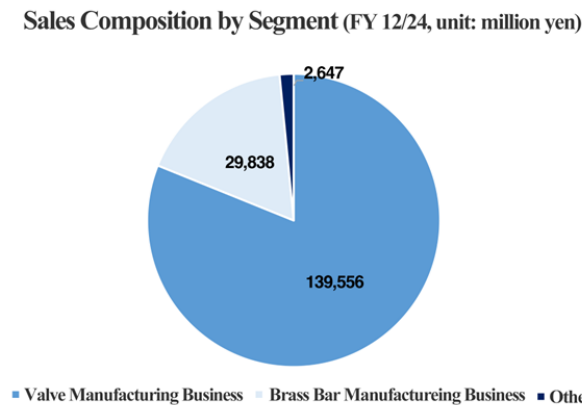
Recognizing that the creation of a prosperous global environment and a sustainable future is its mission to society, the company is deeply committed to continuing to support social infrastructure by further refining the fluid control technology and material development that the company has cultivated 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 81.2%, 17.3%, and 1.5% of total sales, respectively.



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**(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, and hydrogen supply chains 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 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, Vietnam, 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

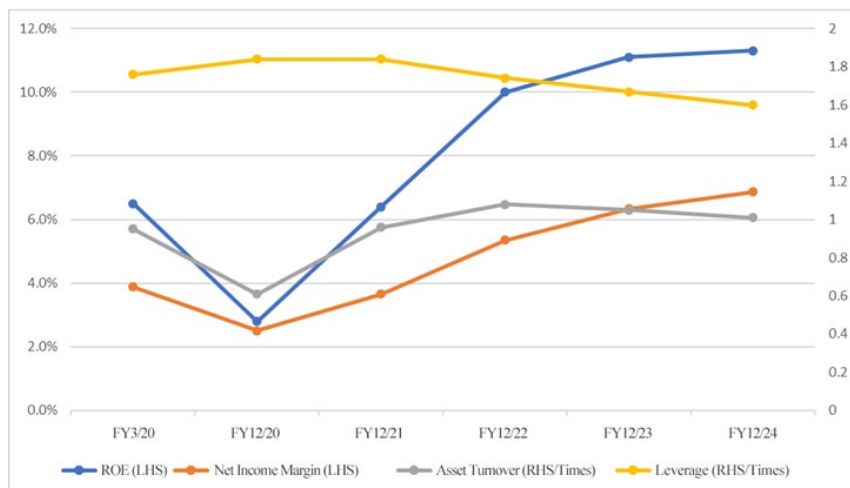
KITZ subsidiary "Hotel Beniya Co., Ltd.," operates a resort hotel in the city of Suwa, Nagano Prefecture. The hotel is located in a highly picturesque setting close to Lake Suwa with hot spring bathing facilities with sunset views and has a number of small and large banquet halls. The hotel also has 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. PBR of over 1x is becoming a standard, but further improvement is expected as profitability improves.

2. Interim Period of the Fiscal Year ending December 2025 Earnings Results

2-1 Consolidated Business Results

	FY 12/24 Interim Period	Ratio to Sales	FY 12/25 Interim Period	Ratio to Sales	YoY	The company's forecast	Ratio to Forecast
Sales	83,797	100.0%	86,380	100.0%	+3.1%	86,100	+0.3%
Gross Profit	21,795	26.0%	23,151	26.8%	+6.2%	-	-
SG&A	15,287	18.2%	15,217	17.6%	-0.5%	-	-
Operating Income	6,508	7.8%	7,933	9.2%	+21.9%	6,600	+20.2%
Ordinary Income	7,347	8.8%	8,373	9.7%	+14.0%	7,100	+17.9%
Interim Net Income	5,420	6.5%	5,968	6.9%	+10.1%	5,000	+19.4%

* Unit: million yen. Quarterly net income is quarterly net income attributable to owners of the parent company, same as below. The progress rate is the progress rate to the company's forecast for the first half of the fiscal year.

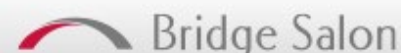
Sales grew 3.1% and operating income rose 21.9%.

Sales grew 3.1% year on year to 86,380 million yen. The sales of the Valve Manufacturing Business increased 0.8% year on year, as sales volume grew inside and outside Japan and the price revision produced some effects, although the sales of valves for semiconductor equipment declined. The sales of the Brass Bar Manufacturing Business rose 13.9% year on year, thanks to the growth of sales volume. Operating income rose 21.9% year on year to 7,933 million yen. The operating income of the Valve Manufacturing Business rose 22.8% year on year, thanks to the sales growth due to the increase in sales volume. The operating income of the Brass Bar Manufacturing Business declined 49.9% year on year, as repair costs augmented due to the planned repair of furnaces in 1Q and the rise in material prices did not contribute to profit like in the previous year. Regarding non-operating performance, ordinary income rose 14.0% year on year to 8,373 million yen, as a revenue from insurance was posted, but an exchange loss was posted while an exchange gain was posted in the same period of the previous year. Interim net income was 5,968 million yen, up 10.1% year on year, mainly due to the rise in operating income, although gain on sale of investment securities dropped year on year as extraordinary gain.

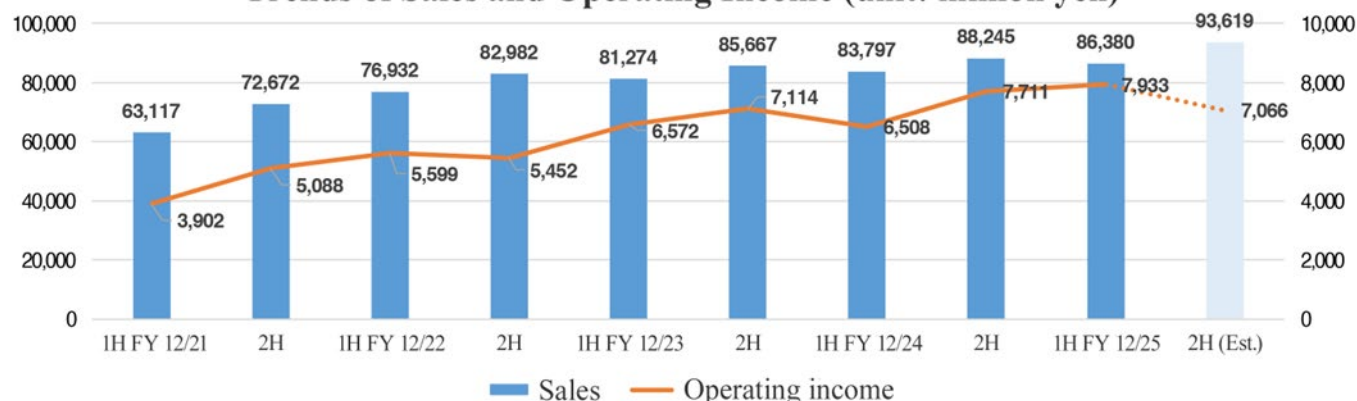
Sales exceeded the company's forecast slightly, and each kind of profit exceeded the company's forecast significantly.

They will pay an interim dividend of 21.00 yen/share, up 2.00 yen/share from the same period of the previous year and also from the forecast.

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



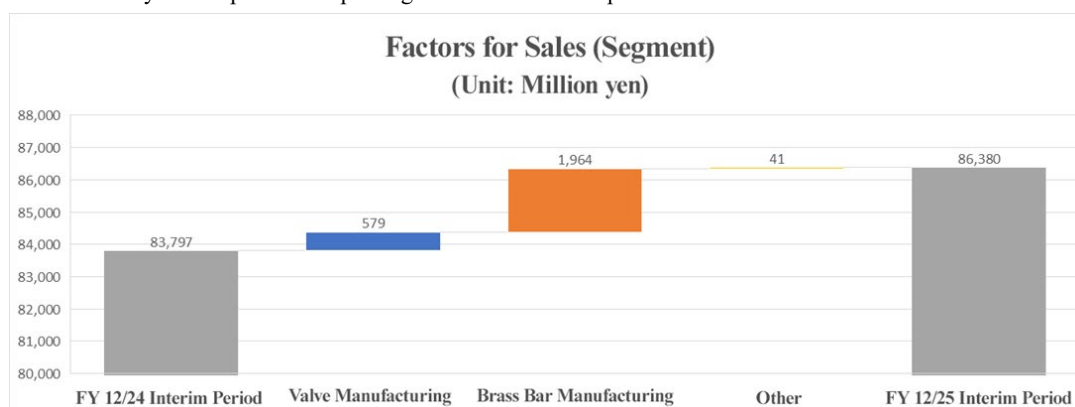
Exchange and raw materials

	FY 12/24 Interim Period	FY 12/25 Interim Period	FY 12/25 Interim Period Plan
Yen / US Dollar	154.08	147.48	155.00
Yen / Euro	166.13	162.21	167.00
Electrolytic Copper, Yen / kg	1,435	1,422	1,470

2-2 Business Segments' results

	FY 12/24 Interim Period	Composition	FY 12/25 Interim Period	Composition	YoY
Sales	83,797	100.0%	86,380	100.0%	+3.1%
Valve Manufacturing	68,514	81.8%	69,093	80.0%	+0.8%
Brass Bar Manufacturing	14,176	16.9%	16,140	18.7%	+13.9%
Other	1,106	1.3%	1,147	1.3%	+3.7%
Operating income	6,508	7.8%	7,933	9.2%	+21.9%
Valve Manufacturing	7,994	11.7%	9,815	14.2%	+22.8%
Brass Bar Manufacturing	616	4.3%	308	1.9%	-49.9%
Other	34	3.1%	8	0.7%	-75.1%

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



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

(1) Valve Manufacturing Business

Sales increased slightly year on year, and operating income rose considerably.

The sales of valves for semiconductor manufacturing equipment declined, but sales volume rose in the Japanese market and overseas markets. Sales rose 0.8% year on year, thanks to the price revision conducted in 3Q in the previous fiscal year. Operating income rose 22.8%, thanks to the growth of sales volume.

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(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 change the revenue composition by strengthening the growth markets, which are growing and new fields, (semiconductor equipment, semiconductor materials (filters), fine chemicals, hydrogen & clean energy) and change its revenue composition.

The sales in the core markets rose 1.5% year on year. Building & facilities performed well inside and outside Japan. In particular, the products for data centers in North America sold well. The sales in the petrochemical market declined, due to the absence of large-scale projects comparable to those in the previous fiscal year. The sales in the water treatment market dropped, as they were not able to make up for the delay in 1Q in 2Q. The sales in the growing markets dropped 6.3% year on year. The sales in the market of semiconductor equipment dropped, although they are recovering. The sales in the market of semiconductor materials (filters) grew. The sales in the market of fine chemicals increased, due to the revenue from projects, etc. The sales in the market of hydrogen & clean energy declined, as sales will be posted in the next fiscal year, although they received business inquiries about package units for hydrogen stations, etc. The sales in the 'others' category grew, thanks to the favorable distribution in Japan.

(Performance in each region)

The ratio of domestic sales was 59%, while the ratio of overseas sales was 41%. Domestic sales grew 4.0% year on year, while overseas sales dropped 3.3%.

* The sales in North America increased, thanks to the good performance of commercial valves and industrial valves mainly for data centers.

* The sales in ASEAN countries, South Korea, the Middle East, etc. grew between 1Q and 2Q, recovering to the level in the same period of the previous year.

* The sales in China dropped, due to the lingering downturn of the entire market, including real-estate recession.

* The sales in India increased, due to the enhancement of marketing activities local distributors established last year.

(2) Brass Bar Manufacturing Business

Sales grew 13.9% year on year to 16,140 million yen, thanks to the increase in sales volume.

Operating income declined 49.9% year on year to 308 million yen, as there was no longer the effect of the rise in copper price observed in the previous fiscal year and repair costs were posted.

(3) Other

As they operate the hotel business in Suwa City, Nagano Prefecture, sales grew and profit dropped year on year.

2-3 Financial Conditions**◎ BS**

	Dec. 2024	Jun. 2025	Increase and Decrease		Dec. 2024	Jun. 2025	Increase and Decrease
Current Assets	106,377	104,795	-1,582	Current Liabilities	35,419	26,496	-8,923
Cash	30,729	26,643	-4,086	Payables	9,505	10,213	+708
Receivables	35,285	35,319	+34	Short-Term Debt	12,079	3,435	-8,644
Inventories	37,301	39,339	+2,038	Noncurrent Liabilities	27,177	35,040	+7,863
Noncurrent Assets	66,029	67,641	+1,612	Long-Term Debt	22,699	30,298	+7,599
Tangible Assets	54,427	55,958	+1,531	Total Liabilities	62,596	61,536	-1,059
Intangible Assets	1,698	1,844	+145	Net Assets	109,809	110,900	+1,090
Investments, Other	9,902	9,838	-64	Retained Earnings	70,392	73,977	+3,585
Total Assets	172,406	172,436	+30	Total Liabilities, Net Assets	172,406	172,436	+30

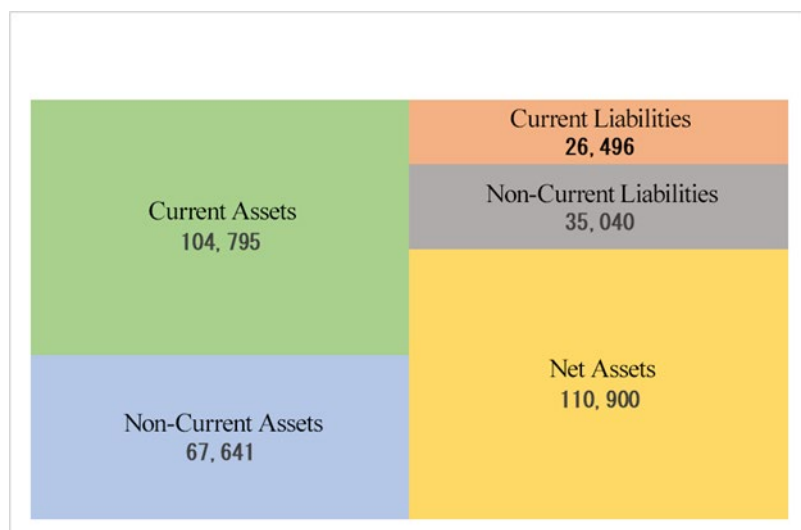
* Unit: million yen. Receivables include electronically recorded receivables.

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Total assets rose slightly from the end of the previous fiscal year to 172,436 million yen, as inventories increased although cash & deposits decreased. Total liabilities decreased 1,059 million yen from the end of the previous fiscal year to 61,536 million yen, due to the reduction of short-term interest-bearing liabilities, etc. Net assets increased 1,090 million yen from the end of the previous fiscal year to 110.9 billion yen, due to the growth of retained earnings, etc.

Capital-to-asset ratio rose 0.6 points from the end of the previous fiscal year to 63.5%.



*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

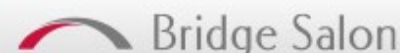
It is expected that sales will grow 4.6% year on year and operating income will rise 5.5% year on year

The full-year forecast has been left unchanged, so it is forecast that sales will grow 4.6% year on year to 180 billion yen and operating income will rise 5.5% year on year to 15 billion yen in the fiscal year ending December 2025.

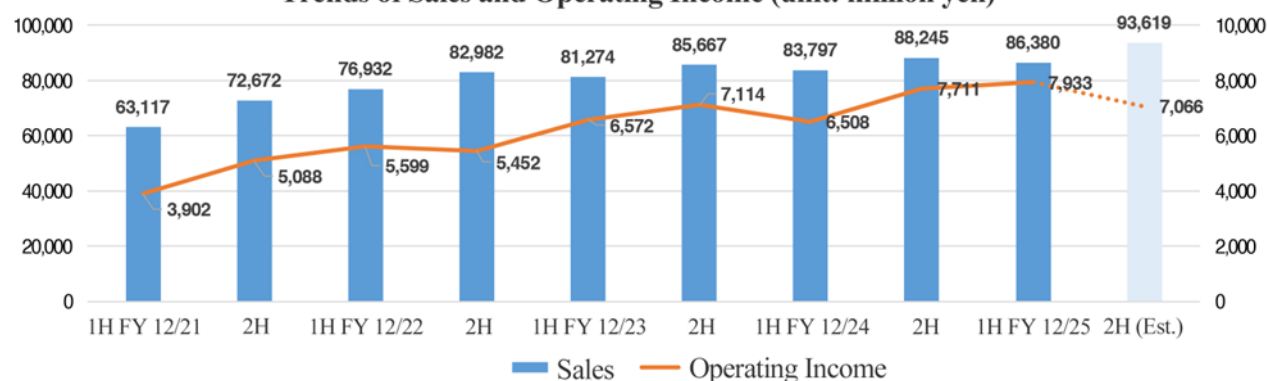
The Valve Manufacturing Business is expected to see a 5.5% increase in sales. In the growth markets, it is forecast that products will sell well in the fields of semiconductor equipment, semiconductor materials (filters), fine chemicals, and hydrogen & clean energy, and sales will grow 9.2%. In the core market, too, sales are expected to grow 3.1% 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 expected year-end dividend is 27.00 yen/share, unchanged from the previous fiscal year, and the annual dividend amount is expected to be 48.00 yen/share. Accordingly, the expected payout ratio is 37.3%.

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



*Created by Investment Bridge based on disclosed material of the company. The figures for the second half of the fiscal year ending December 2025 are company's forecasts.

3-2 Sales and Operating Income by Segment

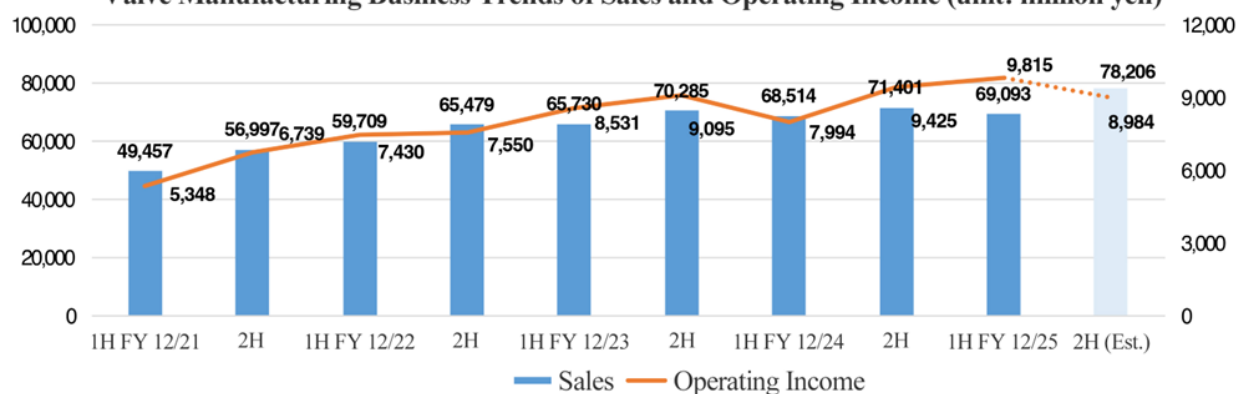
	FY 12/24	Composition Ratio	FY 12/25 Est.	Composition Ratio	YoY
Valve Manufacturing	139,556	81.1%	147,300	81.8%	+5.5%
Brass Bar Manufacturing	29,838	17.3%	30,000	16.7%	+0.5%
Other	2,647	1.5%	2,700	1.5%	+2.0%
Total Sales	172,042	100.0%	180,000	100.0%	+4.6%
Valve Manufacturing	17,419	12.5%	18,800	12.8%	+7.9%
Brass Bar Manufacturing	886	3.0%	900	3.0%	+1.5%
Other	146	5.5%	100	3.7%	-31.6%
Adjustments	-4,232	-	-4,800	-	-
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 projected to rise. The operating income in the first half of the fiscal year exceeded the forecast, but the full-year forecast was left unchanged, as the outlook for the second half is uncertain.

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



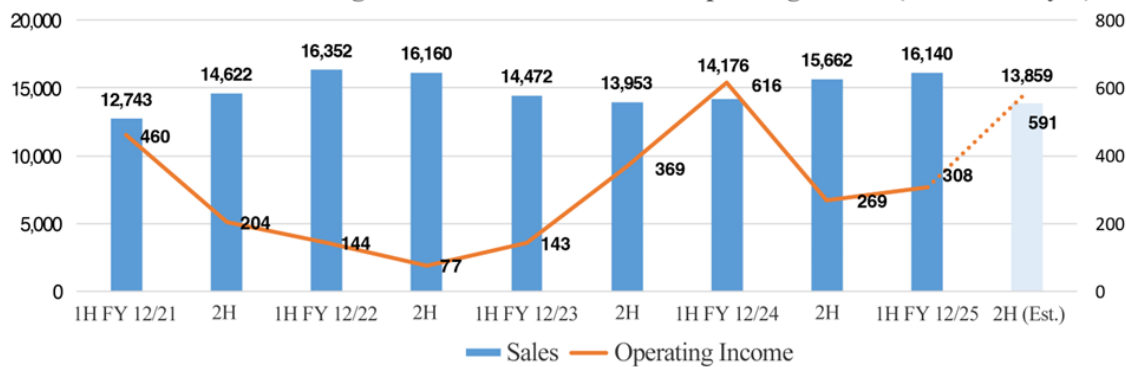
*Created by Investment Bridge based on disclosed material of the company. The figures for the second half of the fiscal year ending December 2025 are company's forecasts.

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**(2) Brass Bar Manufacturing Business**

Sales and profit are forecast to grow. Operating income fell below the forecast for the first half of the fiscal year, but they are expected to make up for that in the second half.

Brass Bar Manufacturing Business Trend of Sales and Operating Income (unit: million yen)

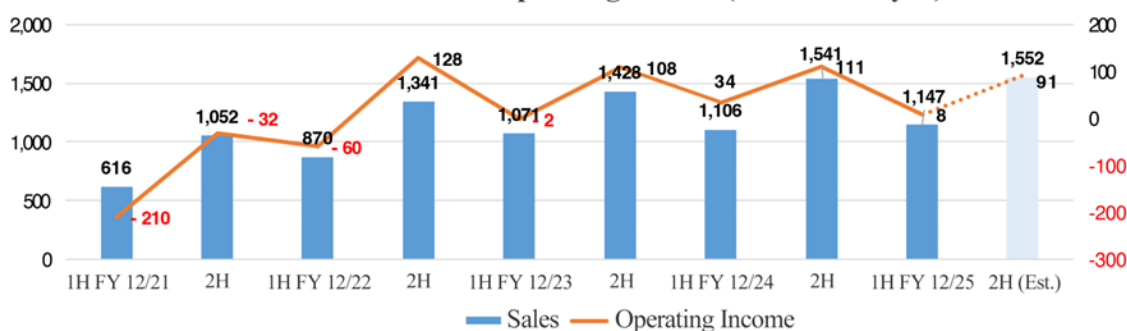


*Created by Investment Bridge based on disclosed material of the company. The figures for the second half of the fiscal year ending December 2025 are company's forecasts.

(3) Other

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

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



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[3-3 Recent topics]**① Growing data center market**

Between 2025 and 2030, the data center market is expected to grow 1.6 times in North America, 1.9 times in Europe, 2 times in Japan, and 2-3 times in India, China, ASEAN countries, and the Middle East.

In such a growing market, it is indispensable to deal with each project in a short period of time, so only enterprises that possess plentiful resources and production capacity can participate in competition.

Forte of KITZ

- ☆ With competitive production capacity, they can complete each project in a short period of time.
- ☆ With large amounts of inventory, they can deliver products swiftly.

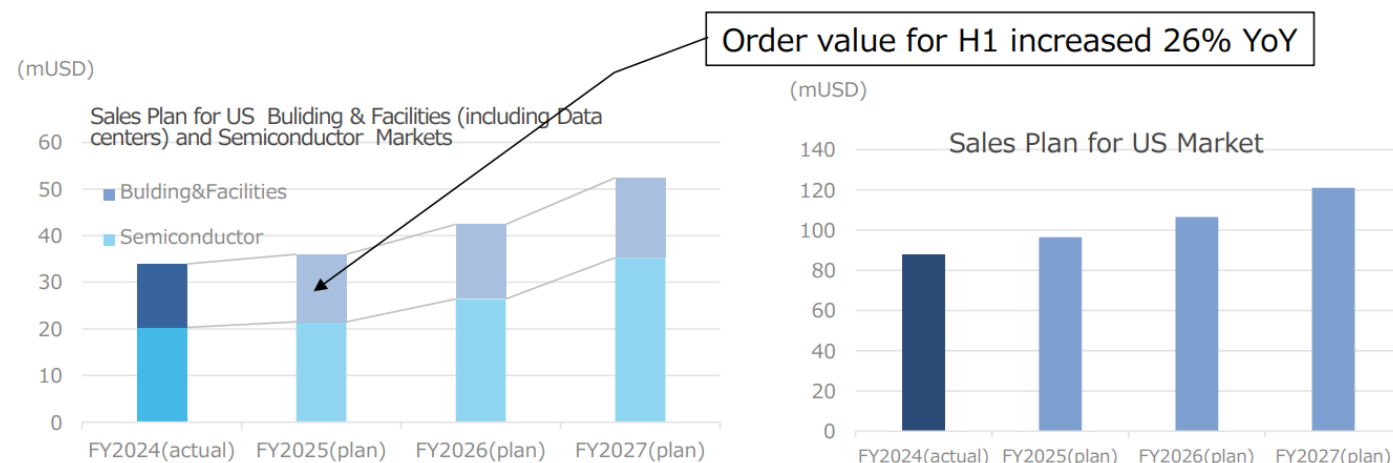
Initiatives for further growth

- ☆ Formed a global data center team
 - To grasp the market trend and demand around the world
 - To optimize production and inventory according to market demand

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In the data center market in the U.S., they received orders by establishing a system for dealing with each transaction in short period of time with strategic inventory for the first half of the fiscal year. In August, they relocated a warehouse while doubling its scale to around 10,000 m². They aim to receive more orders, by increasing inventory and developing a system for swift delivery.



(Taken from the reference material of the company)

② Impact of the additional tariffs of the U.S. and measures against them

Competitors produce products mainly in China, but KITZ has dispersed production sites, to hedge risks.

Country where a factory of KITZ is located	As of Apr. 11*	As of Aug. 7*	Rate of contribution to the export to the U.S.
Japan	24%	15%	Approx. 20%
China	125%	34%	Approx. 20%
EU	20%	15%	Approx. 15%
Taiwan	32%	20%	Approx. 25%
Thailand	36%	19%	Approx. 15%
South Korea	25%	15%	Approx. 0%
Brazil	10%	50%	Approx. 0%
India	26%	25%	N/A
Vietnam	46%	20%	N/A

(*) When the degree of impact is maximum

③ Relocation of group companies into Tokyo Shiodome Bldg.

In order to unify group companies as one team, they decided to bring together group companies scattered in the Tokyo Metropolitan Area in Shiodome where the head office of KITZ is located. For example, KITZ Engineering Service in Chiba City will be relocated. Then, they will maximize the profit of the corporate group and the synergy among group companies based on swift decision making.

④ Revision to the HR system—Adoption of KITZ style “Job-type” model

They pursued “Empower our workforce to lead the way to the future” as a material issue for realizing their long-term management vision and an ideal state in 2030, and revised the HR system on July 21, 2025. With the new system, they will develop an environment where employees can exert their skills, abilities, and experience to the maximum degree, and facilitate the growth of human resources and the company.

Purposes in the revision to the HR system

- To offer opportunities to exert their skills, abilities, and experience to the maximum degree
- To foster an organizational climate that motivates employees to take on challenges
- To realize fair treatment based on actual performance

⑤ Status of construction of factories in Vietnam



At a stainless steel valve factory of KITZ in Vietnam, they have installed automatic processing and assembly machines since the start of operations in December 2024, and are about to realize a mass production system.
The construction of a factory building for manufacturing valves for high-purity gases for semiconductor equipment is underway, as they aim to start operation at the end of this year.



(Taken from the reference material of the company)

⑥ To distribute more information via social media

They proactively introduce their various activities by utilizing their official accounts of social media.

Instagram	https://www.instagram.com/kitz_sns/	
Facebook	https://www.facebook.com/kitzsns/	
X	https://twitter.com/kitz_sns	

(Taken from the reference material of the company)

4. Medium-term Management Plan

4-1 Looking Back at the First Medium-Term Management Plan (FY 12/22 – FY 12/24)

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.

BRIDGE REPORT



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 CDP 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 	Escape from low P/B ratio	Good

4-2 Second Medium-Term Management Plan (FY 12/25 – FY 12/27)

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)

BRIDGE REPORT



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

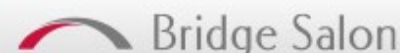
The in-house organizations were restructured into business units (BUs) classified by market, centered on eight markets, in step with the start of the second medium-term management plan. The company will realize a system for swiftly addressing customer needs on each market.

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)

BRIDGE REPORT



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 12/24). Out of this, the core markets are projected to account for 54% (60% in FY 12/24) and growing markets for 32% (24% in FY 12/24). 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 •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

BRIDGE REPORT



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

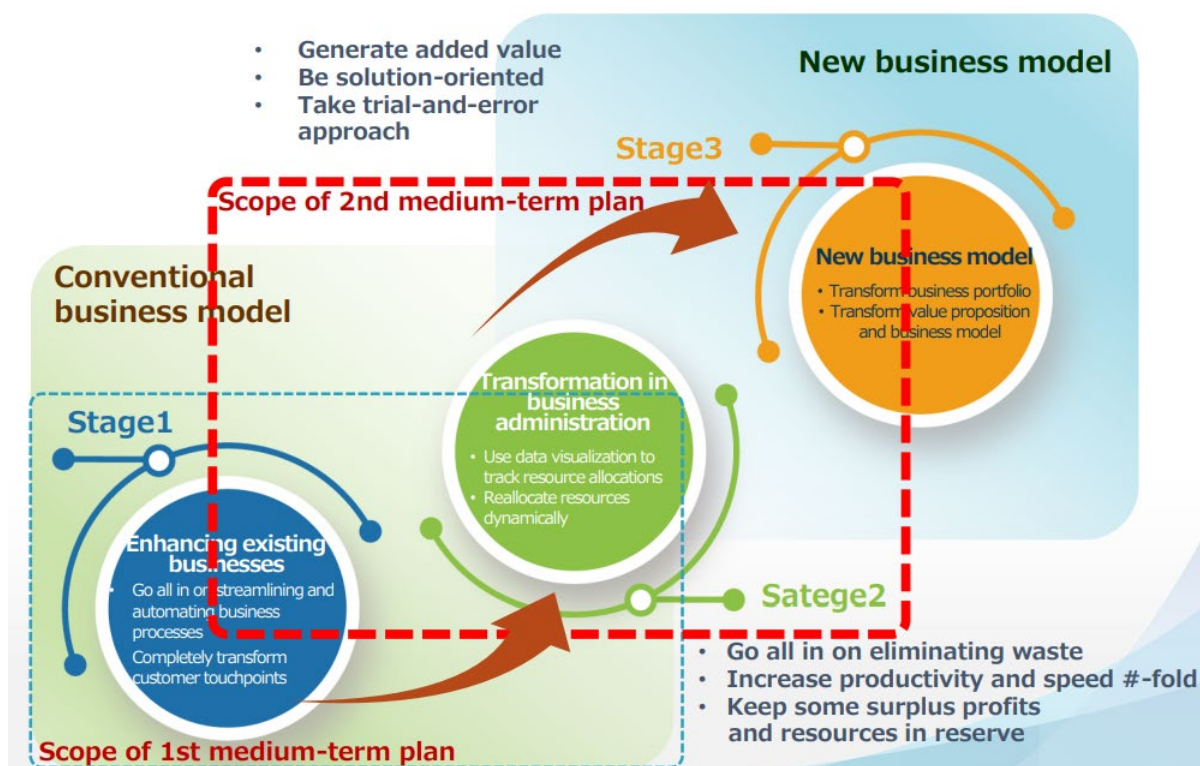
DX and technological innovation strategy

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.



(Taken from the reference material of the company)

BRIDGE REPORT



Technology roadmap

		Target Markets							
		Core				Growth			
		Building & Facilities	Petrochemicals	Water Treatment	Machinery & Equipment	Semiconductor Equipment	Semiconductor Materials	Fine Chemicals	Hydrogen & Clean Energy
Technology Vision 2030	Technology Strategy 2027 Technology to Upgrade or Refine								
Drive carbon transition by refining sealing tech	Sealing tech	●	●	●	●	●		●	●
	<ul style="list-style-type: none"> • Zero emission by enhancing air-tightness • Sealing tech in severe-service applications 		●		●	●		●	●
Drive sustainability transition with accident-prediction tech (powered by IoT and AI)	Valve failure prediction and monitoring tech		●		●			●	
	Tech related to water treatment and purification			●					
Drive transition to circular economy by using resources more effectively	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						●		
Create value with solution-oriented business development	pipe system design and engineering tech		●						●
	functional copper alloy tech	●		●	●				
	valve lining molding tech for various materials		●	●		●		●	

(Taken from the reference material of the company)

5. Conclusions

The second medium-term management plan has begun in the fiscal year ending December 2025. This interim period was the first half-year period, but it can be said that they had a good start, as profit exceeded the forecast significantly. The full-year forecast has not been revised, as they considered fluctuations in material prices, delays in recovery of semiconductor market, and delays in building constructions due to the shortage of manpower, etc. as unclear risks in the second half of the fiscal year. The impact of the U.S. tariffs is expected to be minor. At the time of announcement of the second medium-term management plan, the U.S. market, which is driven by the data center market, seemed to be profitable, and it is about to be realized. The data center market is expected to grow globally, and their business is expected to expand based on their forte.

They have recently enhanced IR activities. Share price rose steadily, and it can be said that PBR is now constantly over 1, as the previous report mentioned “PBR is nearly 1.” However, PER remains low. When the double-digit profit growth in this interim period and the room for expansion of the data center market are considered, it can be considered that share price will rise further.

<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

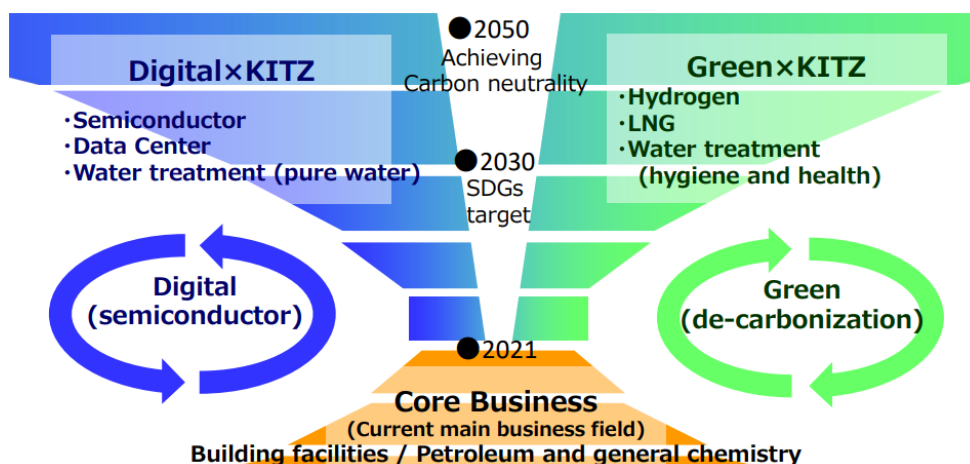
② Management structure

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.

BRIDGE REPORT

**(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

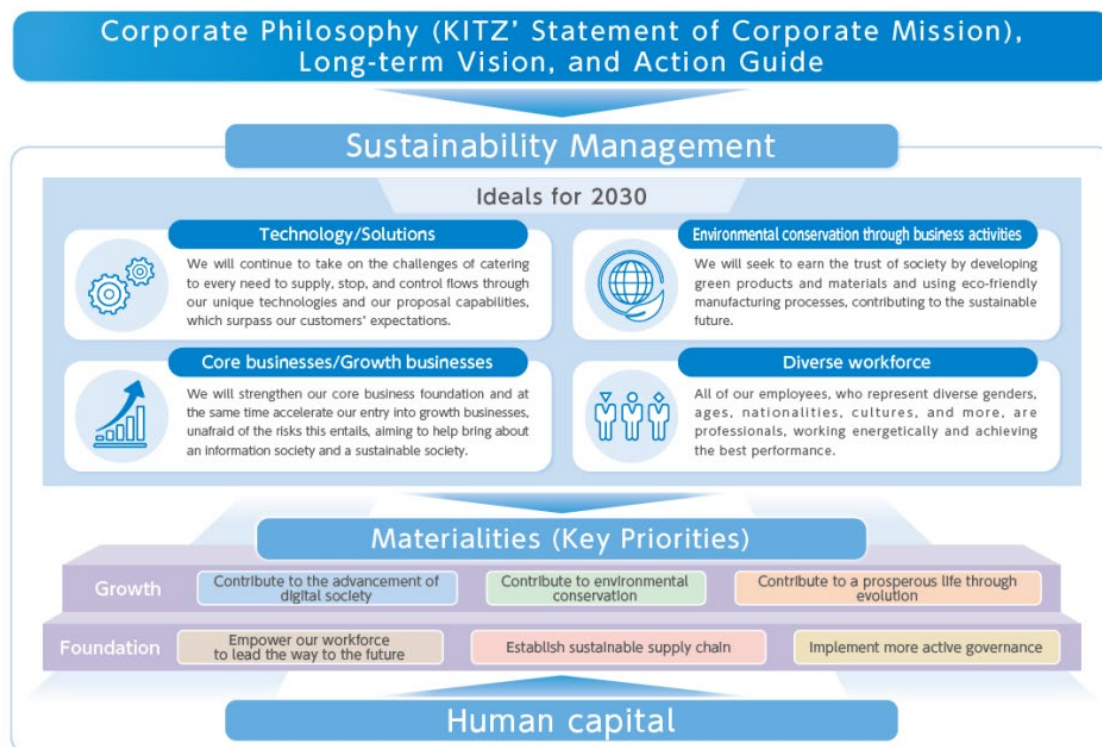
The KITZ Group will create a new future by acting with integrity and taking on challenges without fear of change, aiming to realize a recycling-oriented society that is friendly to the earth and people.

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)

BRIDGE REPORT



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: July 11, 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.com/en/cms/wp-content/themes/kitz/images/sustainability/governance/corporate-governance/cgc.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 2025, 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	FY 12/24
The number of strategically held shares (Note 1)	40	24	24	24	19	20	21	21	19	12
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	6.3	4.8

(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

[1] Utilization of diverse human capital

Our company promotes "Diversity, Equity & Inclusion (DE&I)" as one of our important business strategies. 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. Based on this idea, 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.

■ Human Resources Development Policy

In order to achieve our long-term management vision, it is important that all of our diverse employees demonstrate their individual capabilities to the fullest. To that end, our human resources development policy is designed to form a base for developing innovative human capital and self-reliant employees who can accommodate changes in the environment.

■ Internal Environment Improvement Policy

In order to achieve our long-term management vision, it is important that all of our diverse employees demonstrate their individual capabilities to the fullest. To that end, our internal environment improvement policy is designed to create an environment for realizing well-being, which is a state in which each and every employee is physically, mentally, and socially satisfied.

[2] Ensuring diversity in core human resources and appointment to managerial positions

Believing that it is essential to respect diverse perspectives and values in order to achieve sustainable growth and enhance our corporate value, our company proactively recruits human capital with different experiences, skills, and careers and continuously develops a workplace environment that allows such human capital to flourish, as well as appointing personnel on a person-oriented basis with a high value placed on each person's capabilities and achievements regardless of gender or nationality. We consider it important to ensure diversity especially in the management layers that constitute the core of our business administration; thus, we focus on appointing female employees, employees with foreign nationality, and experienced hires to managerial positions.

1. Appointment of female employees to managerial positions

As part of the efforts to accomplish our aim of enabling female workers to equally participate in the decision-making process of the company or the organization without being held back by gender stereotypes, our company strives to appoint female employees to positions involved in the decision-making process, including managerial posts.

In addition, as a policy for gradually increasing the ratio of female employees in managerial positions, we enrich education and training programs targeted at female employees and their supervisors, enhance job rotations, appoint female workers to the post as leader (which is the assistant manager level) so that they will be the source of the next generation of female managers, newly employ female workers at the manager and assistant manager levels, and implement other various measures to expand the pool of female employees capable of serving as managers.

The ratio of female employees holding managerial positions was 7.5% in the fiscal year 2024 while the target was set at 10%. In the second medium-term management plan, we have set our target ratio of female workers appointed to managerial posts at 10% for the fiscal year 2025, 12% for the fiscal year 2027, and 15% for the fiscal year 2030.

Furthermore, our company is recruiting new female graduates and experienced female hires, and the ratio of new female graduates and experienced female hires recruited in the fiscal year 2024 was 23.6%, which exceeded the target of 23%. In the second medium-term management plan, we have set the target ratio of female employees at 24% for the fiscal years 2025 and 2027 and 25% for the fiscal year 2030. We will implement multifarious initiatives in order to reach the targets.

2. Promotion of non-Japanese employees to managerial posts

In our group, 52.2% 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.

Meanwhile, at KITZ Corporation alone, the ratio of employees with foreign nationality to the total number of employees was 1.2% (Note 1) at the end of the fiscal year 2024 while the average number of employees with foreign nationality recruited over the past five years was 3.3 (Note 1), and KITZ Corporation has not yet appointed any of the employees with foreign nationality to any managerial position. In the second medium-term management plan, we have set the target ratio of employees with foreign nationality recruited at 2.2% (Note 2) for the fiscal year 2025 and 3.0% (Note 2) for the fiscal year 2027. We will implement myriad initiatives to appoint employees with foreign nationality to managerial positions.

(Note 1) The number of full-time employees

(Note 2) Employees directly employed by our company, including full-time employees

3. Appointment of experienced hires (mid-career hires) to managerial positions

The ratio of experienced hires recruited by our company was 49.6% and that of experienced hires holding managerial positions was 42.8% at the end of the fiscal year 2024, both of which are at high levels. We will strive to maintain these high ratios.

[Supplementary Principle 3-1-3] Initiatives toward sustainability/enhancement of the quality and quantity of information disclosure based on frameworks developed by such organizations as the TCFD

[1] Initiatives to promote sustainability

In order to concurrently achieve the sustainable prosperity of the society and the medium- and long-term growth of our corporate group, our company considers sustainability management to be an important pillar. As we regard measures especially against issues about Environmental, Social, and Governance (ESG) as opportunities of creating our corporate group's new corporate value as well as fulfilling our responsibilities as a company that constitutes the society, we have placed sustainability management at the core of our business strategies in the long-term management vision for 2030, "Beyond New Heights 2030 – Change the 'Flow.'"

In addition, we have classified our aim for 2030 into four categories, which are technology/solutions, environmental conservation through business activities, core businesses/growth businesses, and diverse human resources, and identified material issues (key business priorities) for realizing the aforementioned four items.

We reviewed and revised the material issues (key business priorities) in the second medium-term management plan released in February 2025. Through the review and the revision, we have defined three items for growing our corporate group's business, which are (1) contribution to the advancement of digital society, (2) contribution to environmental conservation, and (3) contribution to a prosperous

life through evolution, and three items for establishing a business base that supports them, which are (4) empowerment of our workforce to lead the way to the future, (5) establishment of a sustainable supply chain, and (6) implementation of more active governance.

Our corporate group will pursue the creation of a sustainable future by proactively working on these six material issues.

In order to strongly promote sustainability management, our company operates a Sustainability Committee whose chair is the Director, Representative Executive Officer and President, vice chair is the Division Manager of the Corporate Planning Division, and standing committee members are the senior executive officers and executive officers of our company, and the representative directors and presidents of our group companies based in Japan. The missions of the Sustainability Committee are to play a leading role in achieving our corporate group's sustainable growth and enhancing our corporate value in the medium and long term, as well as to help develop a sustainable society by striving to realize the long-term management vision and carrying out corporate activities aimed at solving environmental and social issues.

Furthermore, our company has set up a Sustainability Promotion Office, and promotes and supports sustainability management across our corporate group, in order to smoothly and effectively operate the Sustainability Committee and propel forward sustainability management.

[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.

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 environment, Safety and Health Committee (a committee specializing in the environment, safety, and health) checks the progress and achievements regarding the medium/long-term environmental targets of zero CO₂, zero environmental impact, and zero risk, which are collectively referred to as "3ZEROs (Triple Zeros)," as set in our long-term environmental vision, and determines the direction and key policies. The committee reports the board of directors on particularly important matters.

We have disclosed information on our measures against climate change (disclosure in line with the TCFD framework) on our company's website: https://www.kitz.com/en/sustainability/environment/env_warming/

■ 3ZERO (Triple Zeros)

1. Zero CO₂

• Initiatives to reduce CO₂ emissions

On the basis of our integrated system for production from raw materials, our company has produced valves by melting such metals as copper and iron with electric furnaces since our foundation. As our production system requires a large amount of electricity and affects the environment, we have endeavored to procure CO₂-free electricity at our major offices. Furthermore, we have strove to shift our fuel to liquefied natural gas (LNG) from heavy oil and liquefied petroleum gas (LPG) and procure carbon-neutral gas, as well as installing photovoltaic systems.

• Toward realization of carbon neutrality by 2050

Our company is working to cut down on CO₂ emissions in the supply chain not only through efforts to reduce the amount of CO₂ generated from our production and other processes (Scopes 1 and 2), but also by calculating the amount of CO₂ emitted by the partner companies involved in our company's business activities (Scope 3). We aim to provide environmentally friendly and sustainable valves.

2. Zero environmental impact

Aiming at a sustainable and recycling-oriented society, our company set up a task force on promotion of recycling of resources in the fiscal year 2022 and since then has taken measures targeted at water resources, waste, plastics, hazardous substances, and the like. 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.

Regarding waste, we have defined the rate of landfill disposal as a KPI and taken measures for effective use of resources, such as recycling of molding sand generated in the course of our production process.

3. Zero risk

Our company strives to prevent environmental pollution, industrial injuries, and fire, and safely and stably produce products by obtaining the certificates of ISO 14001 and ISO 45001, performing mutual audits, promoting various educational programs, and establishing a system for managing the safety and health within our corporate group.

[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

1. Formulation of a human resources portfolio, and initiatives for strengthening human capital

In order to achieve the long-term management vision, our company has established a human resources portfolio in which our corporate group as a whole is taken into account and is developing a system that enables us to flexibly recruit, train, and allocate human capital among our group companies in Japan and overseas, with the aim of realizing “diverse human resources.” 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. We are also taking measures relating to respect for human rights, DE&I, promotion of the work-life balance, health management, improvement of employee engagement, and the like, based on the human resources development policy and the internal environment improvement policy that are the bases for implementing individual initiatives.

2. Respect for human rights

Amid growing expectations toward the leadership demonstrated by companies for solving global social issues that are becoming apparent these days, such as human rights, poverty, labor, and the environment, our company considers such issues to be one of the most important issues to tackle. As part of our measures against these social issues, our company expresses support for the United Nations Global Compact (UNGC) and takes initiatives to implement the 10 principles of the UNGC, and supports the Universal Declaration of Human Rights, the international standard related to human rights.

We conducted a questionnaire survey concerning human rights as one of the initiatives and use the results as reference for creating a worker-friendly working environment in which employees can express their candid opinions and the human rights of each of employees are respected. In addition, we utilize the compliance helpline and accept requests for advice and reports regarding human rights from our employees at all times, which means that our company has established a system that allows our employees to ask for help at any time with a sense of security.

Furthermore, our company has formulated the supplier guidelines and green procurement standards, which contain particulars related to human rights, so that our suppliers can understand our company’s corporate philosophy and value and work with us in unity. We conduct a survey (self-assessment) targeted at our company’s major suppliers based on these guidelines and regulations, and in fiscal year 2024, we performed a survey targeted at not only our suppliers, but also our group companies, based on which our company carries out procurement activities aimed at “creating a rich global environment and a sustainable future” as stated in our corporate philosophy.

Our company also promotes DE&I as one of our important business strategies and is taking concrete measures to attain the goals set in the second medium-term management plan regarding gender equality, promotion of understanding about LGBTQ, enhancement of the recruitment of people with disabilities, and empowerment of workers with foreign nationality. With regard to the promotion of understanding about LGBTQ out of them, we implement measures for the five indicators of the PRIDE Index, and received the BRONZE rating in the PRIDE Index 2023 and the highest GOLD rating in the PRIDE Index 2024.

3. Improvement of work-life balance

① 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 "Excellent Corporations for Health Management" by the Ministry of Economy, Trade and Industry for the fourth consecutive year.

② Optimization of working hours

As part of our efforts to create a corporate culture that allows our employees to work healthily and energetically, our company endeavors to prevent long working hours, forbid unpaid overtime, and encourage our employees to take annual paid leaves through labor-management cooperation, as well as thoroughly making our employees comply with labor-related laws and regulations. We reduced the total hours worked by 1942 hours against the target of 1990 hours in the fiscal year 2024. When an employee works for a period exceeding the designated working hours, we will report the fact to the management and take care of the employee's mind and body through such means as interviews with an industrial physician.

4. Initiatives regarding the reform of our organizational culture and mindset

Our company focuses on initiatives to encourage our employees to change their mindset, based on our idea of shifting from an attitude of clinging to traditional ways to an attitude of always seeking new methods, so that diverse human capital will be accepted while our tradition that has continued since the foundation can be preserved.

Aiming to make a company where each and every employee works with vitality and delivers their best performance as professionals beyond such biases as age, gender, nationality, and cultural background, our company carries out an engagement survey for the purpose of grasping what our current organizational culture is like while setting sustainable enhancement of employee engagement as one of our human capital strategies.

We performed an employee engagement survey targeted at our company and our group companies based in Japan in the fiscal year 2024. The results of the survey were provided to each workplace and reported to the management at meetings of the board of directors and the board of executive officers for checking and analyzing our current organizational culture, and we have determined specific plans of action and target values for helping each workplace conduct activities accordingly. In addition, we strive to continuously improve employees' engagement by carrying out this survey regularly every year.

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 (Japanese Only.)
https://www.kitz.co.jp/investor_ir/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.

[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 company's return on capital exceeds the investors' expected rate of return at the moment, we understand that our challenge in the future is to gain the market confidence in growth potential of our medium/long-term earnings.

Our company, therefore, will strive to further generate profit, foster expectations for our growth, cut down on the cost of capital by classifying our policies into five categories, which are ROIC management, financial strategies, growth strategies, ESG management, and IR strategies/shareholder policies, taking measures, and performing evaluation and analysis, so that we can enhance our corporate value.

Regarding measures to achieve management that is conscious of cost of capital and stock price, 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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