

 <p>President Makoto Kohno</p>	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	
¥1,032	90,396,511 shares	¥93,289 million	11.1%	100 shares	
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
¥41.00	4.0%	¥118.17	8.7x	¥1,209.40	0.9x

*Share price is as of closing on August 26. 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 first half of the fiscal year ending December 2024.

Consolidated Earnings Trends

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	DPS (¥)
December 2020 (Act.)	84,245	3,751	3,169	2,113	23.38	9.00
December 2021 (Act.)	135,790	8,990	8,975	4,954	55.26	20.00
December 2022 (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 (Est.)	170,000	14,500	14,800	10,600	118.17	41.00

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

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

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

[<Reference2: First Medium-term Management Plan 2024>](#)

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Key Points

- **In the first half of the fiscal year ending December 2024, sales increased 3.1% year on year to 83.79 billion yen. The sales in the Valve Manufacturing Business increased 4.2% year on year. The sales of valves for semiconductor equipment decreased, and sales volume of the valves declined in the first quarter due to sluggish cargo movement. However, sales increased due to the impact of price revisions and exchange rates. In the Brass Bar Manufacturing Business, sales decreased 2.0% year on year. Operating income declined 1.0% year on year to 6.50 billion yen. The company has recovered from a slow start, with a 19.6% decline in profit in the first quarter. In the Valve Manufacturing Business, profit decreased 6.3% year on year due to a decrease in sales volume and an increase in expenses and labor costs due to inflation. In the Brass Bar Manufacturing Business, profit increased 330.3% year on year due to the improved yield and profit from rising copper prices. Ordinary income rose 1.5% year on year to 7.34 billion yen. Quarterly net income decreased 1.2% year on year to 5.42 billion yen due to a decline in gain on sale of investment securities from the same period of the previous year. Sales and profit were generally in line with the company's forecasts.**
- **The full-year forecast remains unchanged. In the fiscal year ending December 2024, sales are expected to grow 1.8% from the previous fiscal year to 170 billion yen, and operating income is projected to rise 5.9% year on year to 14.5 billion yen. For all segments, sales remain unchanged, but operating income has been revised. The sales of the Valve Manufacturing Business are forecast to increase 3.7%. Although the sales of valves for building & facilities, petrochemicals, and hydrogen & clean energy markets are expected to grow significantly, sales of valves for semiconductor equipment are projected to decline due to the delay in the semiconductor market recovery. The sales of the Brass Bar Manufacturing Business are forecast to decline 6.8%. Profit is expected to increase in both the Valve Manufacturing Business and the Brass Bar Manufacturing Business. The company is expected to exceed the operating income target of 13 billion yen in the first Medium-term Management Plan by 11.5%. The dividend amount is 41.00 yen/share (including 19.00 yen at the end of the first half), unchanged from the previous fiscal year. The expected dividend payout ratio is 34.7%.**
- **As a basic policy for management, the company aims to achieve "profitability in both core businesses and growing fields." The company is promoting the "First Medium-term Management Plan 2024," which focuses on "active allocation of resources to growing fields and regions based on digitization and decarbonization," and "business developments that emphasize return on invested capital (ROIC)." Fiscal year ending December 2024 is the final fiscal year of the Medium-term Management Plan.**
- **Operating income decreased slightly in the first half, but has recovered significantly from the 19.6% decline in the first quarter. In the second quarter (April-June), sales increased 8.4%, and operating income rose 31.4% from the previous quarter. Sales grew 3.7% and operating income rose 20.2% year on year. In the previous report, we recognized the fourth quarter of the fiscal year ended December 2023 (October-December) and the first quarter of the fiscal year ending December 2024 as "plateaus," but it can be said that the company was able to achieve a solid recovery. If the sales of the Valve Manufacturing Business of the highly profitable semiconductor equipment industry recovers from its slump, the company will likely get back on track. Regarding the stock price, PBR is well below 1, and it is likely that it will be reconsidered once the market settles down.**

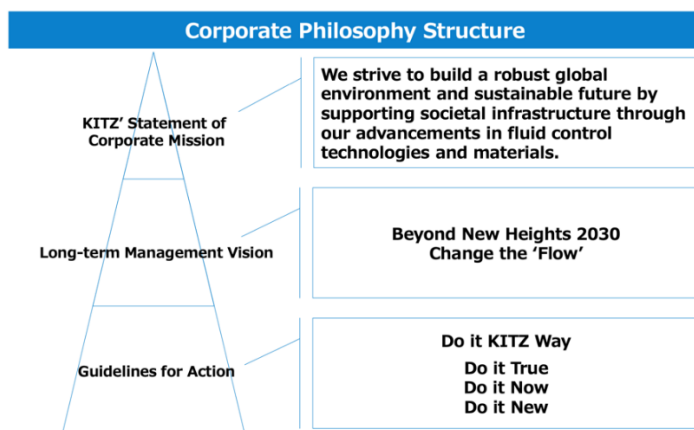
1. Company Overview

KITZ is an integrated manufacturer of valves and other fluid control equipment and devices. In valve manufacturing, it ranks highest in Japan and within the top 10 worldwide. Valves are made of various materials depending on their application, including bronze, brass, cast iron, ductile cast iron (cast iron with greater strength and ductility) and stainless steel. KITZ in principle assumes integrated production (casting, processing, assembling, inspecting, packaging, and shipping) of products from raw materials. The KITZ Group consists of 35 domestic and overseas subsidiaries. In addition to the production and sale of brass bars used for valves, water faucets and gas equipment (KITZ is ranked among the top manufacturers of brass bars within Japan), the Group also operates a hotel business.

1-1 Corporate Philosophy

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

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

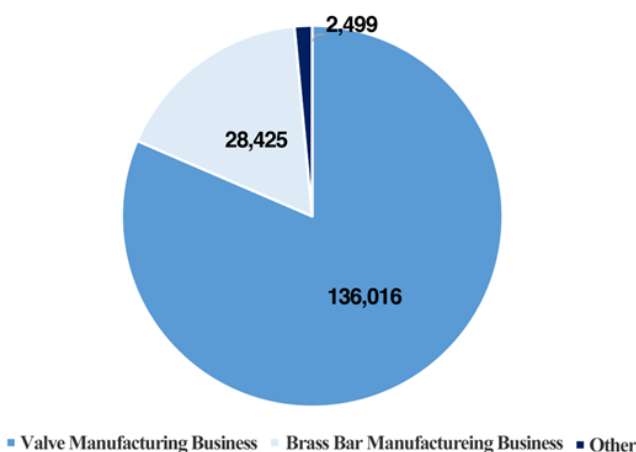


(Taken from the reference material of the company)

1-2 Overview of KITZ’s Business Segments

KITZ’s businesses consist of the valve manufacturing, brass bar manufacturing and other (including hotel and restaurant management) segments. During the fiscal year ended December 2023, these segments accounted for 81.5%, 17.0%, and 1.5% of total sales, respectively.

Sales Composition by Segment (FY 12/23, unit: million yen)



(1) Valve Manufacturing Business

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

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

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

(2) Brass Bar Manufacturing Business

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

(3) Other

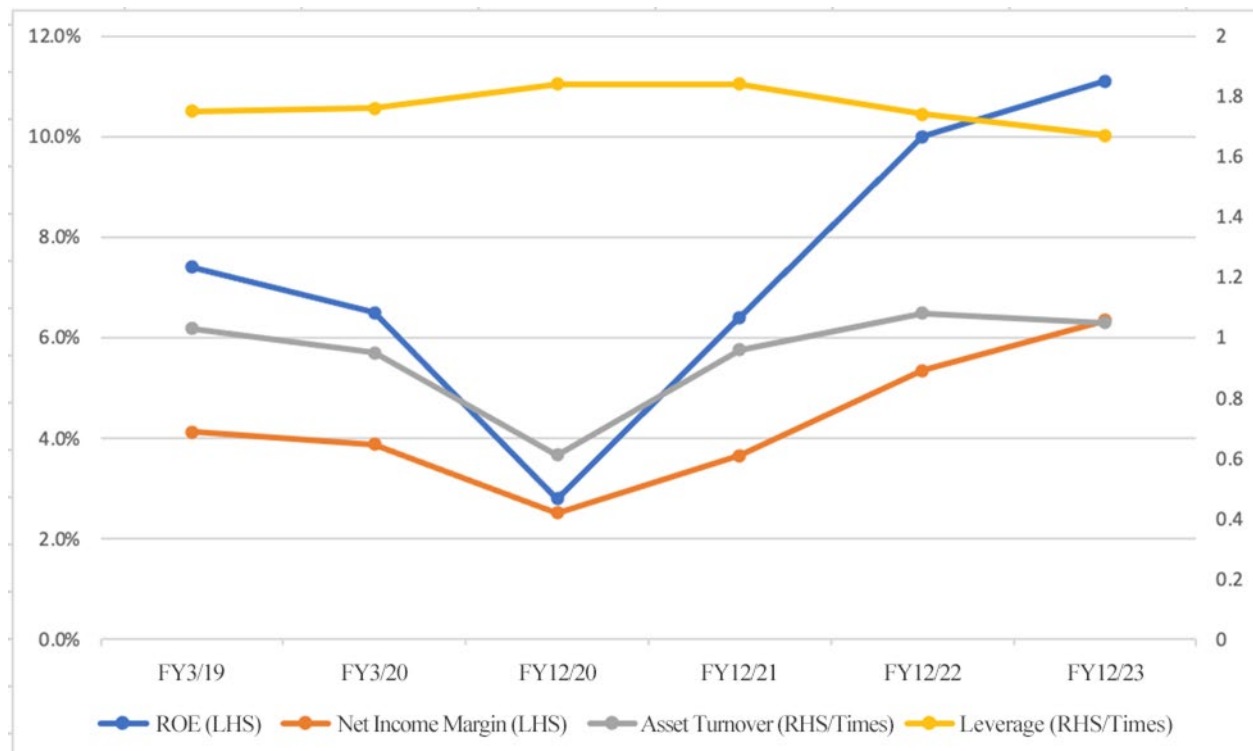
KITZ subsidiary "Hotel Beniya Co., Ltd.," operates a resort hotel in the city of Suwa, Nagano Prefecture. The hotel is located in a highly picturesque setting close to Lake Suwa with hot spring bathing facilities with sunset views and has a number of small and large banquet halls. The hotel also has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

1-3 ROE Analysis

	FY 3/19	FY 3/20	FY 12/20	FY 12/21	FY 12/22	FY 12/23
ROE (%)	7.4	6.5	2.8	6.4	10.0	11.1
Net income margin (%)	4.12	3.88	2.51	3.65	5.35	6.34
Total asset turnover [times]	1.03	0.95	0.61	0.96	1.08	1.05
Leverage [times](x)	1.75	1.76	1.84	1.84	1.74	1.67

*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 fiscal year ended December 2023, ROE was 11.1%, exceeding the forecast by 2.1 points and being double-digit like in fiscal year ended December 2022. Aiming to establish a PBR over 1, and further improvement can be expected thanks to the increase of profitability.

2. First Half of the Fiscal Year ending December 2024 Earnings Results

2-1 Consolidated Business Results

	FY 12/23 1H	Ratio to Sales	FY 12/24 1H	Ratio to Sales	YoY	Ratio to Plan
Sales	81,274	100.0%	83,797	100.0%	+3.1%	+0.2%
Gross Profit	20,767	25.6%	21,795	26.0%	+5.0%	-
SG&A	14,194	17.5%	15,287	18.2%	+7.7%	-
Operating Income	6,572	8.1%	6,508	7.8%	-1.0%	-1.4%
Ordinary Income	7,237	8.9%	7,347	8.8%	+1.5%	+7.4%
Net Income	5,485	6.7%	5,420	6.5%	-1.2%	+8.4%

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

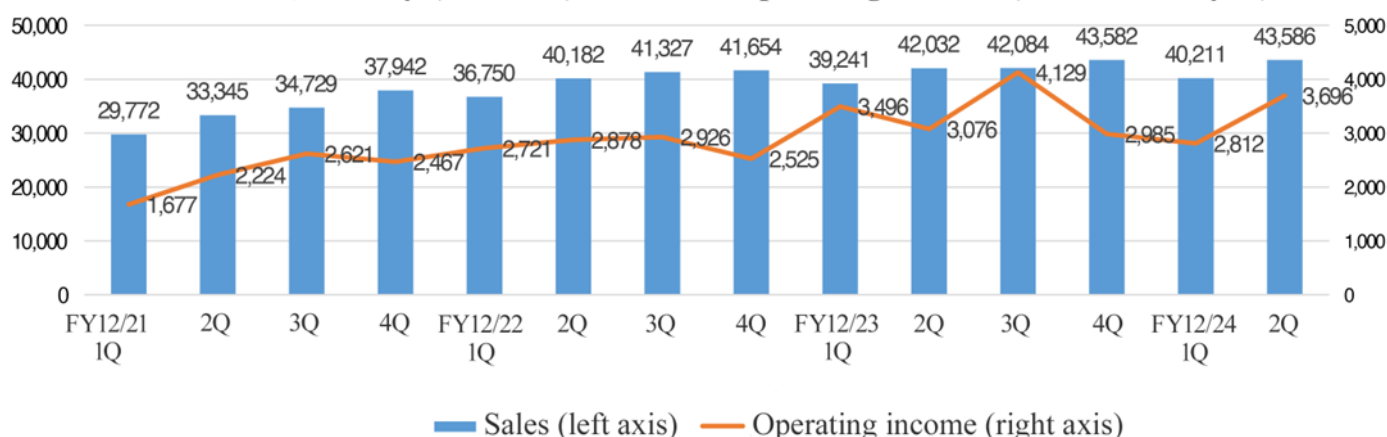
Sales increased, but profit decreased, almost in line with the company forecasts.

Sales increased 3.1% year on year to 83.79 billion yen, almost in line with the company forecast. The sales in the Valve Manufacturing Business increased 4.2% year on year. The decline in sales volume was due to a decrease in the sales of valves for semiconductor equipment and sluggish cargo movement in the domestic and overseas markets in the first quarter. However, sales increased due to the impact of price revisions and exchange rates. In the Brass Bar Manufacturing Business, sales decreased 2.0% year on year. This was due to a decrease in sales volume caused by sluggish demand across the industry.

Operating income declined 1.0% year on year to 6.50 billion yen. The company has recovered from a slow start, with a 19.6% decline in profit in the first quarter. In the Valve Manufacturing Business, profit decreased 6.3% year on year due to a decrease in sales volume and an increase in expenses and labor costs due to inflation in the first quarter. In the Brass Bar Manufacturing Business, profit increased significantly by 330.3% year on year due to the improved yield and profit from rising copper prices. In non-operating income, recurring income increased 1.5% year on year to 7.34 billion yen due to an increase in foreign exchange gain. However, due to a year-on-year decrease in extraordinary income from the sale of investment securities, particularly policy-held shares, quarter net income declined 1.2% to 5.42 billion yen. Sales and profit were generally in line with the company's forecasts.

The interim dividend amount was 19.00 yen/share, up 1.00 yen/share from the previous fiscal year.

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



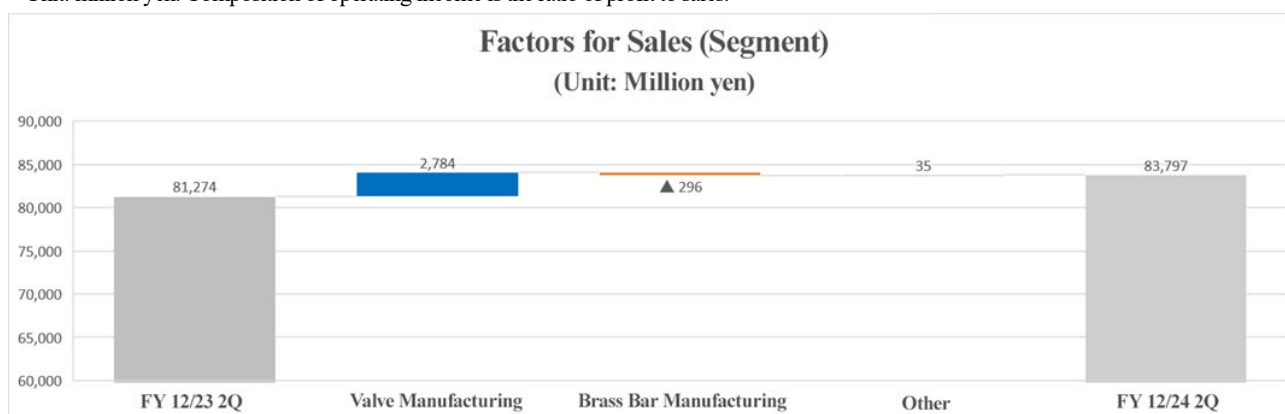
Exchange and raw materials

	FY 12/23 1H	FY 12/24 1H Act	FY 12/24 1H Plan
Yen / US Dollar	136.54	154.08	145.00
Yen / Euro	147.89	166.13	157.00
Electrolytic Copper, Yen / kg	1,228	1,435	1,240

2-2 Business Segments' results

	FY 12/23 1H	Ratio to Sales	FY 12/24 1H	Ratio to Sales	YoY	Ratio to Plan
Sales	81,274	100.0%	83,797	100.0%	+3.1%	+0.2%
Valve Manufacturing	65,730	80.9%	68,514	81.8%	+4.2%	-1.4%
Brass Bar Manufacturing	14,472	17.8%	14,176	16.9%	-2.0%	+9.1%
Other	1,071	1.3%	1,106	1.3%	+3.3%	-
Segment profit	6,572	8.1%	6,508	7.8%	-1.0%	-1.4%
Valve Manufacturing	8,531	13.0%	7,994	11.7%	-6.3%	-7.0%
Brass Bar Manufacturing	143	1.0%	616	4.3%	+330.3%	+146.8%
Other	-2	-	34	3.1%	-	-

* 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 grew year on year, but operating income dropped year on year. Both fell short of the company's forecasts.

Although sales volume declined in both domestic and overseas markets, net sales increased due to the impact of price revisions implemented in the previous third quarter and foreign exchange rates. Operating income declined due to the decline in sales volume, higher labor costs resulting from wage hikes, and higher expenses stemming from inflation.

(Performance in each market)

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

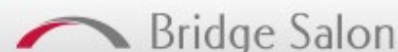
The sales of building & facility field are solid both domestically and overseas. The sales in the petrochemical field have slightly increased due to the growth of domestic demand despite the shrinkage of overseas demand. The sales in the water treatment field have significantly increased due to the sales recognition of a large-scale project of a group company in Korea in the first quarter. The sales in the semiconductor equipment field have decreased due to the continued downturn in the market. Sales in the semiconductor material field (filters) were unchanged from the same period of the previous fiscal year. The sales in the fine chemical field recovered in the second quarter, but did not make up for the delay in the first quarter, resulting in a decrease in sales for the first half of the year. The sales in the hydrogen & clean energy field have significantly increased due to increased sales of hydrogen station package units and valves for hydrogen & clean energy supply chains.

(Performance in each region)

The ratio of domestic sales is 57% and the ratio of overseas sales is 43%. Domestic sales increased slightly year on year, and overseas sales increased 10.2% year on year due to the impact of exchange rates and other factors.

*In North America, sales remained flat from the same period of the previous year due to the shrinkage of demand for semiconductor equipment.

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

*In China, sales increased due to demand of products for semiconductor equipment.

(2) Brass Bar Manufacturing Business

Sales declined 2.0% year on year to 14,176 million yen due to the decline in sales volume, partly because of sluggish demand in the industry as a whole.

Operating income increased 330.3% year on year to 616 million yen, despite the decline in sales volume, due to improved yield and higher copper prices.

Both sales and operating income exceeded the company's forecasts.

(3) Other

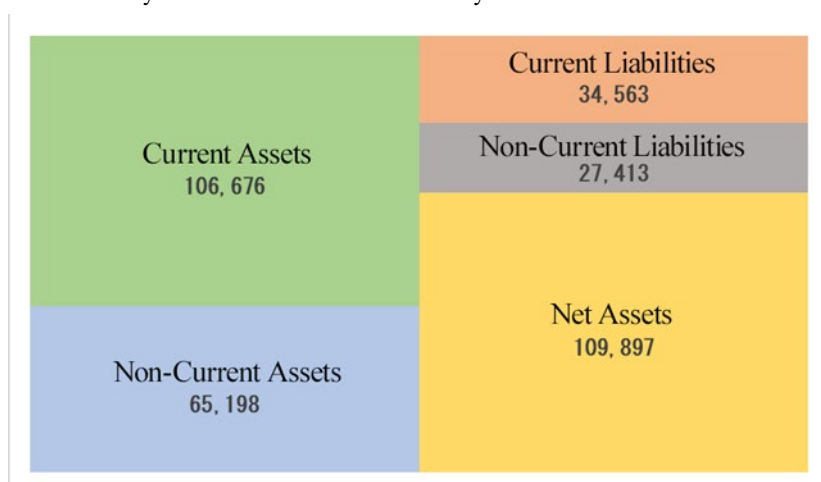
Sales increased, regaining profitability.

2-3 Financial Conditions and Cash Flows

◎BS

	Dec. 2023	Jun. 2024	Increase and Decrease		Dec. 2023	Jun. 2024	Increase and Decrease
Current Assets	103,859	106,676	+2,816	Current Liabilities	26,490	34,563	+8,072
Cash	29,002	30,607	+1,605	Payables	8,935	8,859	-76
Receivables	34,282	34,921	+639	Short-Term Debt	2,804	12,043	+9,239
Inventories	37,045	38,118	+1,073	Noncurrent Liabilities	37,995	27,413	-10,582
Noncurrent Assets	62,834	65,198	+2,364	Long-Term Debt	33,757	23,348	-10,409
Tangible Assets	49,932	52,332	+2,399	Total Liabilities	64,486	61,976	-2,509
Intangible Assets	1,964	1,625	-338	Net Assets	102,207	109,897	+7,690
Investments, Other	10,937	11,240	+303	Retained Earnings	65,258	68,606	+3,348
Total Assets	166,693	171,874	+5,180	Total Liabilities, Net Assets	166,693	171,874	+5,180

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



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

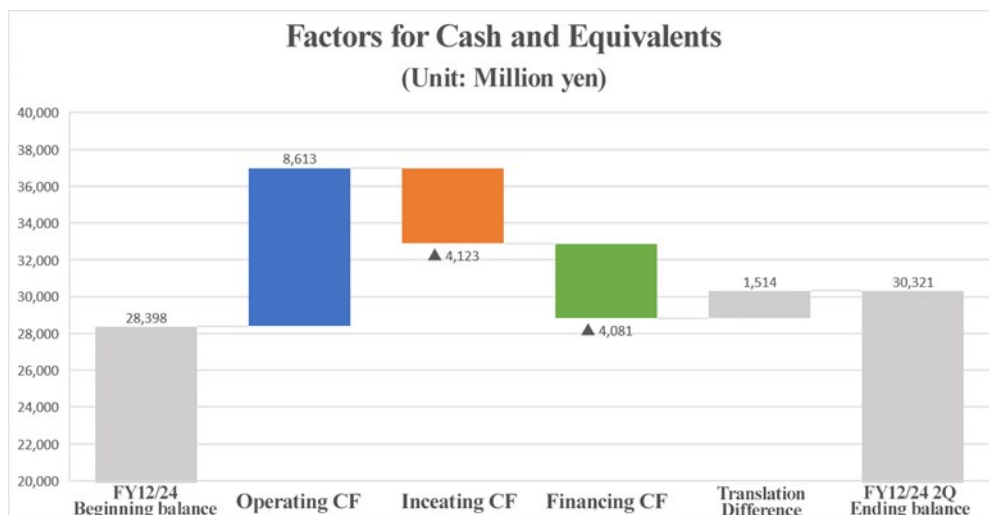
Total assets increased 5.1 billion yen to 171.8 billion yen from the end of the previous fiscal year, mainly due to increases in inventories and cash & deposits. Total liabilities decreased 2.5 billion yen to 61.9 billion yen, primarily due to a decrease in long-term interest-bearing liabilities. Net assets grew 7.6 billion yen year on year to 109.8 billion yen, mainly due to an increase in retained earnings.

The equity ratio increased 2.7 points from the end of the previous fiscal year to 63.2%.

◎CF

	FY 12/23 1H	FY 12/24 1H	Increase and Decrease
Operating Cash Flow(A)	7,434	8,613	+1,179
Investing Cash Flow(B)	-3,688	-4,123	-435
Free Cash Flow(A+B)	3,746	4,490	+744
Financing Cash Flow	-3,255	-4,081	-826
Cash and Equivalents at Term End	25,589	30,321	+4,732

* Unit: million yen.



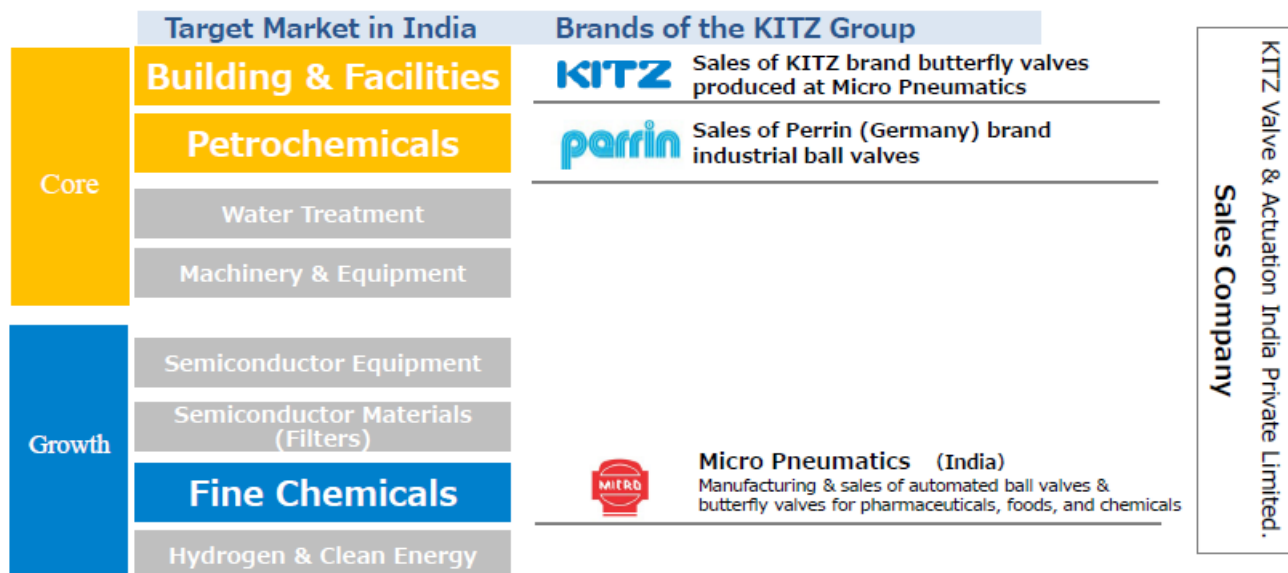
*Created by Investment Bridge based on disclosed material of the company.

Operating CF increased year on year due to a decline in inventories. Although the deficit in investing CF widened due to a decrease in income from the sale of investment securities, free CF increased. The cash position improved.

【2-4 Topics】

(1) Strengthening the selling capability for the rapidly growing Indian market

Aiming to expand its business in the rapidly growing Indian market, the company established a sales company in Mumbai. With butterfly valves, ball valves, and actuators, which already have a proven sales track record, as its main products, the company intends to expand sales by targeting the building & facility/petrochemical/fine chemical markets. The company will also procure parts from Indian suppliers to stabilize the supply chain of the entire KITZ Group.



(taken from the reference material of the company)

(2) Progress of investment based on the growth strategy: Vietnam

Status of the construction of a plant in Vietnam

Construction of the stainless steel valve manufacturing plant (photo on the right) is proceeding as planned, with full-scale operation scheduled to begin in 2025. Additionally, the plant for manufacturing valves compatible with high-purity gases for semiconductor manufacturing equipment (photo below) is scheduled to begin full-scale operations in 2026. The company aims to expand sales to the ASEAN market while providing a stable supply of products to Japan.



Rendering of the plant



(taken from the reference material of the company)

(3) For semiconductor equipment: In-house production of parts at a group company

KITZ Corporation of Jiangsu Kunshan, a Chinese manufacturer and seller of cast steel valves, has been engaged in processing parts for diaphragm valves for semiconductor equipment since February. This will enable KITZ SCT Corporation of Kunshan in the same city to procure diaphragm valve bodies from the group company, thereby realizing a stable supply of diaphragm valves for semiconductor equipment.

KITZ SCT Corporation of Kunshan (China)

Valves and fittings for SEMI equipment



KITZ Corporation of Kunshan (China)

Key products: cast steel valves

Machining of diaphragm valve bodies



Clean room in the plant



Valve body processing line

(taken from the reference material of the company)

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Domestically, the company is moving forward with in-house production of parts, creating synergies that leverage the strengths of each factory's processing technology.

KITZ SCT Corporation

Valves and fittings for SEMI equipment



KITZ Nagasaki Plant

Key products: stainless steel valves

Machining of stainless steel parts

Hokutoh Giken Kogyo Corporation

Key products: machined metal product

Machining of stainless steel parts

(taken from the reference material of the company)

(4) Domestic sales price revision (price hike)

On May 27, the company revised (increased) the manufacturer's suggested retail price for KITZ products, followed by Miyoshi Valve brand products on July 1, as shown in the figure below. Despite implementing price revisions in the previous two years, major material prices have continued to remain high, and manufacturing costs have been further driven up by rising energy costs, associated logistics costs, and a prolonged weak yen trend.

Although the company made every effort to reduce costs through thorough cost-cutting measures, streamlining production processes, and improving operational efficiency in all departments throughout the company, it has become difficult to absorb these increased costs solely through corporate efforts. As a result, it implemented a revision of its sales prices.

Brand	Items	% of Increase	Effective Date
KITZ /TOYO	Bronze and brass valves	10%	Products shipped From Jul. 1, 2024
	Actuator Driven Compact Valves (bronze and brass valves)	10% (valve body only)	
Miyoshi	Bronze and brass valves	10%	Products shipped From Aug. 1, 2024

(taken from the reference material of the company)

(5) Strengthening valve maintenance and engineering

KITZ Engineering Service (headquartered in Mihama-ku, Chiba City, President: Ryuichi Kuroiwa) has opened its Kawasaki Service Center to perform maintenance work, including overhaul, servicing, adjustment, and inspection of valves used in customers' plant facilities, and engineering work, including valve specification changes and pipe upgrading work.



(taken from the reference material of the company)

3. Fiscal Year ending December 2024 Earnings Forecasts

3-1 Full Year Consolidated Earnings Forecast

	FY 12/23	Ratio to Sales	FY 12/24 Est.	Ratio to Sales	YoY
Sales	166,941	100.0%	170,000	100.0%	+1.8%
Operating Income	13,687	8.2%	14,500	8.5%	+5.9%
Ordinary Income	14,452	8.7%	14,800	8.7%	+2.4%
Net Income	10,591	6.3%	10,600	6.2%	+0.1%

Units: million yen.

Exchange and raw materials assumptions

	FY 12/23	FY 12/24 Est.
Yen / US Dollar	141.20	145.00
Yen / Euro	153.14	157.00
Electrolytic Copper, Yen / kg	1,246	1,240

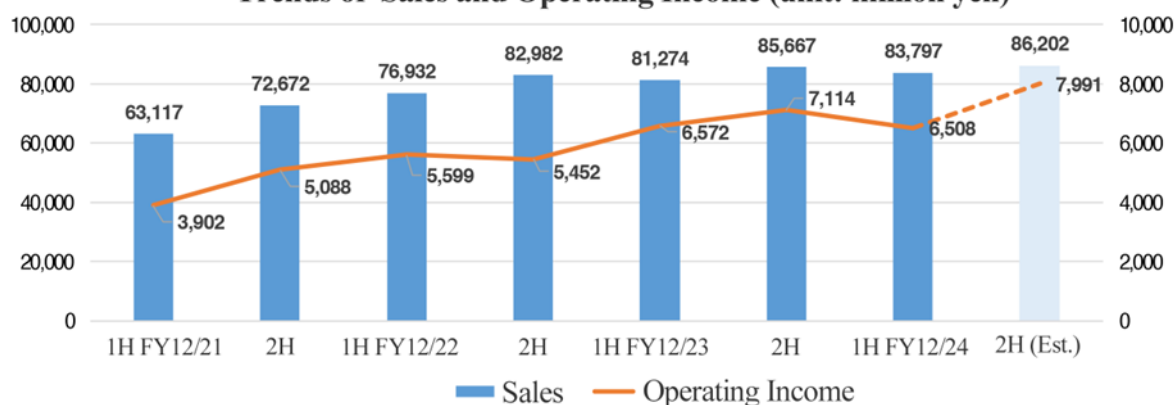
It is expected that sales will grow 1.8% year on year and operating income will rise 5.9% year on year

The full-year forecast remains unchanged. In the fiscal year ending December 2024, sales are expected to grow 1.8% from the previous fiscal year to 170 billion yen, and operating income is projected to rise 5.9% year on year to 14.5 billion yen.

For all segments, sales remain unchanged, but operating income has been revised. The forecast operating income of the Valve Manufacturing Business has been revised downwardly by 400 million yen, and the forecast operating income of the Brass Bar Manufacturing Business has been revised upwardly by 400 million yen. The sales of the Valve Manufacturing Business are forecast to rise 3.7%. The sales of valves for the markets of building & facilities, petrochemicals, and hydrogen & clean energy are expected to grow considerably, but the sales of valves for semiconductor equipment are projected to decline due to the delay in recovery of the semiconductor market. The sales of the Brass Bar Manufacturing Business are forecast to decrease 6.8%. The company is expected to achieve the target sales of 170 billion yen set in the first Medium-term Management Plan. Profit is expected to increase in both the Valve Manufacturing Business and the Brass Bar Manufacturing Business. The company is expected to exceed the operating income target of 13 billion yen in the first Medium-term Management Plan by 11.5%.

There are no revised to the forecast dividend, the year-end dividend is 22.00 yen/share. The full-year dividend is 41.00 yen/share, unchanged from the previous fiscal year. The expected payout ratio is 34.7%. The desirable payout ratio for the company is around 35%.

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



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

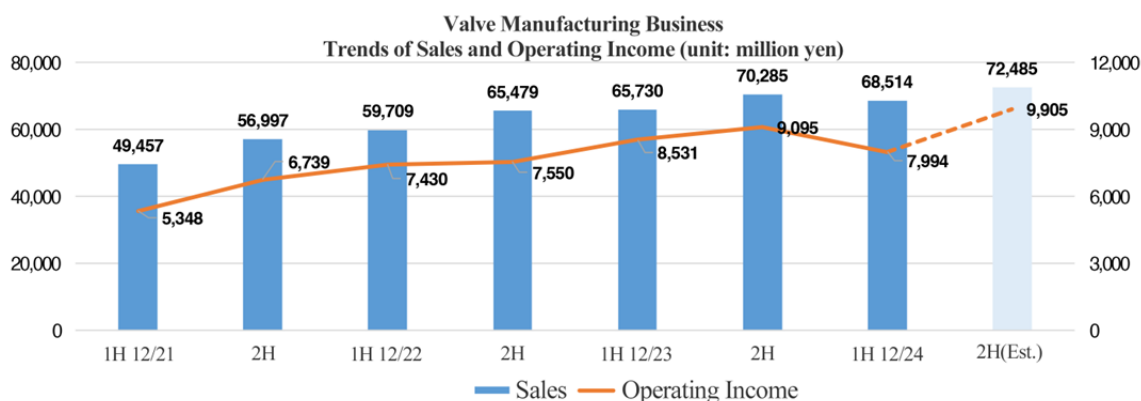
3-2 Sales and Operating Income by Segment

	FY 12/23	Composition Ratio	FY 12/24 Est.	Composition Ratio	YoY	Initial forecast
Valve Manufacturing	136,016	81.5%	141,000	82.9%	+3.7%	141,000
Brass Bar Manufacturing	28,425	17.0%	26,500	15.6%	-6.8%	26,500
Other	2,499	1.5%	2,500	1.5%	+0.0%	2,500
Total Sales	166,941	100.0%	170,000	100.0%	+1.8%	170,000
Valve Manufacturing	17,626	13.0%	17,900	12.7%	+1.6%	18,300
Brass Bar Manufacturing	512	1.8%	950	3.6%	+85.2%	550
Other	105	4.2%	100	4.0%	-5.0%	100
Adjustments	-4,556	-	-4,450	-	-	-4,450
Total Operating Income	13,687	8.2%	14,500	8.5%	+5.9%	14,500

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

(1) Valve Manufacturing Business

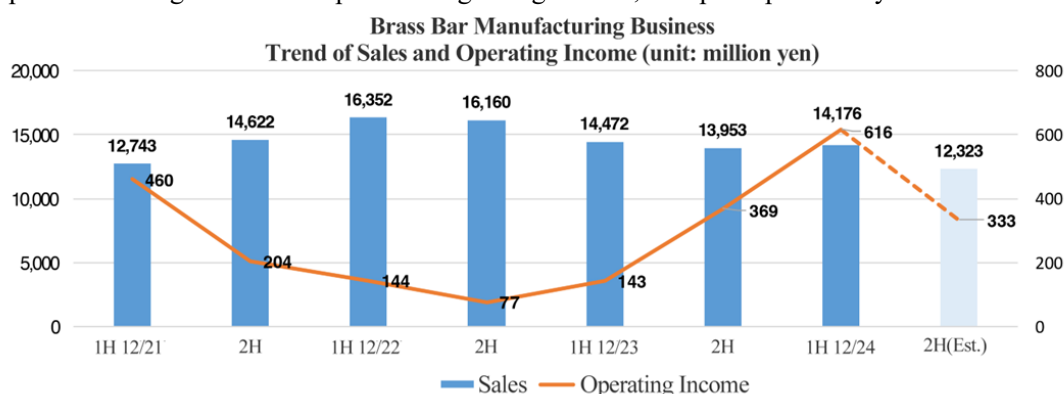
Sales and profit are expected to grow. They will classify target markets into 8 categories, position the markets of building & facilities, petrochemicals, water treatment, and machinery & equipment, in which the company performs well, as core markets, and reinforce the business foundations in these markets, to lay the firm groundwork. They will position the growing or new markets of semiconductor equipment, semiconductor materials (filters), fine chemicals, and hydrogen & clean energy as growth markets, actively allocate resources to them, and change their revenue structure.



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

(2) Brass Bar Manufacturing Business

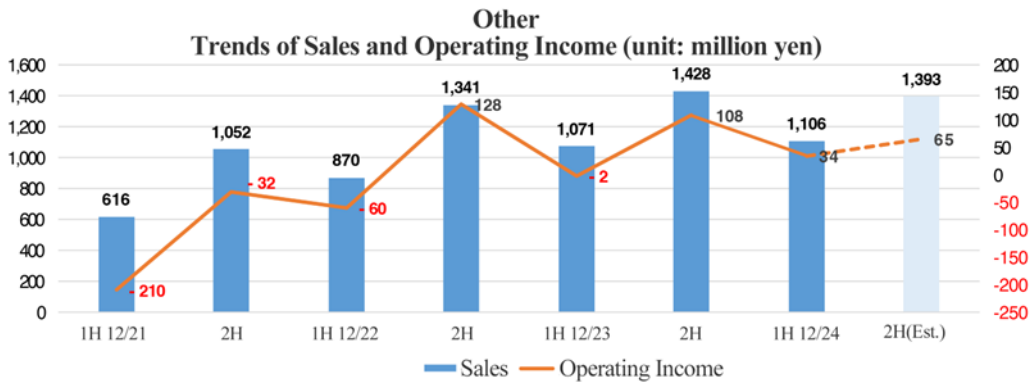
Sales are projected to drop, but profit is expected to rise. The company will invest in equipment for reducing the costs for materials and expand sales of high value-added products in growing markets, to improve profitability.



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

(3) Other

Sales are expected to grow, but profit is projected to drop. As the business environment has improved, sales are forecast to increase, and they will strive to earn profit this fiscal year, too.



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

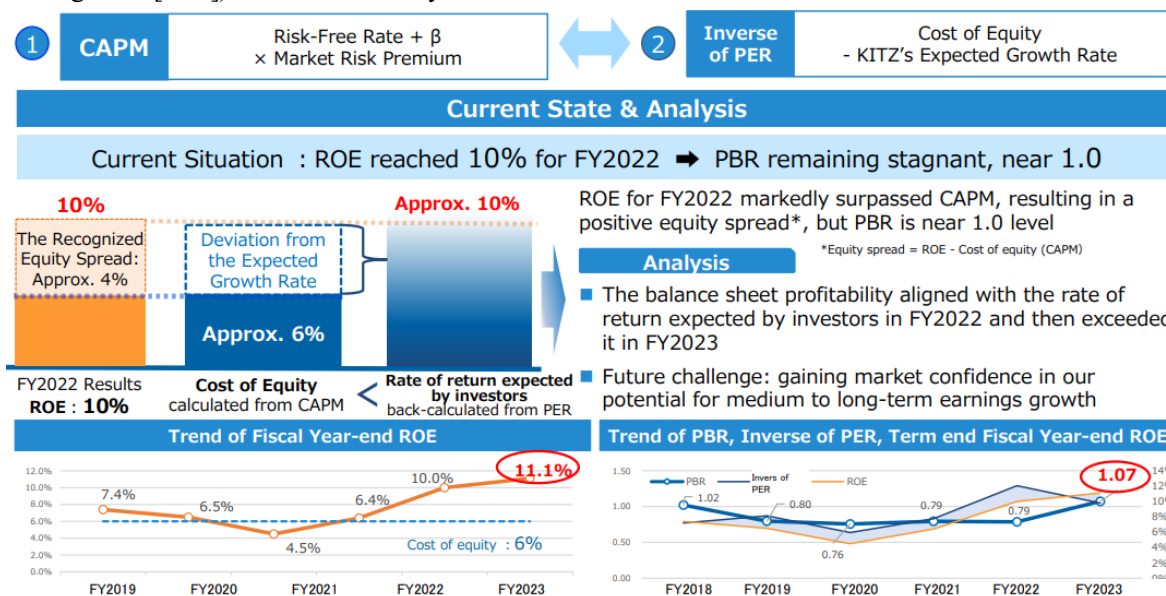
4. Measures for Realizing Business Administration Oriented for Capital Cost and Share Price

In December 2023, they announced their policies and concrete measures for evaluating and analyzing the current situation and improve corporate value, in order to realize business administration oriented for capital cost and share price.

1. Analysis of the current status of cost of shareholder’s equity

Analysis from two perspectives

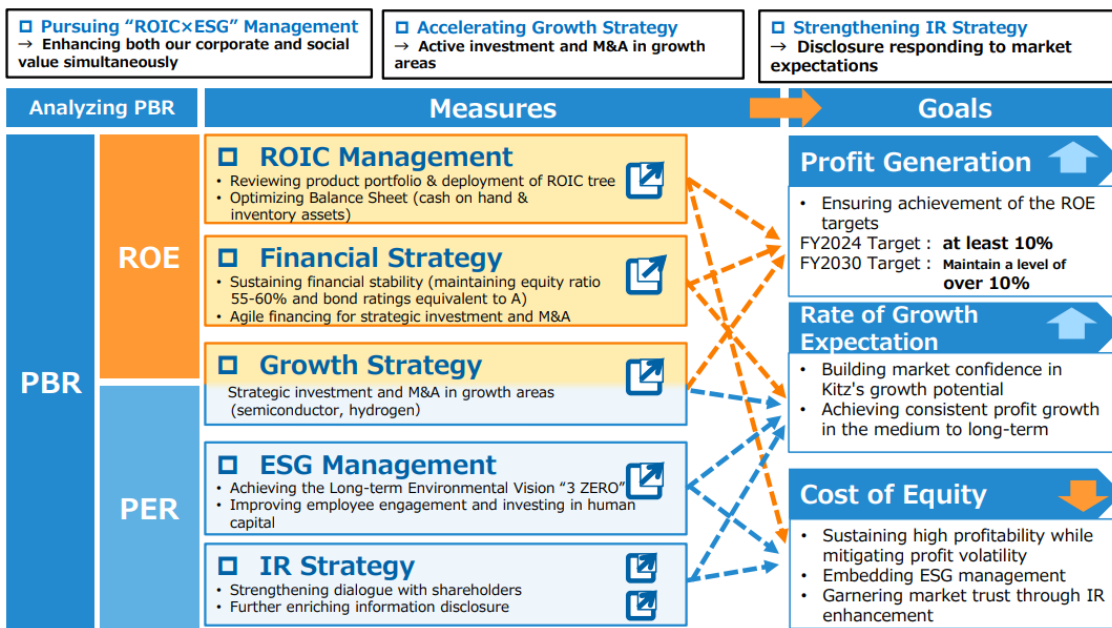
- ① Cost of shareholder’s equity calculated with the CAPM method: around 6%
- ② Expected yield of investors estimated while taking into account the expected growth rate of KITZ (using the reciprocal of price-earnings ratio [PER]): It has been recently around 10%.



(Taken from the reference material of the company)

2. Policies and measures for improving corporate value

They aim to attain the target ROE set in the Medium-term Management Plan without fail and improve corporate value further.



(Taken from the reference material of the company)

5. Conclusions

Operating income decreased slightly in the first half, but has recovered significantly from the 19.6% decline in the first quarter. In the second quarter (April-June), sales increased 8.4%, and operating income rose 31.4% from the previous quarter. Sales grew 3.7% and operating income rose 20.2% year on year. In the previous report, we recognized the fourth quarter of the fiscal year ended December 2023 (October-December) and the first quarter of the fiscal year ending December 2024 as "plateaus," but it can be said that the company was able to achieve a solid recovery. We expect the company to achieve results, especially in terms of profit, which will significantly exceed the first Medium-term Management Plan. If the sales of the Valve Manufacturing Business of the highly profitable semiconductor equipment industry recovers from its slump, the company will likely get back on track. Regarding the brass bar business, the company has seen a significant increase in profit, and we expect the company to see sales growth in the future.

In December of last year, the company announced action to implement management that is conscious of cost of capital and stock price. The share price declined after the announcement of the financial results in the first quarter in May, and with the overall stock market plunging at the time of the first-half earnings announcement, the recovery in performance was overlooked. The PBR has fallen significantly below 1, and it will probably be re-evaluated significantly once the market stabilizes.

<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 two goals for fiscal year 2030 are as follows.

- ☆ Average sales growth rate: 4% or higher (Consolidated sales of 200 billion yen for fiscal year 2030)
- ☆ ROE: 10% or higher (Consolidated net income of 10 billion yen for fiscal year 2030)

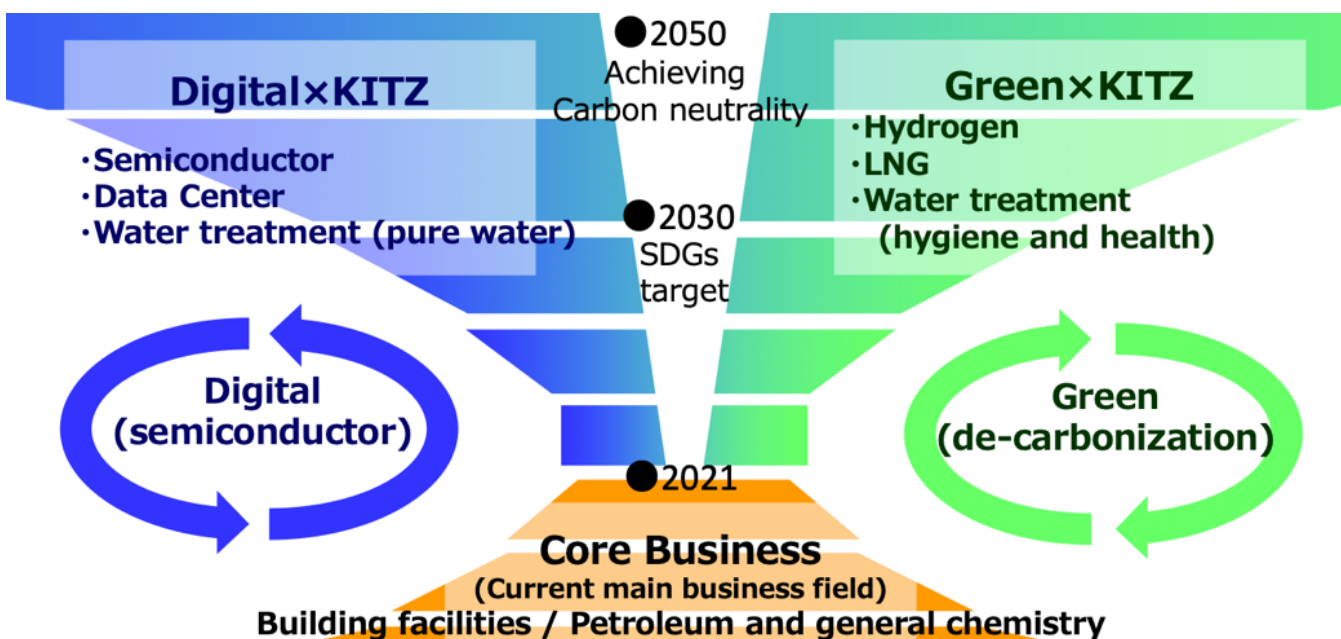
② Management structure

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

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

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

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



(Taken from the reference material of the company)

① **Long-term strategic investment policy**

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

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

(4) Basic Sustainability Policy

① **Basic sustainability policy and sustainability slogan**

The following are the basic sustainability policies and slogans.

◎ **Basic sustainability policy**

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

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

◎ **Sustainability slogan**

Create the Future, Preserve the Future

Create the Future

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

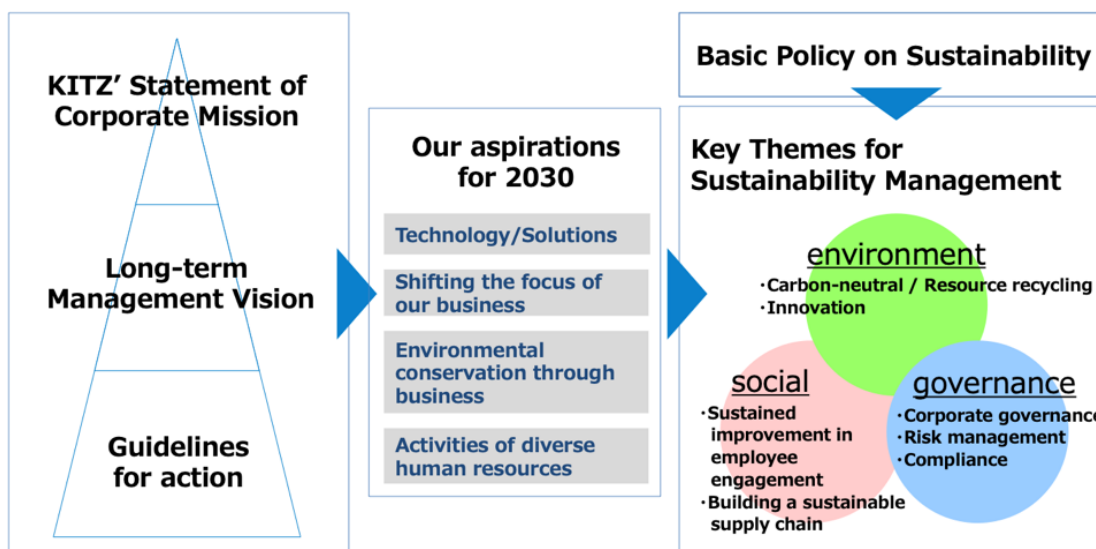
Preserve the Future

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

◎ **Sustainability management**

① **Overall view**

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



(Taken from the reference material of the company)

② Key themes for sustainability management

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

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

◎ E (environment)

The company aims to realize a sustainable, recycling-oriented society in 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.

<Reference2: First Medium-term Management Plan 2024>

(1) Overview

① Basic management policy

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

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

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

② Quantitative targets

Financial KPI	FY 2021 (results)	FY 2024 (targets)
Sales	1,357	1,700
Operating Income	89	130
ROE	6.4%	9% or more
Dividend Payout Ratio	36.2%	About 35%

Unit: 100 million yen

*Segments

	FY 2021 (results)	FY 2024 (targets)
Valve Manufacturing Business	1,067	1,366
Brass Bar Manufacturing Business	273	310
Other	16	24
Total Sales	1,357	1,700
Valve Manufacturing Business	120	170
Brass Bar Manufacturing Business	6	8
Other	-2	1
Adjustment	-35	-49
Total Operating Income	89	130

Unit: 100 million yen

Non-financial KPIs	FY 2021 (results)	FY 2024 (targets)
CO ₂ reduction rate	-28.1%	-90%
Employee Engagement Score		
Worthwhile place to work	48pt	56pt
Ease of working	43pt	55pt
Ratio of female employees	21.7%	23%
Ratio of female managers	3.4%	10%
Ratio of male employees who took childcare leave	29.0%	80%

CO₂ reduction rate is the reduction amount of domestic group companies, compared to 2013. The results in fiscal year 2020 replaced with those in fiscal year 2021 (finalized value) (-26.9% → -28.1%), all numbers refer to KITZ alone.

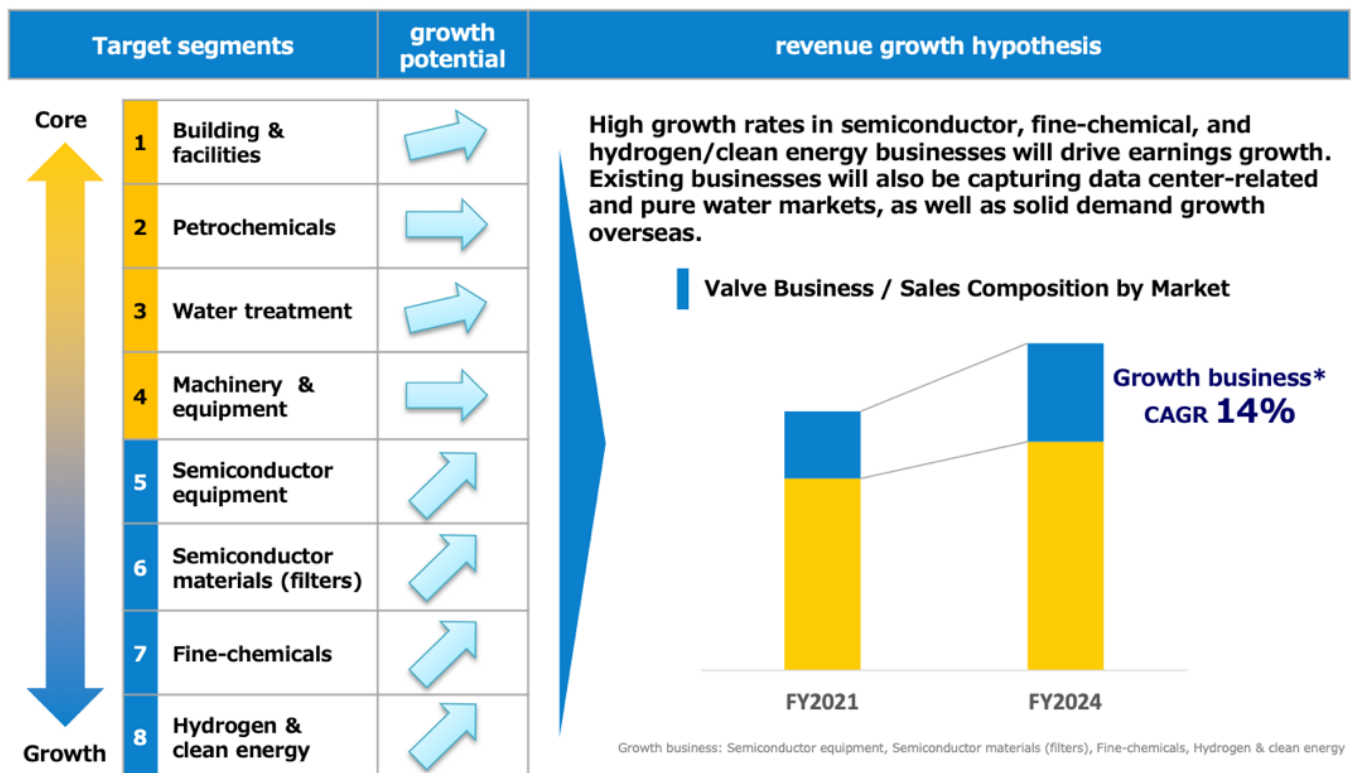
*"Female managers" refers to women who hold positions as department heads.

(2) Mid-term Plan for Each Business

(2)-1 Valve Manufacturing Business

(2)-1-1 Strategy in Each Market

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



(Taken from the reference material of the company)

① Building & facilities

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

(Key measures)

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

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

② Petrochemicals

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

(Key measures)

To develop products that follow user trends such as the shift to clean energy and environmental measures.

To improve services and MRO order rates for key account users, especially Japanese-affiliated companies.

To raise the implementation rate of the KITZ predictive diagnostic system.

To promote compliance with global standards and customer certifications.

③ Water treatment

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

(Key measures)

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

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

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

④ Machinery & equipment

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

(Key measures)

To establish a new Machinery & Equipment Sales Department.

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

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

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

⑤ Semiconductor equipment

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

(Key measures)

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

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

To reinforce the R&D system.

⑥ Semiconductor materials (filters)

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

(Key measures)

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

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

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

⑦ Fine chemicals

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

(Key measures)

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

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

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

⑧ Hydrogen & clean energy

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

(Key measures)

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

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

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

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

(2)-1-2 Group Strategy

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

(2)-1-3 Area Business Strategy**① North American market**

◎Key Target Markets

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

◎ Business opportunities

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

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

◎ Key measures

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

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

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

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

② Chinese market

◎ Key target markets

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

◎ Business opportunities

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

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

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

◎ Key measures

*Building & facilities, petrochemical, and fine chemicals markets

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

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

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

***Semiconductor Equipment Market**

To increase local production capacity and expand sales.

③ ASEAN and Indian markets

◎ Key target markets

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

◎ Business opportunities

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

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

◎ Key measures

*ASEAN

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

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

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

*India

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

(2)-2 Brass Bar Manufacturing Business

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

(2)-3 Other Business (Services: Hotel Beniya)

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

(3) Digital Transformation (DX)

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

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

(4) Financial Strategy and Capital Policy

The cornerstone of management: "medium- to long-term improvement of return on invested capital"

■ To manage targets while assuming ROE and ROIC as major KPIs externally and internally, respectively, with the aim of improving corporate value

■ To execute strategic investment and procure necessary funds for sustainable profit growth and ROE improvement

■ To achieve business administration oriented for capital cost and share price

① To keep PBR not less than 1 ② To disclose information to meet investors' expectations

Target ROE 10% or higher in FY 12/24 10% or higher in FY 12/30	■ Adoption of ROIC-oriented management <ul style="list-style-type: none"> ① Improvement in profitability (execution of pricing strategies and review of the product portfolio) ② Application of ROIC Tree and PDCA management ③ Improvement in CCC through the streamlining of use of assets
	■ Active strategic investment: Securing future growth and profitability
	■ To maintain the optimal capital composition and secure room for borrowing: flexible fund procurement and response to risks

Operating CF: 42 billion yen (cumulative from 2022 to 2024))Up 38 billion yen from the initial forecast

Investment	Return to shareholders	Debt repayment and fund procurement
<ul style="list-style-type: none"> ■ Total investment budget: 44 billion yen (initial budget: 37 billion yen) including the strategic investment budget: 33 billion yen (initial budget: 24 billion yen) ▪ Semiconductors ▪ Fine chemicals ▪ Hydrogen ▪ DX ▪ Environment friendliness ▪ M&A 	<ul style="list-style-type: none"> ■ Payout ratio Kept around 35% in the medium-term policy * They will discuss the acquisition of treasury shares when necessary, while considering financial stability, liquidity of cash reserves, and investment funds. 	<ul style="list-style-type: none"> ■ For coping with the uncertain business environment ■ For strategic investment ▪ Selection of appropriate methods for procuring funds according to investment ▪ Sustainability-oriented financing, etc.

Goal of realizing an optimal capital composition	<ul style="list-style-type: none"> ■ Response to risks: Capital-to-asset ratio: 55-60%; banks' commitment line for short-term borrowing (currently 13.5 billion yen) 	
	<ul style="list-style-type: none"> ■ Corporate bond rating remains A. 	<ul style="list-style-type: none"> ▪ Current rating: R&I → A- (May 2024); JCR → A (May 2024) ▪ Preliminary rating for issuing corporate bonds: (R&I): A- (20 billion yen; Oct. 2022 to Oct. 2024)

<Reference3: 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: May 29, 2024)

Basic policy

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

[Our Group's Corporate Philosophy System]

■ KITZ' Statement of Corporate Mission (Corporate Philosophy)

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

■ Long-term Management Vision

Beyond New Heights 2030—Change the “Flow”

■ Action Guide

Do it KITZ Way

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

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

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

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

• "Basic Policy on Corporate Governance"

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

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

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

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

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

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

【Principle 1-4】 Cross-shareholdings

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

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

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

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

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

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

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

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

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

Please refer to our company’s website for the “Policy Regarding Cross-shareholdings” and to the Financial Statements for the number of shares of each specific investment stock.

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

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

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

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

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

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

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

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

◆ Diversity

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

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

◆ Equity

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

◆ Inclusion

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

■ Human Resources Development Policy

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

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

■ Internal Environment Improvement Policy

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

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

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

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

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

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

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

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

In addition, in order to accelerate the globalization of our business toward 2030, it has become necessary to promote the localization of operations, which has become common around the world, and improve business efficiency from the perspective of overall optimization. In addition to hiring non-Japanese employees, we will actively promote the exchange of human resources across national and regional boundaries to achieve optimal human resource utilization on a global basis. On the other hand, in our company alone, the average number

of non-Japanese employees hired over the past five years was 3.6, and the overall ratio of non-Japanese employees was 1.4% at the end of fiscal year 2023, and we have not yet reached the point of setting a target for the appointment of non-Japanese nationals to managerial posts. Therefore, we are focusing on developing measures to increase the number of non-Japanese hires and the ratio of non-Japanese employees appointed to managerial posts.

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

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

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

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

[1] Initiatives to promote sustainability

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

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

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

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

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

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

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

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

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

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

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

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

■ 3 ZEROs (triple zeroes)

(1) Zero CO₂

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

(2) Zero environmental impact

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

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

(3) Zero risk

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

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

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

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

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

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

The details are disclosed on our website.

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

[4] Investment in human capital

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

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

(1) Respect for human rights

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

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

(2) Initiatives to improve employee engagement

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

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

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

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

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

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

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

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

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

[Principle 5-1] Constructive dialogue with shareholders

[1] Promoting dialogue with shareholders

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

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

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

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

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

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

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

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

7. To support dialogue with shareholders, the relevant departments organically collaborate with each other as necessary.
8. The head of the division in charge of IR regularly reports to the President and Representative Executive Officer and the Executive Director in charge of IR on opinions, requests, and other information obtained through dialogue with institutional investors and analysts, and when necessary, the President and Representative Executive Officer reports the information to the Board of Directors for use in management improvement.
9. In addition to financial results information such as financial summaries and annual securities reports, IR information such as management information, stock-related information, and information on general meetings of shareholders is disclosed on our company website.
https://www.kitz.com/en/investor_ir/
10. We monitor our shareholder distribution as of the end of December each year.

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

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

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

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

In response to a disclosure request from the Tokyo Stock Exchange dated March 31, 2023, regarding [Measures to achieve management that is conscious of cost of capital and stock price] [English disclosure available], we have disclosed this on our website.

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

[English disclosure] https://ssl4.eir-parts.net/doc/6498/ir_material4/219474/00.pdf

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