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.)	ROA (Act.)
¥1,919	87,565,611 shares		¥168,038 million	10.1%	9.0%
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
¥62.00	3.2%	¥154.04	12.5x	¥1,426.30	1.3x

*Share price is as of closing on August 31. ROE and ROA (Act.) are 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 second quarter of the fiscal year ending December 2026.

Consolidated Earnings Trends

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	DPS (¥)
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 (Act.)	176,682	15,454	16,071	11,465	131.85	53.00
December 2026 (Est.)	210,000	18,000	18,400	13,400	154.04	62.00

*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 2026 and forecast for the fiscal year ending December 2026, etc.

Table of Contents

Key Points

- **In the interim period of the fiscal year ending December 2026, sales grew 13.7% year on year to 98,232 million yen. The sales of the Valve Manufacturing Business increased 10.1% year on year. The demand for valves for semiconductor equipment expanded in addition to price revision effects and the impact of currency exchange rates. The sales of the Metal Solutions Business grew 30.1% year on year due to a rise in the market price of copper, etc. Operating income grew 2.6% year on year to 8,143 million yen. While the increase in sales of products for semiconductor equipment made a contribution in the Valve Manufacturing Business, the operating income in this segment declined 4.9% year on year due to a decrease in the sales volume of products for the petrochemical market, rising prices of raw materials and components, and posting of acquisition-related expenses arising from M&A. The operating income in the Metal Solutions Business increased 242.8% year on year to 1,058 million yen. A rise in the market price of copper resulted in a significant profit growth. Interim net income reached 6,549 million yen, up 9.7% year on year. Sales and all kinds of profits exceeded the company's forecast. An interim dividend of 29.00 yen/share will be paid as forecast.**

- **For the fiscal year ending December 2026, sales are expected to grow 18.9% year on year to 210 billion yen, and operating income to increase 16.5% year on year to 18 billion yen. An upward revision has been made to the forecasts of sales and all kinds of profits. The sales of the Valve Manufacturing Business are projected to rise 18.2%. Regarding growing markets, the sales of semiconductor equipment, semiconductor materials (filters) and fine chemicals are forecast to achieve a double-digit growth. With regard to core markets, the sales of valves for building & facilities and water treatment are expected to achieve a double-digit growth despite a decline in the sales of valves for petrochemicals. The sales of the Metal Solutions Business are projected to increase 23.0%. In terms of profit, both the Valve Manufacturing Business and Metal Solutions Business are forecast to achieve a double-digit growth. The company plans to increase the year-end dividend by 1.00 yen/share from the previous fiscal year to 33.00 yen/share. Dividends for the full year will amount to 62.00 yen/share. The expected payout ratio is 40.2%.**

- **The full-year forecast has been upwardly revised as the results in the interim period surpassed the company's forecast. As the second year of the Second Medium-Term Management Plan, the fiscal year ending December 2026 keeps seeing a steady progress. The rate of progress toward the full-year forecast is 46.8% for sales and 45.2% for operating income. It seems to be falling behind, but it was forecast to gradually grow with every passing quarter since the beginning of the fiscal year. The healthy demand for semiconductors is driving the favorable performance, and revenues of V TEX, which was turned into a wholly-owned subsidiary, will be added in the second half of the year. It is surmised that synergetic effects will take time to be exerted fully from the next fiscal year on and support performance in the medium term. Although the fiscal year ending December 2026 is the second year of the Second Medium Term Management Plan, the revised sales forecast exceeds the target for the fiscal year ending December 2027, which is the last year of the plan. If profit margin improves, the target for profit could also be achieved a year earlier.**

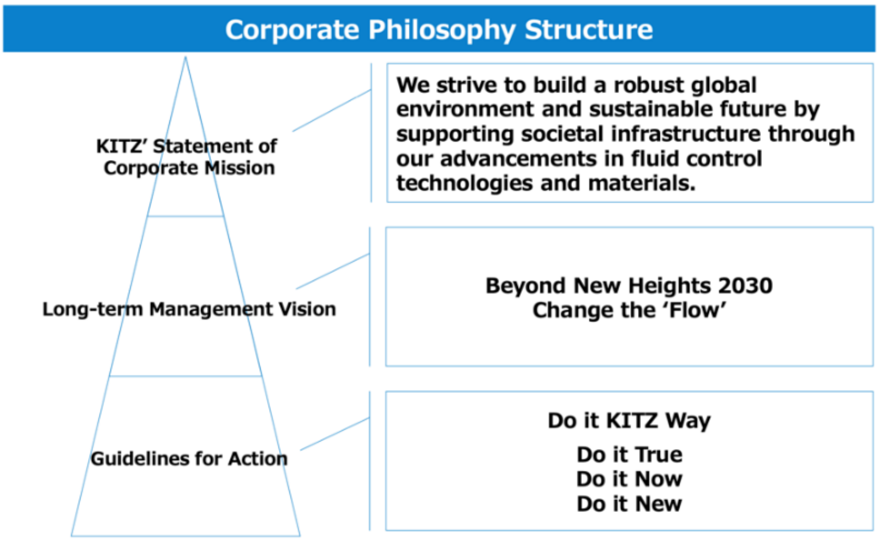
- **Mr. Kohno, who became President in the fiscal year ended December 2021, first formulated the vision and announced the ROE policy. An ROE of over 10% has been achieved for four consecutive fiscal years since the fiscal year ended December 2022, and sales and profit grew in the fiscal year ended December 2025, which was the first year of the Second Medium-Term Management Plan, owing to continuous price revisions among other factors. The results in the fiscal year ending December 2026 are forecast to show a significant growth, with an 18.9% increase in sales and a 16.5% rise in operating income. Effects of various measures taken until now have been thoroughly reflected on the performance. It can be said that the achievement of the medium-term management plan is almost within sight. Stock price remains sluggish at a low value. It is fair to say that the stock is undervalued, considering the recent upward leap in performance and the growth potential in the medium term.**

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 40 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.

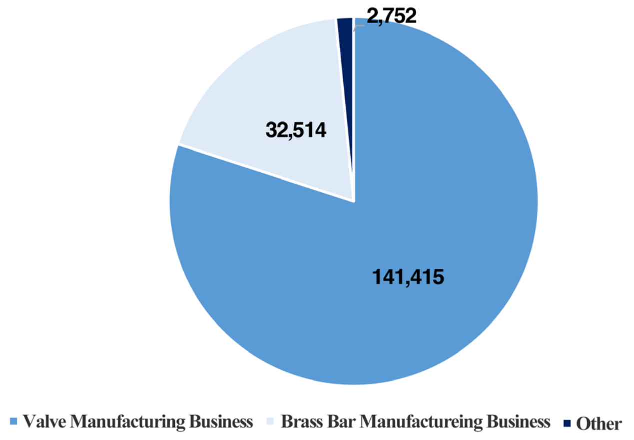


(Taken from the reference material of the company)

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 2025, these segments accounted for 80.0%, 18.4%, and 1.6% of total sales, respectively. The brass bar manufacturing business is renamed the metal solutions (metal S) business in fiscal year ending December 2026.

Sales Composition by Segment (FY 12/25, unit: million yen)



(1) Valve Manufacturing Business

Valves are used to pass, stop, and adjust the flow of fluids in various pipe systems (water, air, gas, and other substances). They are used in building facilities, residential utility systems, water supply facilities, fresh water and sewer systems, fire prevention equipment, machinery and industrial equipment manufacturing facilities, chemical, medical, and petrochemical product manufacturing facilities, semiconductor manufacturing facilities, oil refineries and other industrial complexes, 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) Metal Solutions Business

Former 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 Metal Solutions 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.
Following the name change to the "Metal Solutions Business," they will start processing other new materials than brass bars, which are their core products, to expand their business domain.

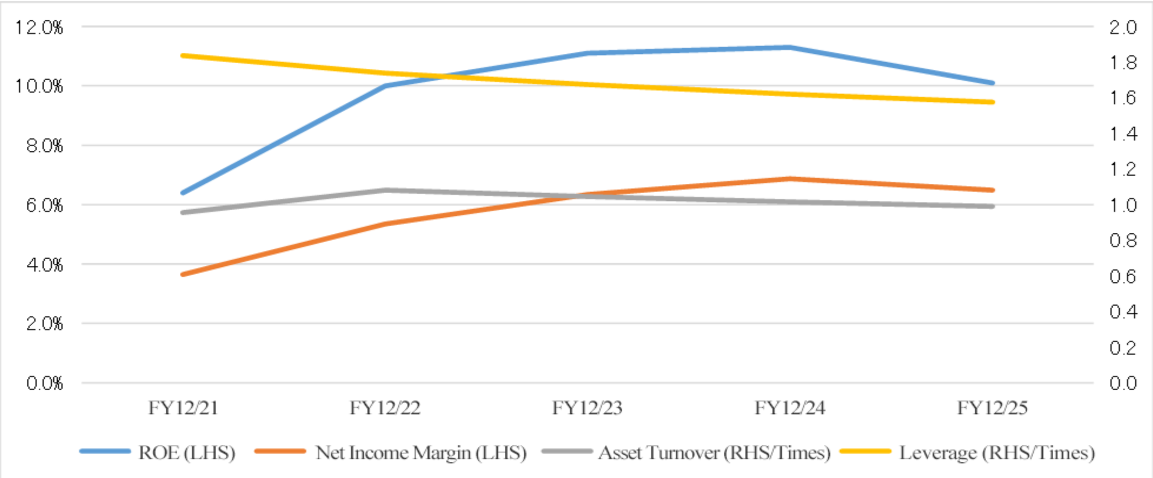
(3) Other

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 12/20	FY 12/21	FY 12/22	FY 12/23	FY 12/24	FY 12/25
ROE (%)	**2.8**	**6.4**	**10.0**	**11.1**	**11.3**	10.1
Net income margin (%)	2.51	3.65	5.35	6.34	6.87	6.49
Total asset turnover [times]	0.61	0.96	1.08	1.05	1.01	0.99
Leverage [times](x)	1.84	1.84	1.74	1.67	1.62	1.57

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



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

The ROE in the fiscal year ended December 2025 stood at 10.1%, showing a decline from the previous fiscal year, but ROE remained double-digit for 4 consecutive fiscal years. As they aim to achieve an ROE of 13% or higher in the fiscal year ending December 2030, they plan to keep improving shareholder value (PBR).

2. Interim Period of Fiscal Year ending December 2026 Earnings Results

2-1 Consolidated Business Results

	FY 12/25 Interim	Ratio to Sales	FY 12/26 Interim	Ratio to Sales	YoY	The company's forecast	Ratio to Forecast
Sales	86,380	100.0%	98,232	100.0%	+13.7%	94,200	+4.3%
Gross Profit	23,151	26.8%	25,026	25.5%	+8.1%	-	-
SG&A	15,217	17.6%	16,883	17.2%	+10.9%	-	-
Operating Income	7,933	9.2%	8,143	8.3%	+2.6%	8,000	+1.8%
Ordinary Income	8,373	9.7%	8,654	8.8%	+3.4%	8,250	+4.9%
Interim Net Income	5,968	6.9%	6,549	6.7%	+9.7%	6,400	+2.3%

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

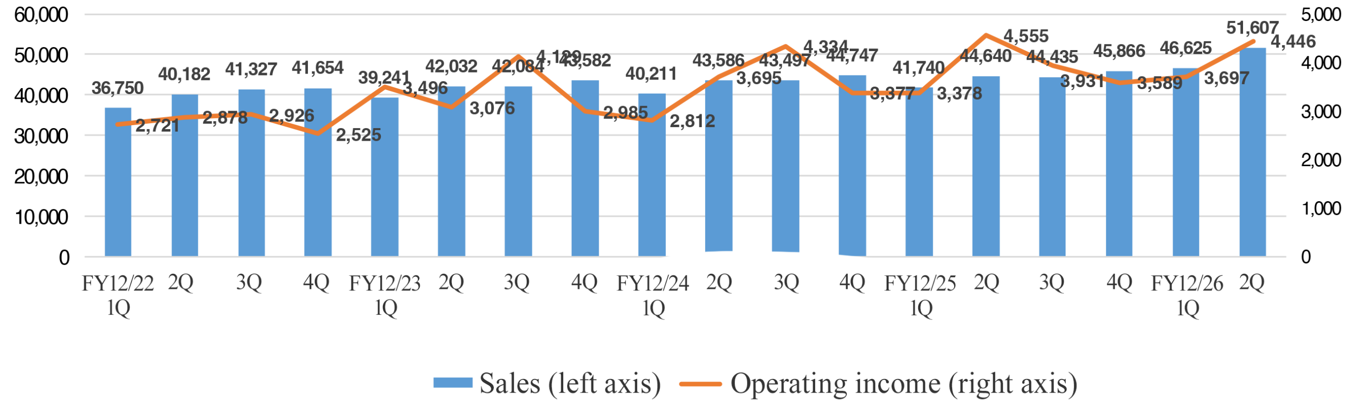
Sales grew 13.7% and operating income rose 2.6%.

Sales grew 13.7% year on year to 98,232 million yen. The sales of the Valve Manufacturing Business increased 10.1% year on year. The demand for valves for semiconductor equipment expanded in addition to price revision effects and the impact of currency exchange rates. The sales of the Metal Solutions Business grew 30.1% year on year due to a rise in the market price of copper, etc.

Operating income grew 2.6% year on year to 8,143 million yen. The increase in sales of products for semiconductor equipment made a contribution in the Valve Manufacturing Business. Operating income in this segment declined 4.9% year on year due to a decrease in the sales volume of products for the petrochemical market, rising prices of raw materials and components, an increase in SG&A, and posting of acquisition-related expenses arising from M&A. Operating income in the Metal Solutions Business increased 242.8% year on year to 1,058 million yen. A rise in the market price of copper resulted in a significant profit growth. Regarding non-operating income and losses, the company recorded a foreign exchange gain for the current interim period, contrasting with a foreign exchange loss in the same period of the previous year. As a result, ordinary income grew 3.4% year on year to 8,654 million yen. Interim net income reached 6,549 million yen, up 9.7% year on year due to the recording of a gain on the sale of tangible fixed assets resulting from the sale of the former headquarters of a U.S. subsidiary as an extraordinary income..

Sales and all kinds of profits exceeded the company's forecast. An interim dividend of 29.00 yen/share will be paid as forecast.

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



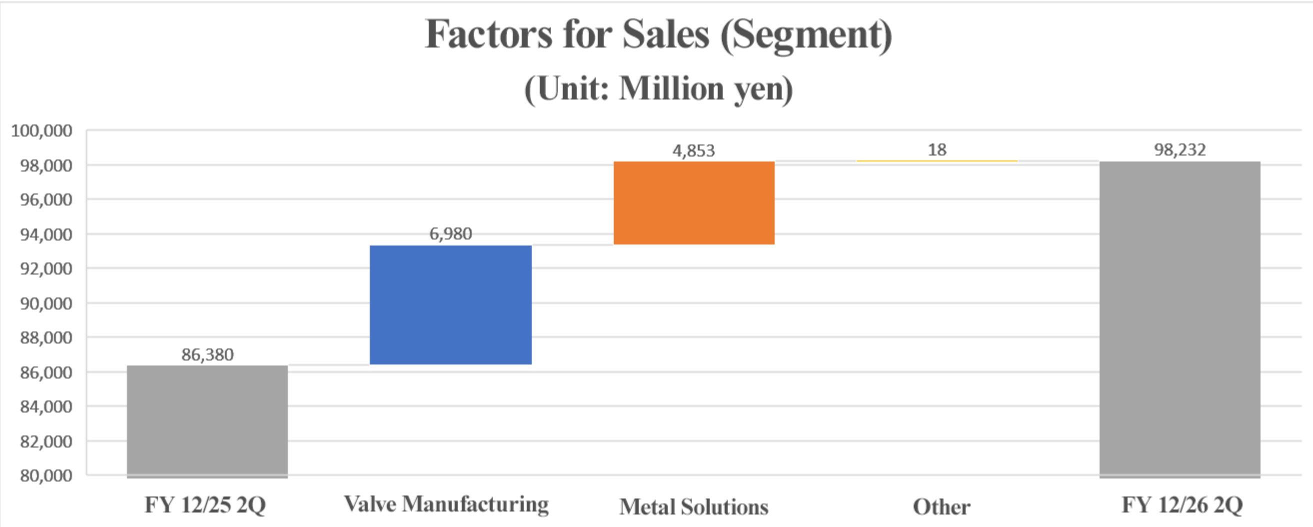
Exchange and raw materials

	FY 12/25 Interim	FY 12/26 Interim	FY 12/26 Interim plan
Yen / US Dollar	147.48	158.61	155.00
Yen / Euro	162.21	184.83	184.00
Electrolytic Copper, Yen / kg	1,422	2,163	2,100

2-2 Business Segments' results

	FY 12/25 Interim	Composition	FY 12/26 Interim	Composition	YoY
Sales	86,380	100.0%	98,232	100.0%	+13.7%
Valve Manufacturing	69,093	80.0%	76,073	77.4%	+10.1%
Metal Solutions	16,140	18.7%	20,993	21.4%	+30.1%
Other	1,147	1.3%	1,165	1.2%	+1.6%
Operating income	7,933	9.2%	8,143	8.3%	+2.6%
Valve Manufacturing	9,815	14.2%	9,334	12.3%	-4.9%
Metal Solutions	308	1.9%	1,058	5.0%	+242.8%
Other	8	0.7%	3	0.3%	-64.2%
Adjustment	-2,198	-	-2,253	-	-

* 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 grew 10.1% year on year, and operating income dropped 4.9% year on year.
Sales increased owing to an expansion in demand for valves for semiconductor equipment in addition to price revision effects and the impact of currency exchange rates. Operating income declined due to the posting of acquisition-related expenses arising from M&A alongside a decrease in the volume of sales for the overseas market and rising prices of raw materials and components.

(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/decarbonization (including LNG)).

The sales in core markets grew 3.9% year on year. The sales of valves for building & facilities increased owing to favorable performance of products for data centers and effects of price revisions in Japan. The sales of valves for petrochemicals decreased, partially due to the situation in the Middle East. The sales of valves for water treatment grew due to an increase in refurbishment works. The sales in growing markets increased 20.3% year on year owing to the recovery of demand for semiconductor equipment and semiconductor materials (filters). Sales of valves for fine chemicals declined due to a delay in the first quarter. Sales of valves for hydrogen/decarbonization increased as sales from hydrogen station projects were posted. Apart from that, a growth in sales was achieved due to steady sales for distribution channelsin Japan and effects of thorough price revision.

(Performance in each region)
Sales grew 8.9% in Japan and 11.8% overseas. Sales in Japan accounted for 58% and overseas sales for 42% of overall sales.
*While the sales of products for semiconductors and datacenters increased in the Americas, the sales of valves for petrochemicals in the North America dropped, resulting in a marginal growth in sales.
*The sales in ASEAN, South Korea and Middle East increased owing to an increase in the sale of products for semiconductor equipment in ASEAN and South Korea, effects of price revisions, etc.
*The sales in China grew due to an expansion in demand for products for data centers and semiconductor equipment, despite the lasting economic slowdown.
*The sales in India increased owing to the synergy with Horizon Polymer, which was turned into a subsidiary, on the fine chemicals market.
*The sales in Europe and other regions declined due to the sluggish economic situation, etc.

(2) Metal Solutions Business
Sales grew 30.1% year on year due to a rise in the market price of copper, etc.
Operating income increased significantly 242.8% year on year, exceeding the forecast for the full fiscal year, as profit was earned from the rise in the market price of copper, etc.

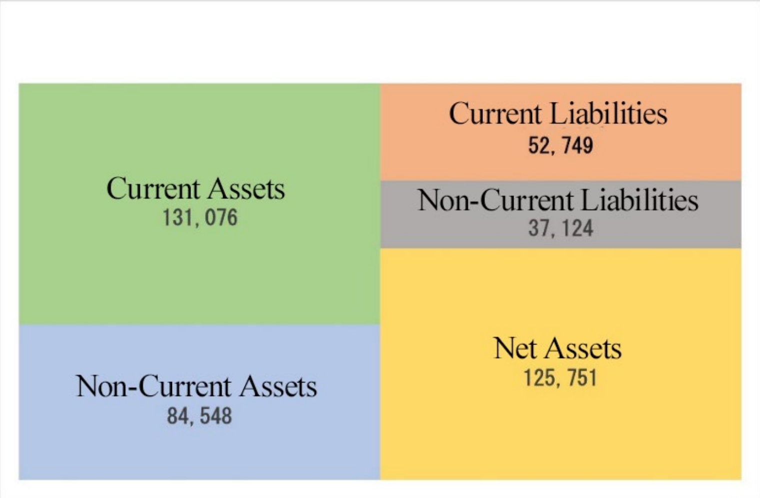
(3) Other
They operate the hotel business in Suwa City, Nagano Prefecture. Sales increased but operating income decreased year on year.

2-3 Financial Conditions
◎BS

	Dec. 2025	Jun. 2026	Increase and Decrease		Dec. 2025	Jun. 2026	Increase and Decrease
Current Assets	110,281	131,076	+20,795	Current Liabilities	27,232	52,749	+25,517
Cash	28,239	33,239	+5,000	Payables	9,927	12,809	+2,882
Receivables	36,641	40,886	+4,245	Short-Term Debt	3,319	22,630	+19,311
Inventories	41,980	51,957	+9,977	Noncurrent Liabilities	37,302	37,124	-178
Noncurrent Assets	74,044	84,548	+10,504	Long-Term Debt	30,573	29,727	-846
Tangible Assets	61,566	66,041	+4,475	Total Liabilities	64,535	89,873	+25,338
Intangible Assets	2,167	7,074	+4,907	Net Assets	119,790	125,751	+5,960
Investments, Other	10,310	11,433	+1,123	Retained Earnings	77,668	81,425	+3,757
Total Assets	184,325	215,624	+31,298	Total Liabilities, Net Assets	184,325	215,624	+31,298

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

Total assets increased 31,298 million yen from the end of the previous fiscal year to 215,624 million yen, due to the increase in inventories and cash & deposits. As provision for bonuses, short-term interest-bearing liabilities, and trade payables augmented, total liabilities grew 25,338 million yen from the end of the previous fiscal year to 89,873 million yen. Net assets increased 5,960 million yen from the end of the previous fiscal year to 125,751 million yen, due to recording of interim net income, the increase in foreign currency translation adjustments, etc. despite the cash dividends paid.
Capital-to-asset ratio dropped 6.5 points from the end of the previous fiscal year to 57.6%.



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

3. Fiscal Year ending December 2026 Earnings Forecasts

3-1 Consolidated Earnings Forecast

	FY 12/25	Ratio to Sales	FY 12/26 Est.	Ratio to Sales	YoY	Previous forecast
Sales	176,682	100.0%	210,000	100.0%	+18.9%	195,000
Operating Income	15,454	8.7%	18,000	8.6%	+16.5%	17,000
Ordinary Income	16,071	9.1%	18,400	8.8%	+14.5%	17,400
Net Income	11,465	6.5%	13,400	6.4%	+16.9%	12,700

Units: million yen.

Exchange and raw materials assumptions

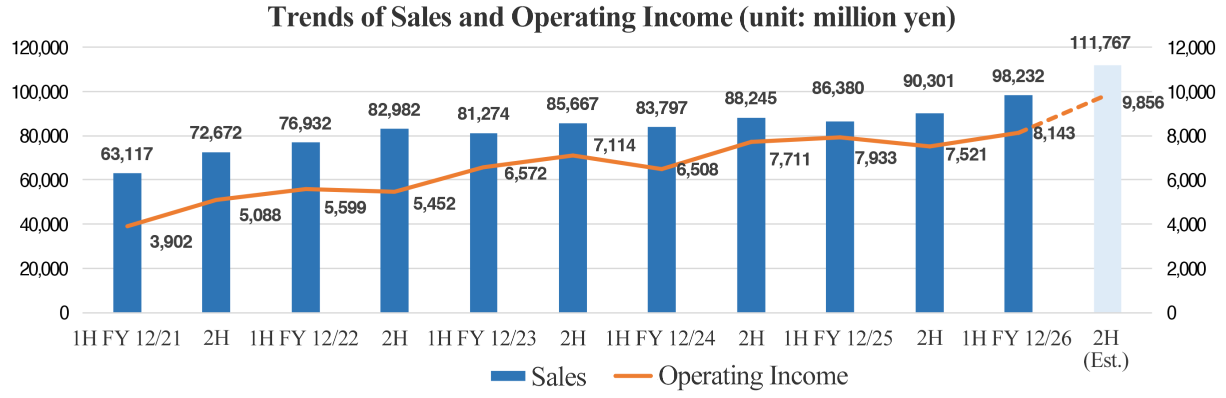
	FY 12/25	FY 12/26 Est.	Previous forecast
Yen / US Dollar	149.78	159.00	155.00
Yen / Euro	169.51	185.00	184.00
Electrolytic Copper, Yen / kg	1,536	2,240	2,100

An upward revision has been made. Sales are expected to grow 18.9% and operating income to increase 16.5%.

For the fiscal year ending December 2026, sales are expected to grow 18.9% year on year to 210 billion yen, and operating income to increase 16.5% year on year to 18 billion yen. As shown in the table above, an upward revision has been made to the forecasts of sales and all kinds of profits.

The sales of the Valve Manufacturing Business are projected to rise 18.2%. Regarding growing markets, the sales of semiconductor equipment, semiconductor materials (filters) and fine chemicals are forecast to achieve a double-digit growth. With regard to core markets, the sales of valves for building & facilities and water treatment are expected to achieve a double-digit growth despite a decline in the sales of valves for petrochemicals. The sales of the Metal Solutions Business are projected to increase 23.0%. In terms of profit, both the Valve Manufacturing Business and Metal Solutions Business are forecast to achieve a double-digit growth.

The company plans to increase the year-end dividend by 1.00 yen/share to 33.00 yen/share. Dividends for the full year will amount to 62.00 yen/share. The expected payout ratio is 40.2%.



*Created by Investment Bridge based on disclosed material of the company. The figures for the second half of the fiscal year ending December 2026 are company's forecasts.

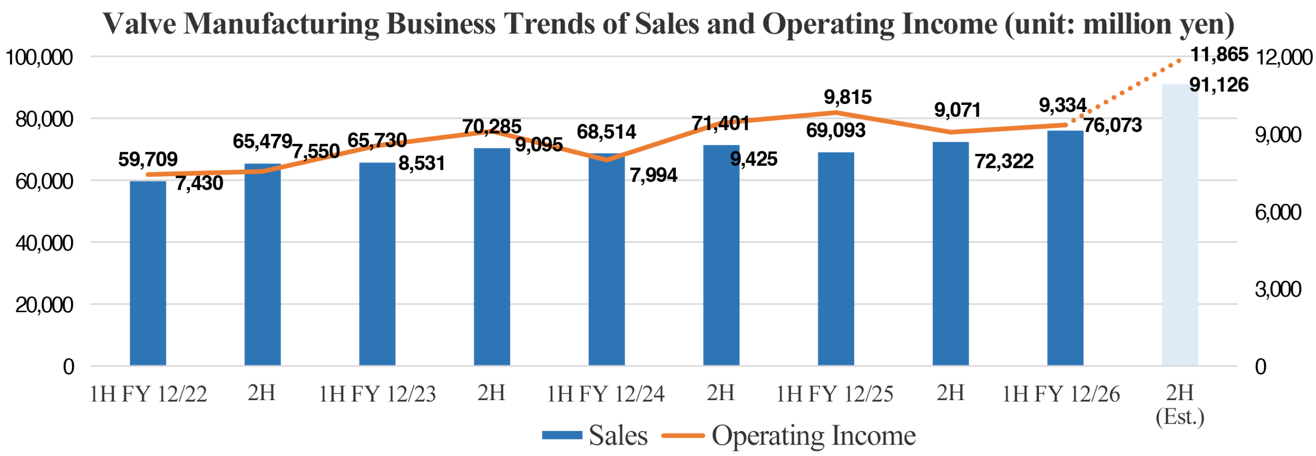
3-2 Sales and Operating Income by Segment

	FY 12/25	Composition	FY 12/26 Est.	Composition	YoY
Valve Manufacturing	141,415	80.0%	167,200	79.6%	+18.2%
Metal Solutions	32,514	18.4%	40,000	19.0%	+23.0%
Other	2,752	1.6%	2,800	1.3%	+1.7%
Total Sales	176,682	100.0%	210,000	100.0%	+18.9%
Valve Manufacturing	18,886	13.4%	21,200	12.7%	+12.3%
Metal Solutions	865	2.7%	1,500	3.8%	+73.4%
Other	171	6.2%	100	3.6%	-41.5%
Adjustments	-4,467	-	-4,800	-	-
Total Operating Income	15,454	8.7%	18,000	8.6%	+16.5%

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

(1) Valve Manufacturing Business

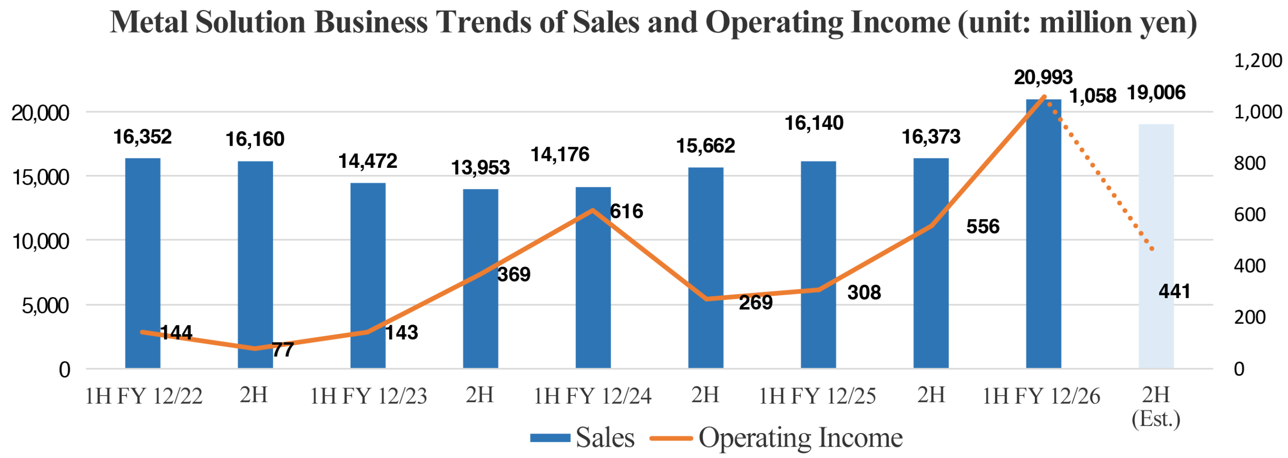
Sales and profit are projected to rise. A significant growth is projected for the second half of the year. The sales of products for semiconductor equipment are expected to achieve a considerable growth.



*Created by Investment Bridge based on disclosed material of the company. The figures for the fiscal year ending December 2026 are company's forecasts.

(2) Metal Solutions Business

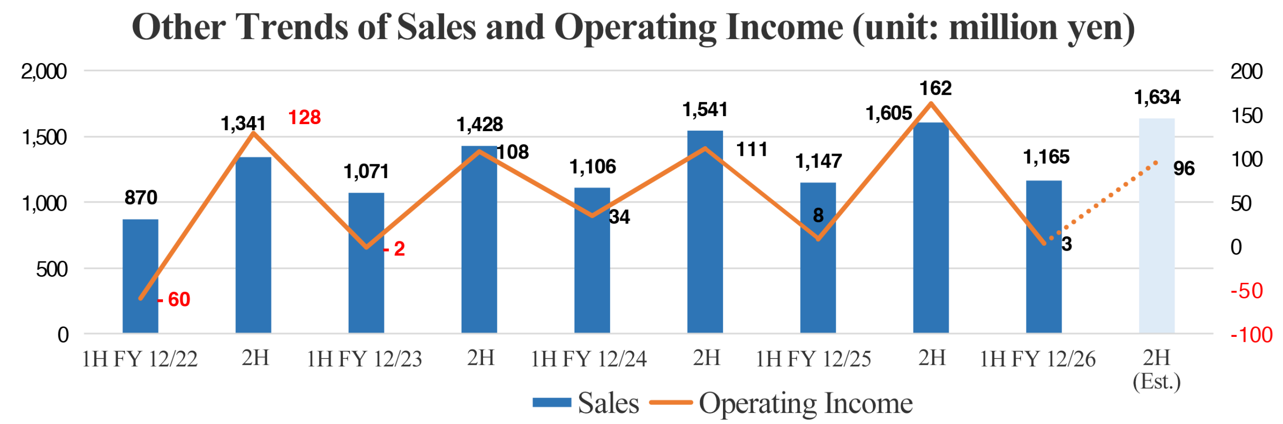
Sales and profit are forecast to grow. While a significant growth was achieved in the first half of the year due to a rapid rise in the market price of copper, performance is projected to level out in the second half of the year.



*Created by Investment Bridge based on disclosed material of the company. The figures for the fiscal year ending December 2026 are company's forecasts.

(3) Other

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



*Created by Investment Bridge based on disclosed material of the company. The figures for the fiscal year ending December 2026 are company's forecasts.

3-3 Recent topics

① M&A with a manufacturer of valves for semiconductor equipment

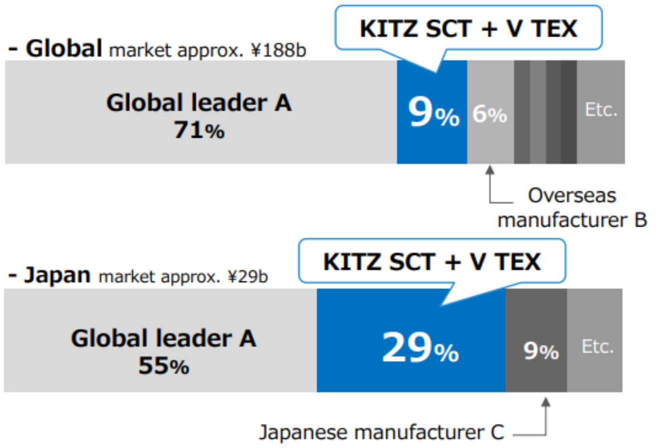
In order to strengthen business foundations in the vacuum and pressure control domain, which is viewed as increasingly important in cutting-edge processes for manufacturing semiconductors, the company acquired all shares in V TEX, which handles special valves, especially vacuum valves, for semiconductor equipment, and turned it into a subsidiary.

Revenues of V TEX are projected to contribute 7 billion yen in sales and 700 million yen in operating income in the second half of the year.

～Post-acquisition position in Vacuum Valve～

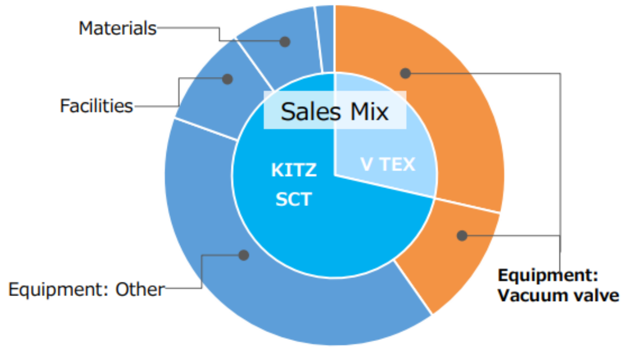
Establishing the position as the largest Japanese supplier and No.2 globally

2025 Semiconductor Vacuum Valve Market Share



～Broader product portfolio for Semiconductor～

A unique product lineup — coverage from gas and chemical supply to vacuum exhaust



Global vacuum valve market expected to grow approximately 1.8x by 2030

(Taken from the reference material of the company)

～Synergy in products and technologies, bringing together the strengths of both companies～

☆Expansion of the vacuum valve product line-up

	Transfer gate valve	Round gate valve	Pendulum gate valve	Angle valve	Butterfly valve	Butterfly APC	Pendulum APC	Ball valve
Global leader A	●	●	●	●	●	●	●	●
KITZ SCT	●	–	–	●	●	●	–	●
V TEX	●	●	●	–	–	–	●	–
SCT + V TEX	●	●	●	●	●	●	●	●

(Taken from the reference material of the company)

The forte of V TEX lies in high-quality technologies for rectangular gate valves and pendulum gate valves. On the other hand, the strength of KITZ SCT lies in technologies concerning heat resistance, automatic operation and cleaning.

They will accelerate the development of next-generation products fusing the strengths of both companies.

☆Development of cutting-edge valves for the dry etching market

☆Realization of space saving, small oscillations and zero particles

☆Enhancement of proposal capability based on broader product portfolio

Furthermore, they will boost global expansion, integrating the operation base network of both companies. They intend to cultivate it into a growth engine of the whole group, starting from the semiconductor market.

② Succession of production and technologies for copper bars and copper alloy bars

As Mitsubishi Materials Corporation discontinued the manufacturing and sale of their copper bars and ECO BRASS® products, a technology licensing agreement was concluded with the company in order to transfer the production of certain products to KITZ Metal Works.

Taking over the production technologies and quality control know-how, and fusing it with metal processing, forging and machining technologies cultivated by KITZ Metal Works, the company will expand the line-up of products using environment-friendly materials and high-performance materials. In addition to stable supply for existing clients, they will expand into the fields of semiconductor-related products and industrial devices, leading up to the elevation of the value added and growth of the Metal Solutions Business.

*ECO BRASS® is a registered trademark of Mitsubishi Materials Corporation.

Examples of product usage

(Taken from the reference material of the company)

③ Activities to support water supply in areas affected by the 2026 Kumamoto Earthquake
Following the 2026 Kumamoto Earthquake, the company installed a portable water purification system "Aqua Rescue" in Nishihara Village, Kumamoto Prefecture, and launched activities to support water supply based on a request from the affected area. Raw water, whose quality worsened due to the earthquake, is purified and supplied to the earthquake victims as water for household use. Moreover, the company is making preparations for providing water supply in other municipalities.
KITZ Group will continue contributing to securing daily life infrastructure in areas affected by natural disasters, utilizing the water treatment technologies they have cultivated.

④ Organization of "KITZ INDUSTRIAL CONVENTION 2026"
The company will organize their own exhibition, "KITZ INDUSTRIAL CONVENTION 2026," with the theme of industrial products, in two areas – Mizushima (November 24th) and Yokkaichi (December 4th). This time, the exhibition will be held in regions with a high concentration of industrial complexes, working toward strengthening contact with end users. The company is working on a new mobile showroom to allow the visitors to have a look at the products directly. They will capture potential needs through direct dialogue with clients, leading up to cross-selling of the group products and generation of new business opportunities.

4. Medium-term Management Plan

4-1 Second Medium-Term Management Plan (FY 12/25 – FY 12/27)

The new medium-term management plan "SHIN GLOBAL 2027" started 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)

They have changed the target payout ratio from around 35% to 40% or higher.

Quantitative targets

Financial KPI	FY 12/24 Results	FY 12/25 Targets	FY 12/25 Results	FY 12/27 Targets
Total Sales	**1,720**	**1,800**	**1,767**	**2,000**
Valve Manufacturing	1,396	1,473	1,414	1,672
Metal Solutions	298	300	325	300
Other	26	27	28	28
Total Operating Income	**142**	**150**	**154**	**200**
Valve Manufacturing	174	188	189	231
Metal Solutions	9	9	9	15

Other	1	1	2	1
Adjustments	-42	-48	-45	-47
ROE	**11.3%**	**10.2%**	**10.1%**	**11% or higher**
Dividend Payout Ratio	**34.7%**	**Around 35%**	**40.2%**	**40% or higher**

Unit: 100 million yen

Non-financial KPI	FY 12/24 Results	FY 12/25 Targets	FY 12/25 Results	FY 12/27 Targets
CO_2 reduction rate	-89%	-90%	-90.8% (Provisional)	-90%
Employee engagement score Feedback index, maximum score: 5.0 pt			3.36	3.75
Ratio of female managers	7.5%	10%	8.4%	12%
Ratio of male employees who have taken childcare leave	70.6%	80%	88.2%	100%

*CO_2 reduction rate means the ratio of Scope 1 and 2 emissions from the domestic group companies with respect to the emissions in 2013. The values other than CO_2 reduction ratio mean those of KITZ only.

*Regarding employees' engagement, they considered that the diffusion of the culture of giving feedback would have employees feel that their jobs are worthwhile and comfortable, and therefore, from the fiscal year ending December 2026, they changed the evaluation items for improving employees' engagement to "feedback indicators" for gauging the level of fostering and diffusion of the culture with feedback (a score out of 5). As they changed the company for surveying engagement, questions were changed, so it is impossible to calculate the relative scores in the fiscal year ended December 2025, so they are omitted.

*"Female managers" refers to employees in management professional positions.

Results by segment and future strategies

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 delegation of authority to BU heads enabled faster decision-making.

Valve Manufacturing Business

The forecast for the fiscal year ending December 2027 is 167.2 billion yen in sales and 23.1 billion yen in operating income.

In the core markets, they will accelerate sustainable growth based on the results in each market. Regarding the business in each area, they will meet the demand stirred by the increase of data centers in the U.S. The local corporation will take the initiative, and accurately grasp growth opportunities. In the growing markets, they will accelerate the growth of revenues by investing in mainly highly growing domains. They will establish a growth driver based on products in the fields of semiconductors and fine chemicals.

Market		Outcomes of major initiatives in 2025	Major strategies for 2026-2027
Core	Building & Facilities	･Establishment of a system for swiftly delivering products to the data center market mainly in the U.S. ･Development of localized models for ASEAN countries and China ･Upgrade of equipment for casting and processing in Japanese factories	･Cultivation of the global data center market, including the market in North America ･Reduction of costs for localized models ･Improvement in their processing capability and enhancement of competitiveness in quality and supply
	Petrochemicals	･Release of instrumentation valves with high added value ･Enrichment of the lineup of severe service valves	･To make energy-related transactions at an accelerated pace ･To develop technologies for instrumentation valves and severe service valves, and promote the sales of them
	Water Treatment	･Establishment of a construction/engineering division ･Establishment of a system for proposing a package of products and services	･To receive orders for projects for water supply and using circulating water ･To promote the sales of water treatment equipment inside and outside Japan

	Machinery & Equipment	･Increase of mini automated valves and eco-compliant products, and the expansion of their market shares	･Enhancement of their direct approach to users ･To expand the lineup of localized models
Growth	Semiconductor Equipment	･Establishment of production sites for attending to clients and dealing with global transactions more efficiently ･Enhancement of the capacity of manufacturing vacuum products and improvement in profitability	･To stably operate the new plant in Vietnam and boost its supplying capacity ･To expand technical support and systems for supplying products swiftly ･To expand business further in the market of materials for cutting-edge semiconductors
	Semiconductor Materials (Filters)	･Development of a filter with a filtering precision of sub-1 nm for cutting-edge production processes	･To operate equipment for manufacturing, assembling, and cleaning filters further ･To include their products in specs for cutting-edge production processes
	Fine Chemicals	･Addition of PFA products, mainly diaphragm valves, to their product lineup, to approach new fields ･M&A in India	･To enrich the lineup of diaphragm valves and PFA products ･To promote marketing activities in the medical and pharmaceutical markets
	Hydrogen & Clean Energy	･Release of water electrolysis equipment for actualizing "comprehensive hydrogen engineering" ･Cooperation with partner companies and acquisition of technologies ･Enrichment of construction and engineering functions	･To evolve into business covering the entire hydrogen supply chain ･To improve profitability and establish a business base by supplying products and services with high added value ･To enhance their activities for the energy transition business

Metal Solutions Business

The forecast for the fiscal year ending December 2027 is 30 billion yen in sales and 1.5 billion yen in operating income.
The company will promote technological tie-ups and collaborations for expanding sales of high value-added products and complying with RoHS regulations.

Outcomes of major initiatives in 2025	Major strategies for 2026-2027
■ Redevelopment of a stable revenue structure through manufacturing cost reduction and promotion of recycling - Manufacturing cost reduction: Improvement in yield rate through the selection and blending of materials and the standardization of processes - Expansion of the ratio of production of new materials 2.2% in 2024 → 10.7% in 2025 - Acceleration of promotion of recycling ■ Enhancement of the capability of processing new materials for the semiconductor industry, etc.	To minimize the impact of fluctuations in material prices and develop a profitable structure with high value-added products Brass bars ■ To add high value to products by complying with regulations regarding lead ■ To reduce manufacturing costs and recycle resources further ■ To reduce environmental burdens by adopting electric power generated without emitting CO_2 and so on Processed products ■ To promote the sales of forged and cut products ■ To improve the capability of processing new materials precisely ■ Pursuit of synergy among group companies･･･To enrich processed products for the semiconductor industry

Financial strategies and capital policies

They aim to continuously improve shareholder value by "raising ROE" and "improving PER." They aim to achieve an ROE of 11%or higher in the fiscal year ending December 2027 and an ROE of 13% or higher in the fiscal year ending December 2030.
In addition, they plan to invest 60 billion yen in the 3-year period of the second medium-term management plan. They plan to invest 20 billion yen in M&A, 14 billion yen as ordinary investment, and 26 billion yen as strategic investment. The breakdown of the strategic investment of 26 billion yen is as follows.

Business investment Approx. 20 billion yen	■ Investment for brushing up capabilities ☆Investment in Vietnam Plant for stainless materials and semiconductors ☆Investment for expanding the semiconductor business by installing clean rooms and automated equipment, expanding factory space, etc. ☆Investment for improving the capacity to manufacture butterfly valves ■ Business development/investment in R&D ☆Development of new products and the enrichment of their product lineup in each market and each field ☆Investment in development and production in each area
IT/DX investment Approx. 4.5 billion yen	☆Investment in automation of manufacturing and the construction of smart factories ☆Sophistication of digital marketing tools and CRM tools ☆Sophistication of global security and the development of IT infrastructure ☆Development of data driven systems and the streamlining of business operations with AI
Environmental investment Approx. 1.5 billion yen	☆Investment in the saving of energy and resources (use of low-power machines and recycling) ☆Investment for coping with the tightening of environmental regulations, etc.

5. Conclusion

The full-year forecast has been upwardly revised as the results in the interim period surpassed the company's forecast. As the second year of the Second Medium-Term Management Plan, the fiscal year ending December 2026 keeps seeing a steady progress. As an industry leader, the company effectively passes on the impact of soaring raw material and component costs to its selling prices. The rate of progress toward the full-year forecast is 46.8% for sales and 45.2% for operating income. It seems to be falling behind, but it was forecast to gradually grow with every passing quarter since the beginning of the fiscal year.
The healthy demand for semiconductors is driving the favorable performance, and revenues of V TEX, which was turned into a wholly-owned subsidiary, will be added in the second half of the year. It is surmised that synergetic effects will take time to be exerted fully from the next fiscal year on and support performance in the medium term.
Although the fiscal year ending December 2026 is the second year of the Second Mid-Term Management Plan, the revised sales forecast exceeds the target for the fiscal year ending December 2027, which is the last year of the plan. If profit margin improves, the target for profit could also be achieved a year earlier.
Mr. Kohno, who became President in the fiscal year ended December 2021, first formulated the vision and announced the ROE policy. An ROE of over 10% has been achieved for four consecutive fiscal years since the fiscal year ended December 2022, and sales and profit grew in the fiscal year ended December 2025, which was the first year of the Second Medium-Term Management Plan, owing to continuous price revisions among other factors. A 2.7% increase in sales and an 8.7% rise in operating income were somewhat underwhelming for a company viewed as a growth enterprise, but the results in the fiscal year ending December 2026 are forecast to show a significant growth, with an 18.9% increase in sales and a 16.5% rise in operating income. Effects of various measures taken until now have been thoroughly reflected on the performance.
It can be said that the achievement of the medium-term management plan is almost within sight. Stock price remains sluggish at a low value. It is fair to say that the stock is undervalued, considering the recent upward leap in performance and the growth potential in the medium term.

<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

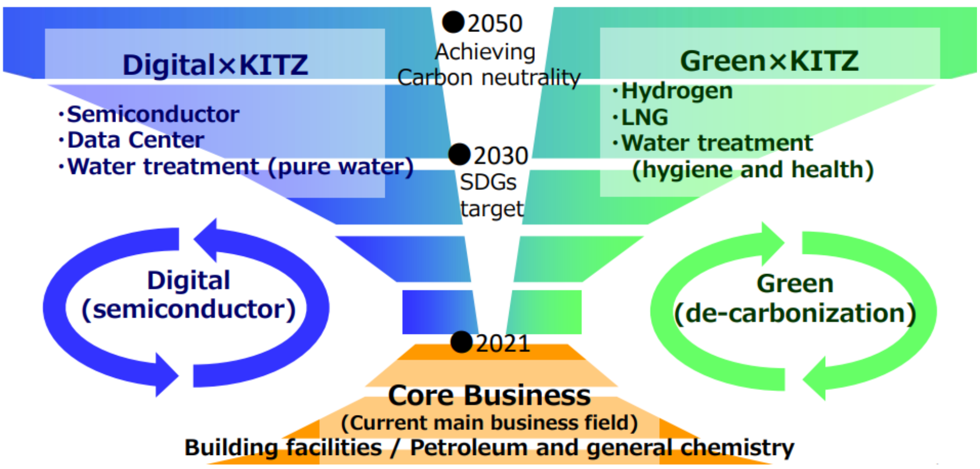
② Management structure

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 ambidextrous 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.

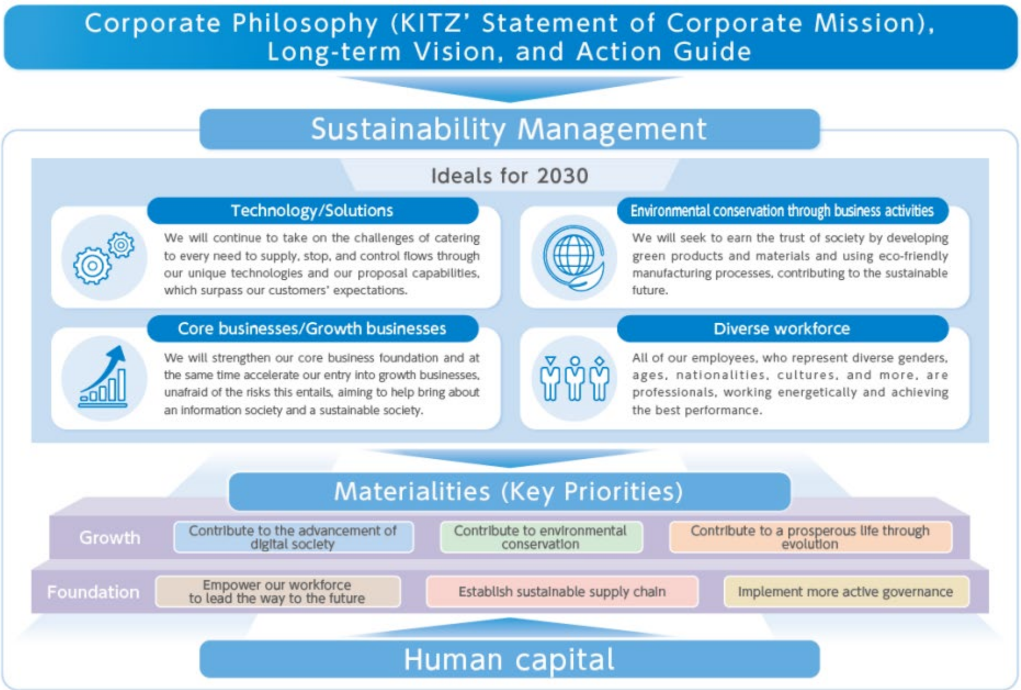
◎ Basic sustainability policy
KITZ Group is committed to realizing its corporate philosophy, the KITZ' Statement of Corporate Mission, through the following activities
① Work to solve social issues through our business and enhance our corporate value and social value
② Achieve efficient, fair, and transparent 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)

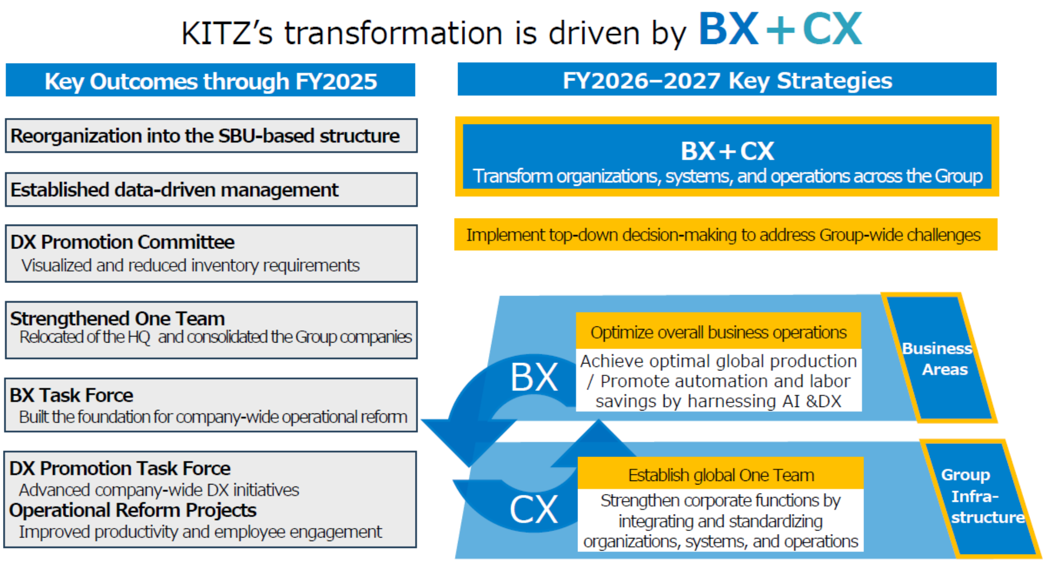
② ESG Initiatives
The KITZ Group will establish key management themes for each of E (Environment), S (Society), and G (Governance) and work on concrete measures to address them.

◎ E (environment)
The company aims to realize a sustainable, recycling-oriented society in fiscal year 2050 by promoting Triple-Zero initiatives: zero CO_2 emissions, zero environmental impact, and zero risk.
The goals for fiscal year 2030 are i) a CO_2 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.
Following the business reforming (BX) activities through DX carried out in the first medium-term management plan, they plan to further streamline operations by reforming their organizations, systems, and processes (CX) in the entire corporate group in accordance with the second medium-term management plan.



(Taken from the reference material of the company)

(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 MTB (2028–30)
Strategic theme	Ambidextrous approach: Core markets and growth markets	SHIN Global 2027	Beyond New Heights 2030
	■A mechanism for growth ■Profits earned in core markets to be actively reinvested in growth markets	■Getting results from investments in growth ■Becoming globally competitive for each market and area	■Change the Flow and rise to New Heights ■Transform the portfolio and penetrate more markets
Outcome	■Greater sales in growth markets ■Margins secured with price revisions ■Improvement in copper material costs (Improve production yield)	■Market and Area specific strategies ■Higher profits from businesses for semiconductor market ■Generate more group synergy	■New Business portfolio ・More upstream and downstream businesses ・Greater penetration of growth markets ■Establish glocalized development/production/consumption ・Optimize products with optimized costs ・Smaller but more talented teams; more efficient business administration
Action, investment	■Start market-specific management, prepare SBU system ■Invest in production for semiconductor market ■Increase assets sharing across group	■Glocalize development/ production/consumption ■Enhance engineering business ■Establish data-driven approach, automate (save labor)	■Explore and invest in new growth markets

(Taken from the reference material of the company)

<Reference2: 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：March 27, 2026)

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.

[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ー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"

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 2026, 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	FY 12/25
The number of strategically held shares (Note 1)	40	24	24	24	19	20	21	21	19	12	10
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	4.7	4.5

(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 employes holding managerial positions was 8.4% in the fiscal year 2025 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 11% for the fiscal year 2026, 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 2025 was 24.6%, which exceeded the target of 24%. In the second medium-term management plan, we have set the target ratio of female employees at 24% for the fiscal years 2026 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, 52.4% 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 2.3% (Note) at the end of the fiscal year 2025 while the average number of employees with foreign nationality recruited over the past five years was 6.6 per year (Note), 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 2.8% for the fiscal year 2026 and 3.4% for the fiscal year 2027. We will implement myriad initiatives to appoint employees with foreign nationality to managerial positions.
(Note) 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 51.1% and that of experienced hires holding managerial positions was 44.4% at the end of the fiscal year 2025, both of which are at high levels. We will strive to maintain these high ratios.

[Supplementary Principle 3-1-3] Initiatives toward sustainability (investment in human capital and intellectual property and measures against the climate change risk)
Enhancement of the quality and quantity of information disclosure based on frameworks developed by such organizations as the TCFD
[1] Initiatives to promote sustainability
Our group considers sustainability-oriented business administration as the core of our management strategy in the long-term management vision, and aims to solve social issues and improve corporate value through business.
In the second medium-term management plan "SHIN Global 2027," which was announced in February 2025, our group revised material issues (priority management themes). As themes for creating social value, we uphold the contribution to "development of a digital society," "conservation of the earth environment," and "affluent lives through evolution." In addition, as themes for reinforcing our management base for supporting the above activities, we uphold "enhancement of human resources for carving out a future," "establishment of a sustainable supply chain," and "pursuit of well-balanced corporate governance," and clarified six material issues.
We also announced "KITZ Group Strong Will Sheet" by setting goals and KPIs related to these material issues. Going forward, we will promote KPI-based measures for each business and each function, enhance the monitoring of progresses, and strive to improve our performance in the non-financial field and enrich information disclosure.

As a sustainability promotion system, we established a sustainability committee, which is chaired by the director, the representative executive officer and president, and promote group-wide sustainability-oriented business administration, where executive officers, executive directors, and the representative directors and presidents of group companies in Japan serve as permanent committee members. The board of directors regularly receives reports on important items regarding sustainability and supervises business operations.
Material issues and KPIs (Strong Will Sheet) are disclosed via our website.
https://www.kitz.co.jp/cms/wp-content/uploads/strong-will-sheet.pdf

[2] Effects of climate change-related risks and earning opportunities on our business activities, revenues, etc.
Our company recognizes climate change as one of important management issues that would affect the earth environment and the business activities of our group, and discloses information based on the recommendation from the Task Force on Climate-related Financial Disclosures (TCFD). We analyze the risks and chances of climate change affecting our business, and promote measures for realizing a decarbonized society.
In the second medium-term management plan "SHIN Global 2027," our group defined the "contribution to conservation of the earth environment" as one of material issues. In addition to the promotion of energy saving and the reduction of CO_2 emissions, we strive to solve environmental issues through business.
Regarding the progress and results of the medium/long-term goal "3ZERO (triple zeros)" in the long-term environmental vision, the dedicated committee for the environment, safety, and health checks them, and determines directions and important measures. In addition, important items are reported to the board of directors.
The initiatives for coping with climate change (disclosure following the recommendation from TCFD) are disclosed via our website.
https://www.kitz.co.jp/sustainability/environment/env_warming/

■ Long-term environmental vision "3ZERO"
1. Zero CO_2 emissions (promotion of decarbonization)
2. Zero environmental burdens (promotion of recycling of resources)
3. Zero risks (prevention of 3Rs: risks of pollution, occupational accidents, and fires)

[3] Investment in human capital
In the long-term management vision, our group aims to develop a working environment where individual employees can work vigorously and show the best performance as professionals regardless of gender, age, nationality, culture, etc.
In the second medium-term management plan "SHIN Global 2027," we defined "the enhancement of human resources for carving out a future" as one of material issues. We consider human capital as an important management base that supports sustainable corporate growth, respect the diversity of human resources and workstyles, and improve the worthwhileness of our jobs and the comfort of our working environment, with the aim of realizing the growth of our human resources and company.
For this material issue, we set five strategies regarding human capital. Based on the business unit system adopted in FY 2025, we promote "the design and utilization of the portfolio of human resources" and visualize human capital, while recruiting, training, and selecting talent while taking into account the characteristics of each business unit.
Through these initiatives, we will produce talent who can lead transformation and create a future amid the rapidly changing business environment and strive to achieve the sustainable growth of our group and improve our corporate value.
Our human resources strategy (human capital-oriented business administration) is disclosed via our website.
https://www.kitz.co.jp/sustainability/social/initiatives/
In the basic policy for our business portfolio, we describe our basic policy for investing in intellectual property and strategically utilizing human capital as part of our long-term investment policy.
https://www.kitz.co.jp/investor_ir/management-policy/m_vision/

[4] Investment in intellectual property
Our company promotes intellectual property strategies linked with the investment in R&D, in order to hone business competitiveness based on fluid control technologies. As our management strategy or issue, we uphold "technological and intellectual property strategies for a sustainable growth," and defined six fundamental technologies to which we should allocate managerial resources continuously, and strive to achieve the sustainable growth of business and improve our medium/long-term corporate value by appropriately managing and utilizing technological know-how and trade secrets as well as intellectual property rights, including patents, designs, and trademarks.

Our strategies for technologies and intellectual property are disclosed via our website.
https://www.kitz.co.jp/sustainability/products

[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 Officer 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.)
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.

[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/

This report is not intended for soliciting or promoting investment activities or offering any advice on investment or the like, but for providing information only. The information included in this report was taken from sources considered reliable by our company. Our company will not guarantee the accuracy, integrity, or appropriateness of information or opinions in this report. Our company will not assume any responsibility for expenses, damages or the like arising out of the use of this report or information obtained from this report. All kinds of rights related to this report belong to Investment Bridge Co., Ltd. The contents, etc. of this report may be revised without notice. Please make an investment decision on your own judgment.
Copyright(C) Investment Bridge Co., Ltd. All Rights Reserved.

For back numbers of Bridge Reports on KITZ Corporation (6498) and Bridge Salon (IR seminar), please go to our website at the following URL. www.bridge-salon.jp/