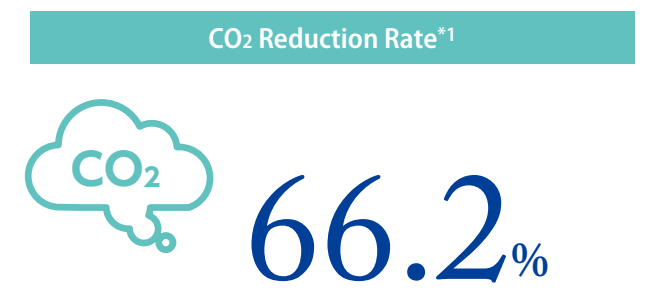
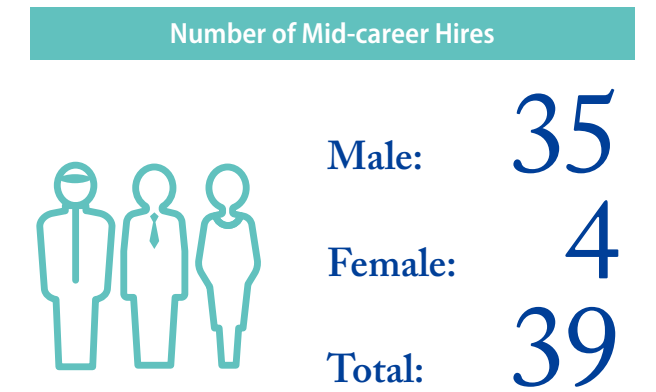
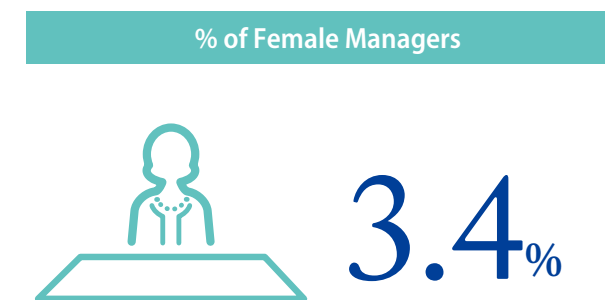
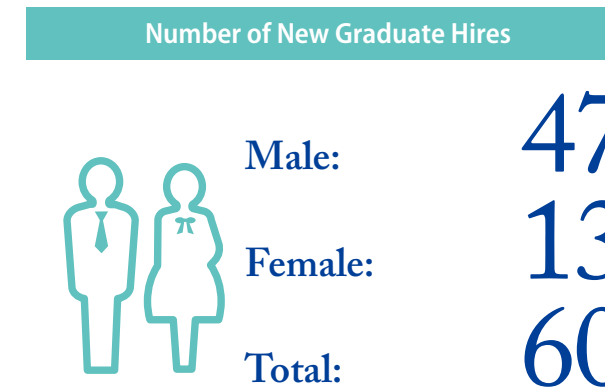
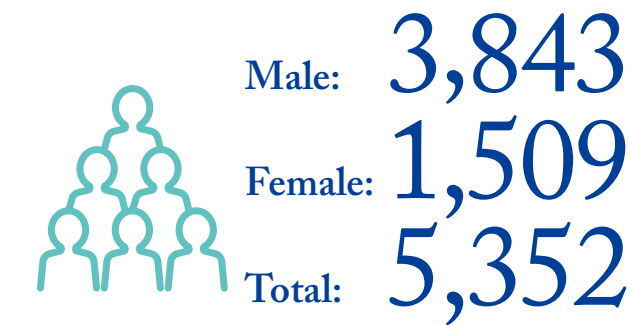
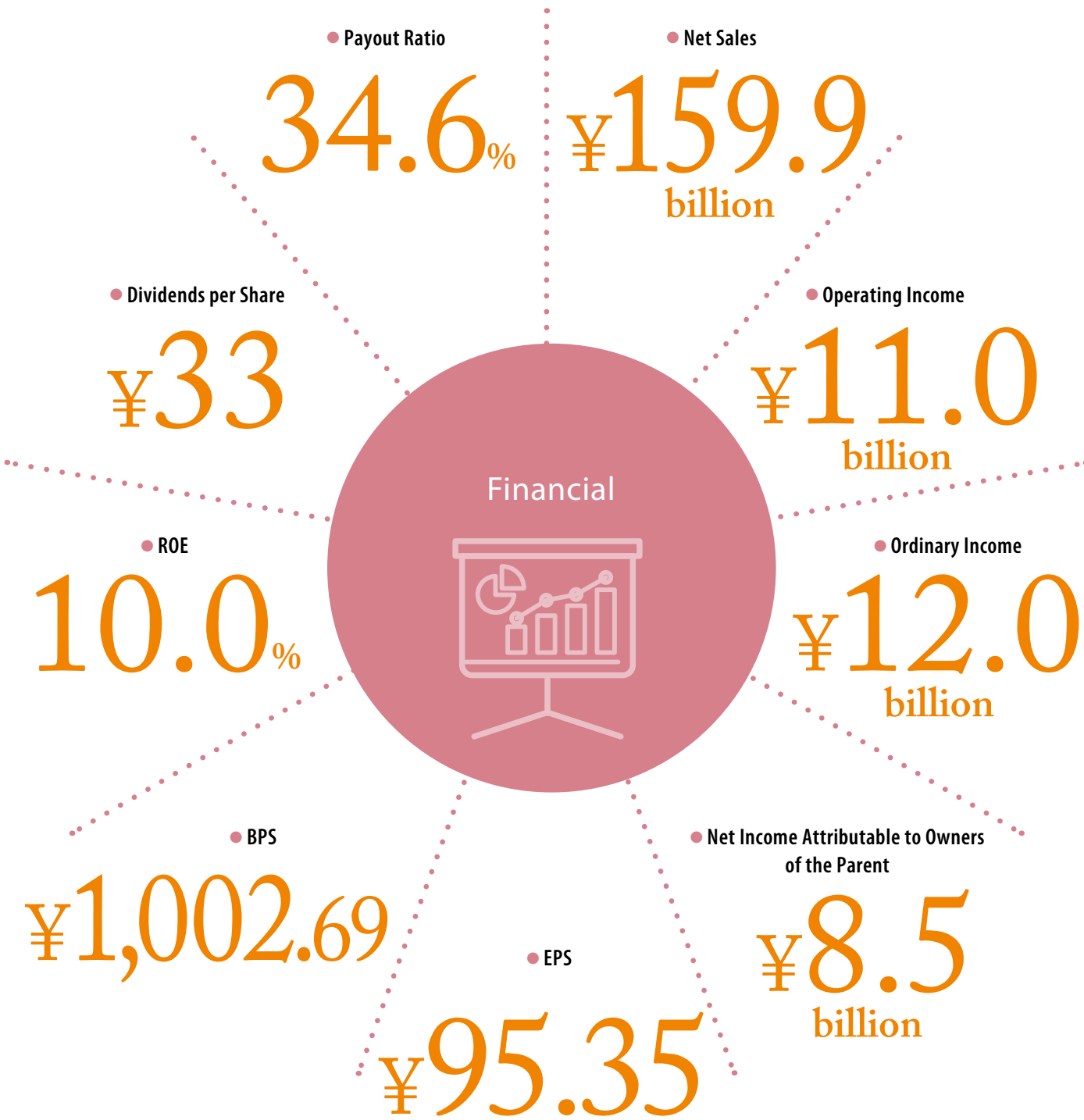


KITZ Group by Numbers (as of December 31, 2022)



• Non-consolidated basis, excluding number of employees and CO₂ reduction rate.
*¹ Compared to FY2013

Message from the President



We will aim to achieve our Long-term Management Vision with proactive management and the united efforts of all employees.

Makoto Kohno
President and CEO

Achieving Record Net Sales under the Difficult Environment of the Fiscal Year under Review (FY2022)

It has now been two years since I was appointed President and CEO of KITZ Corporation. Over this time, various events that have shaken the global economy have played out, including the global COVID-19 pandemic and intensifying conflict between the U.S. and China.

Under these circumstances, our business environment also underwent rapid change, requiring us to respond with urgency.

In FY2022, geopolitical risks became prominent with Russia's invasion of Ukraine. With disrupted supply chains, growing inflation due to soaring prices of energy resources and raw materials, and the depreciation of the yen, it was a year in which the future was even more uncertain.

Over this period, embracing "quick and decisive" as our slogan, we have aimed for management that overcomes these difficulties. In our mainstay Valve Manufacturing Business, we saw strong domestic and overseas performance for semiconductor manufacturing equipment against a backdrop of growing semiconductor demand, with higher sales volumes in the Americas and ASEAN regions also helped by the weakening yen. We also managed to cover the sharp rise in raw material prices with price revisions early on. I believe this was possible due to the brand power that KITZ holds, as

well as the relationship of trust it has built with customers.

Similarly, in Brass Bar Manufacturing Business, we managed to increase net sales by implementing price revisions in response to the rising raw materials market while focusing on expanding sales.

As a result of these efforts, net sales rose 17.8% year on year to ¥159,914 million, a record high. Operating income was ¥11,051 million, up 22.9% year on year, while ROE was 10.0%, surpassing our initial forecast for FY2022 in the first Medium-term Management Plan 2024 (FY2022-2024) that was announced in February 2022.

Management Plan for the Current Fiscal Year (FY2023) in Anticipation of the Medium and Long Term

We advocate ROIC × ESG Management, placing the improvement of return on invested capital over the medium to long term as the cornerstone of our sustainability management, which aims to achieve improved corporate value in tandem with higher social value. We aim to achieve our targets by setting ROE for our stakeholders and ROIC internally as our key performance indicators (KPIs).

Net sales in FY2022 even managed to exceed our numerical targets for FY2024, the final year of our first Medium-term Management Plan.

In response, we set our numerical targets for FY2023 to

First Medium-term Management Plan 2024 (FY2022-2024) Results and Numerical Targets (Revised in February 2023)

(Millions of yen)

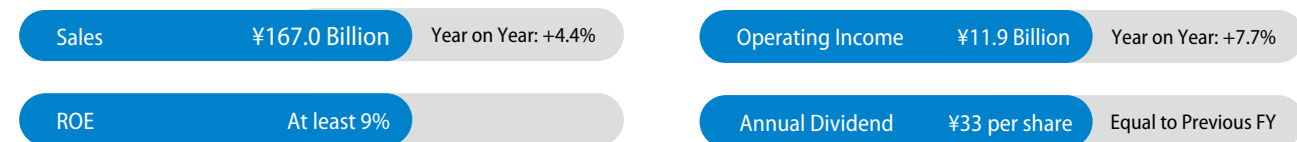
	FY2021	FY2022		FY2024	
	Results	Initial Plan (Announced in Feb. 2022)	Results	Initial Plan (Announced in Feb. 2022)	Revised Plan (Announced in Feb. 2023)
Net sales	135,790	143,000	159,914	150,000	170,000
Operating income	8,990	10,000	11,051	12,000	13,000
ROE	6.4%	7.6%	10.0%	at least 8%	at least 9%
Net sales by segments					
Valve Manufacturing	106,754	112,200	125,189	118,500	136,600
Brass Bar Manufacturing	27,366	29,000	32,513	29,500	31,000
Others	1,668	1,800	2,212	2,000	2,400
Operating income (loss) by segments					
Valve Manufacturing	12,088	13,300	14,980	15,100	17,000
Brass Bar Manufacturing	665	800	222	1,000	800
Others	(243)	0	68	100	100
Adjustment	(3,519)	(4,100)	(4,219)	(4,200)	(4,900)



net sales of ¥167.0 billion, a 4.4% year-on-year increase; operating income of ¥11.9 billion, up 7.7%; and an ROE of at least 9%. In FY2024, we will aim for net sales of ¥170.0 billion with operating income of ¥13.0 billion and an ROE of at least 9%.

Underpinning these figures are growth sectors, primarily the semiconductor market. A brisk semiconductor business not only benefits semiconductor manufacturing equipment but also leads to broad demand in other areas such as data

● Summary of FY2023 Plan



centers and ultrapure water plants. Additionally, in the petrochemical market in which we have traditionally excelled, a shift to fine chemicals with high added value is expected, raising the prospects of significant growth.

In response to these developments, KITZ SCT, which manufactures and sells valves for semiconductor manufacturing equipment, has constructed a new plant building that began operating in April 2023. Meanwhile, KITZ Micro Filter, which produces and sells filters for semiconductor photoresists, is also working on the construction of a new plant building with the aim of beefing up production capacity to meet vigorous demand. These improvements to production capacity will start contributing to business results in the third year of our Medium-term Management Plan and beyond.

Currently we are also actively working on new businesses. From January 2023, Hydrogen Department was elevated to Hydrogen Division in order to pursue hydrogen-related business in earnest. Previously, projects related to water treatment had been implemented on an individual basis by each Group company, but to unify our elemental technologies and products for creating greater synergy, the Environmental Solutions Division has been launched as a new entity at KITZ.

Focusing on Risk Management

Meanwhile, analyzing risk factors and minimizing those risks are key points to achieving our plans. I think of risk management as my most important role. I am aware that the uncertain management environment will continue due to global economic trends such as inflation, rising interest rates, exchange rate fluctuations, and supply chain issues. Further, we must now also face emerging geopolitical risks.

As KITZ currently has four production sites in China and another site in Taiwan, there is a need to pay attention to the relationship between China and Taiwan, as well as between the U.S. and China. As a contingency, we are developing systems enabling some products currently produced in China to be produced in Japan. We will also make progress in reviewing our production systems, including the decision to relocate some of the production underway in China and Taiwan to Vietnam.

We are also focusing on improved supply chain management in coordination with production. At times last year, our customers were inconvenienced due to supply chain disruptions. Previously, we had been managing production control and purchasing separately but now we have established a new department to oversee the supply chain and enabled a centralized management system. We are in the process of creating a system that will give us a bird's-eye view of the situation from the formulation of production plans based on sales targets to cooperation with suppliers and changes to production sites to avoid geopolitical risks.

Development of a Rewarding Workplace

Human capital is one of the factors to achieve our plans. It depends on how well we can cultivate employees engaged with a positive attitude toward their work. To achieve that, we need to properly take stock of our human capital, discover talented employees, and hone their abilities across various departments and regions, including overseas.

Another perspective is improving employee engagement scores. Looking at engagement scores, in FY2022, KITZ scored 48 points for a rewarding work culture and 44 points for a better work environment. This level is not something to be particularly proud of. Our challenge is to improve the scores of younger generations and employees at production sites. Boosting engagement by creating an open workplace is vital to achieving our Medium-term Management Plan.

How can we foster a sense of trust in senior employees and supervisors, how can we link employees' own jobs with achieving the company's plans, and how can employees themselves advance their own career plans? The division managers are now leading efforts to visualize those questions.

As a part of that initiative, we set up the KITZ Group Engagement Forum 2022, events for dialogue between top management and employees. Around 40 of these forum events were held at KITZ and the Group companies in Japan and overseas. I gave direct explanations of the Long-term Management Vision and Medium-term Management Plan we announced in February 2022, giving employees the opportunity to think about these as their own. The sessions also emphasized dialogue, and around half of their running time was taken up answering questions from employees. This has enabled employees to ask directly about the issues they are regularly facing and put forth proposals, and we have started to see positive results. Through these initiatives, in FY2024, we aim to score 56 points in rewarding work culture and 55 points in a better work environment. I see KITZ's greatest strength as its serious and sincere corporate culture epitomized by an element of its Action Guide: Do it True. We will engage in fair and equitable corporate activities which ensure that each employee understands the need to observe internal rules, social ethics, and morals and which meet the expectations of society and earn its trust. This is directly connected with the job satisfaction of employees.

Group-wide, KITZ employees number more than 5,300, half of whom work overseas. We must foster the same KITZ corporate culture at overseas sites as we do in Japan and develop a fulfilling work environment. I think we must also actively pursue personnel exchanges, having employees come from overseas to work in Japan, and vice versa.

Creating women's opportunities for active roles is another important effort. We have set the target of raising the percentage of female managers, which was 3.4% in FY2022, to 10% by FY2024. I want KITZ to be a company where a diverse range of talent can succeed irrespective of gender, age, nationality, or culture.

Implementing Proactive Management toward 2030

In 2021, my appointment as President & CEO coincided with our 70th anniversary. The first task I set about was to revise the KITZ' Statement of Corporate Mission to make it more purposeful and clearer. Revisions to our corporate mission led to the formulation of our Long-term Management Vision and Medium-term Management Plan.

Then in February 2022, we announced our Long-term Management Vision "Beyond New Heights 2030 – Change the Flow." As quantitative targets for 2030, we aim to achieve an average sales growth rate of at least 4%, with net sales in the ¥200 billion range, an ROE of at least 10% and net income of around ¥10 billion.

To achieve our vision, we will strengthen our foundations

"ROIC × ESG" Management

Aim to enhance both corporate value and social value

■ Set "improving return on invested capital over the medium to long term" as the core management objective, and manage ROE externally and ROIC internally as the main KPIs

<p>ROIC</p> <ul style="list-style-type: none"> •Through ROIC tree, make all employees perceive their role and contribution to the company •Aim to minimize inventory and receivables turnover and maximize profits considering asset efficiency •Identify and improve unprofitable products (cost reduction, product integration & discontinuation, price raises) •Invest actively in growth areas and harvest speedily 	×	<p>ESG (Sustainability Management)</p> <ul style="list-style-type: none"> •Protect the environment through "3 ZERO" and target environmental businesses sector •Consider employees as capital, and create an environment to improve their capabilities and engagement •Take reasonable risks and mitigate risks that exceed our tolerance •Build a management system that is transparent and capable of quick decision-making
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in the Building & Facilities, Petrochemicals and Machinery & Equipment markets that represent our core businesses. To cater to the demands of the times in terms of digitalization and decarbonization, we will accelerate our entry into growth sectors including Semiconductors, Fine Chemicals, and Hydrogen & Clean Energy and aim for ambidextrous management that shifts our business domains. To implement these

measures, we have set aside a total budget for investments of ¥80 billion over nine years from 2022 to 2030, 60% of which will be allocated to strategic investments in growth sectors and new areas.

As a measure of digitalization, we will lead BX (business transformation) Task Force activities in which roughly 20% of all employees take part. To take on the challenge of rapidly

changing social issues, we will work to transform business by utilizing the power of digital technologies.

In our Long-term Management Vision, we specified key themes in each field of ESG. As an environmental initiative for achieving "3 ZERO (triple zero)", namely Net Zero CO₂ Emissions, Zero Environmental Impact, and Zero Risk.

We have made considerable progress in reducing CO₂ emissions. By switching to green electricity, in 2022, we reduced CO₂ emissions by 65% compared with FY2013 levels group-wide in Japan, outpacing the original schedule. At this stage, we expect to achieve a reduction of 80% by FY2024 and 90% by FY2030.

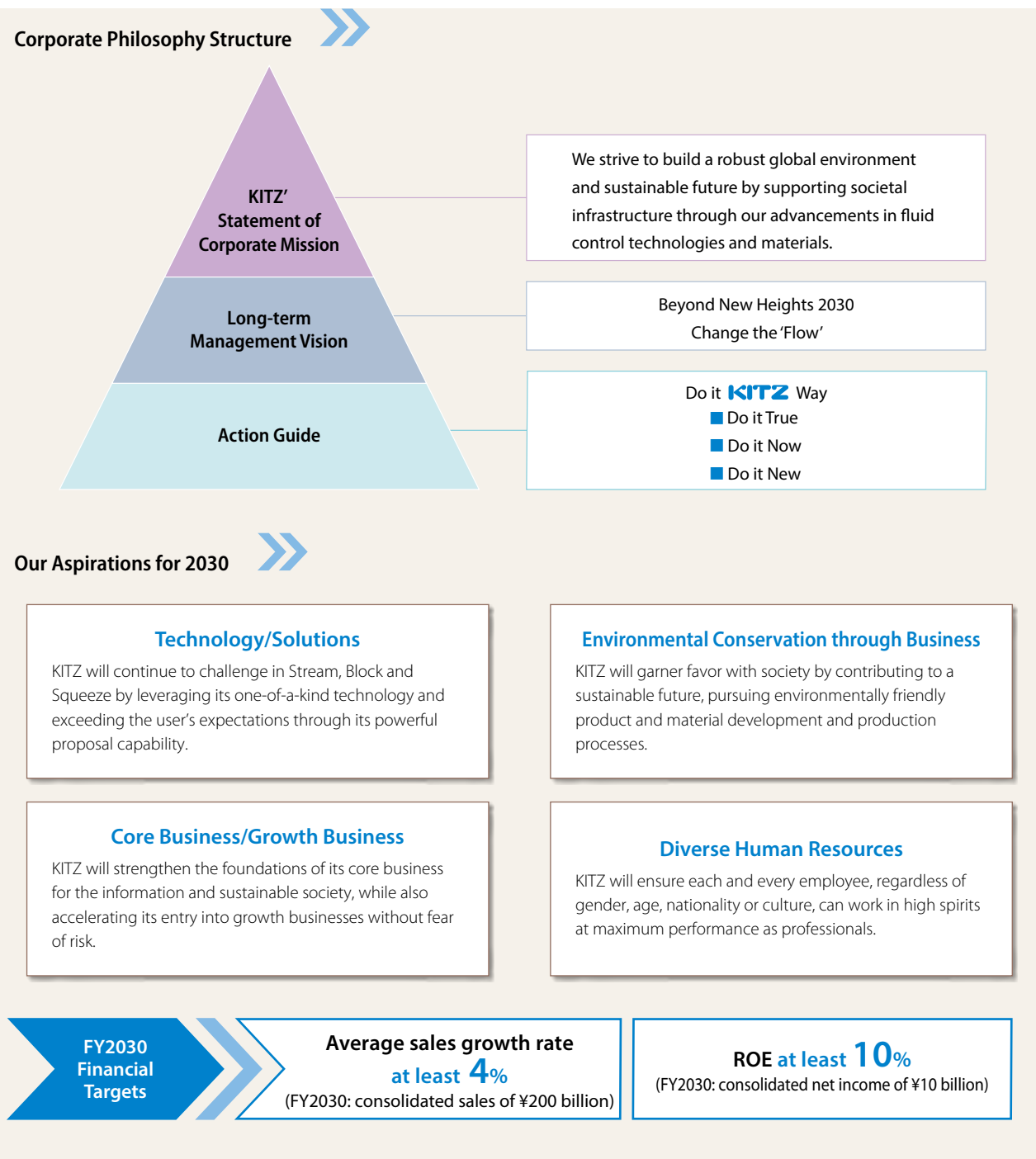
In response, we issued Sustainability-Linked Bonds worth ¥10 billion in September 2022. As a way of dealing with the urgent issue of climate change, these corporate bonds use the CO₂ reduction rates for Scope 1 and Scope 2 of domestic Group companies as evaluation indicators.

In November 2023, our head office will be relocated from Makuhari Shin Toshin, Mihama-ku in Chiba-shi, Chiba Prefecture to the Shiodome area of Minato-ku, Tokyo. The move will enable us to consolidate over half of the offices and Group companies that are spread throughout Tokyo in order to pursue further synergy and speed up decision-making. It will facilitate communication between employees and help create a better work environment. By consolidating functions in a single office, we also hope the move will have a positive effect on creative ideas and innovations.



My motto is "Fueki Ryuko", a Japanese phrase that means to incorporate new trends without changing one's essence. As KITZ's Slogan on Sustainability states "Create the Future / Preserve the Future," I hope to be a manager who is able to be proactive in this time of rapid change. As we head to 2030 and beyond, KITZ will continue to evolve in sustainable ways.

Our 70th anniversary was an important milestone, but it was also just a waypoint. We will Change the Flow to adapt to an evolving external environment and aim "Beyond New Heights" toward our upcoming 80th and even 100th anniversaries. Your ongoing support is greatly appreciated.



Non-Financial Targets*1 of the First Medium-term anagement Plan 2024 (FY2022-2024)

	FY2021 (Results)	FY2022 (Results)	FY2024 (Plan)
CO ₂ reduction rate (Compared to FY2013, domestic group)	-28.1%*5	-66.2%*6	-80%
Employee Engagement Score			
Rewarding work culture*3	48pt	48pt	56pt
Better work environment*4	43pt	44pt	55pt
% of female employees	21.7%	22.0%	23%
% of female managers*5	3.4%	3.4%	10%
% of male employee taking childcare leave	29.0%	35.3%	50%

*1 Non-consolidated basis excluding CO₂ reduction rate *2 Scores on questions measuring willingness to contribute toward goals, sense of belonging, voluntary effort, etc. *3 Scores on questions measuring opportunities to utilize skills and abilities, a better work environment, etc. *4 Managers: employees of the department manager *5 Replaced FY2020 results with FY2021 results (final figures, -26.9 to -28.1%) *6 Provisional figures as of March 29, 2023

Business Transformation for “Beyond New Heights”

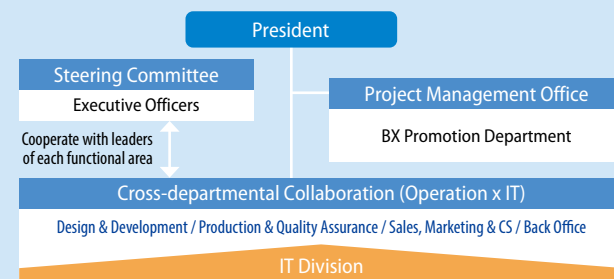
To respond to rapid changes in the social environment, we will pursue business transformation that fully leverages the power of digital technologies.

Driving Three Stages Toward Business Transformation

In the changing social environment, such as population decline and decarbonization, KITZ formulated the Long-term Management Vision to enhance competitiveness and continue to support infrastructure. To make effective use of digital transformation (DX) as the means to achieving the goals of this vision, we have been engaged in Business Transformation (BX) Task Force activities.

These activities are being personally led by the President as a large task force with the participation of roughly 20% of all employees across multiple sections, and involves the implementation of three stages: strengthening existing businesses, changing the management structure, and realizing new business models.

We will strengthen our existing businesses by thorough streamlining, starting with improvements to EX^{*1}. The management resources by this process will be visualized,



mobilized, and used to enhance CX^{*2}.

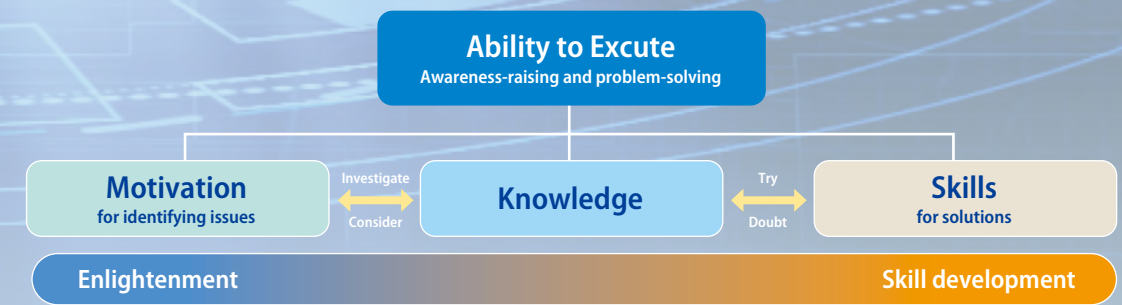
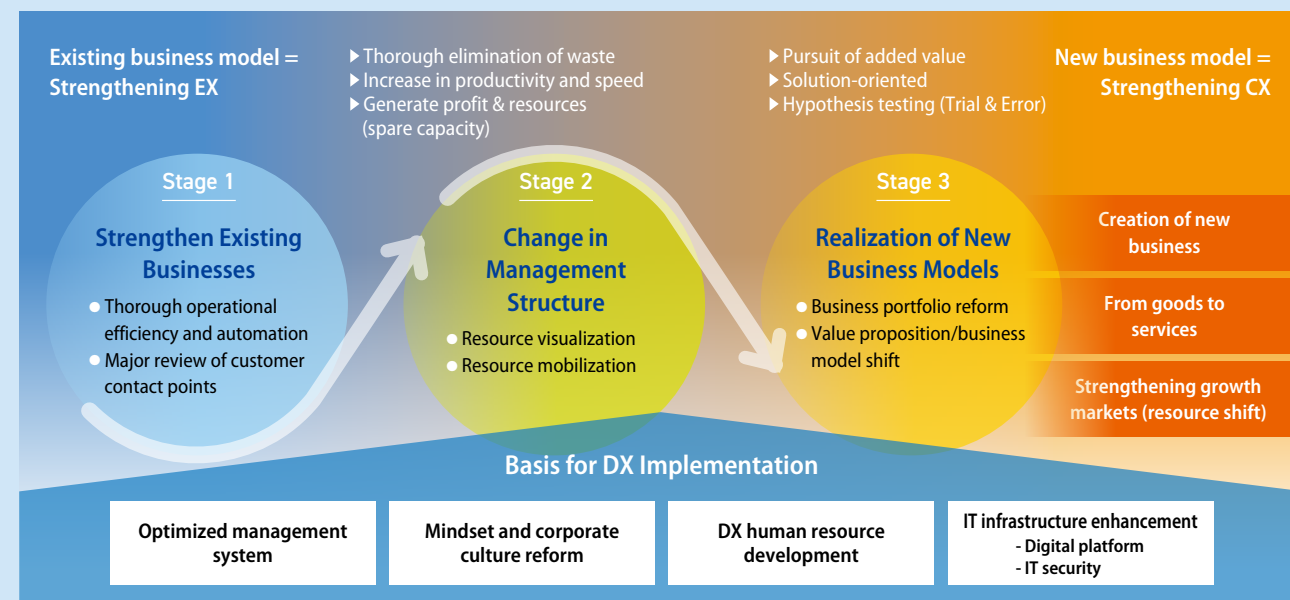
As indicators of the progress of Task Force activities, we have created BX KPIs that link the activities of each department to management based on an ROIC tree. Using these BX KPIs, we will aim to transform into a customer-oriented and agile organization and develop new business models.

*1 Employee Experience
*2 Customer Experience

Encouraging a Proactive Approach Based on Data-driven Thinking

In the first Medium-term Management Plan, we aim to take ownership of changes and acquire the capability to implement various reforms through a transformation in the environment, ideas, action, and culture.

As the basis for the DX implementation in FY2022, we mainly worked on **establishing an optimized management system** to create cross-departmental collaboration as the core of transformation, **reforming mindset and corporate culture** to lay the groundwork for a culture to take root, **developing DX human resources** to cultivate employees to lead that culture, and **enhancing IT infrastructure** as a tool to put the above into practice. From FY2023, we will utilize this basis for implementation to drive BX at full scale based on plans for each measure.



Creating Resources for Transformation and Developing DX Human Resources to Lead a New Culture

BX Task Force carries out cross-organizational improvement activities to shift human resources to new businesses as part of business transformation. Through these activities, Task Force members are developing their spirit of innovation and ability to set challenges.

In parallel with the above, DX human resource development is conducted to cultivate key members who will lead future reforms through enlightenment activities and skill development. Enlightenment activities begin with recognizing the need for the reform and broadening one's perspective. Skill development fosters the ability to identify an issue and its cause and solve them through data analysis training, as well as the ability to analyze the current situation and solve issues on one's own through citizen development^{*3} training for RPA and business apps^{*4}.

As of 2022, 200 and 170 employees have undergone data analysis and citizen development training respectively. These DX talents with ability to execute will become the leaders of a new corporate culture.

*3 Citizen development: The development of RPA and applications by users with intimate knowledge of the field in which they work rather than those from an IT department

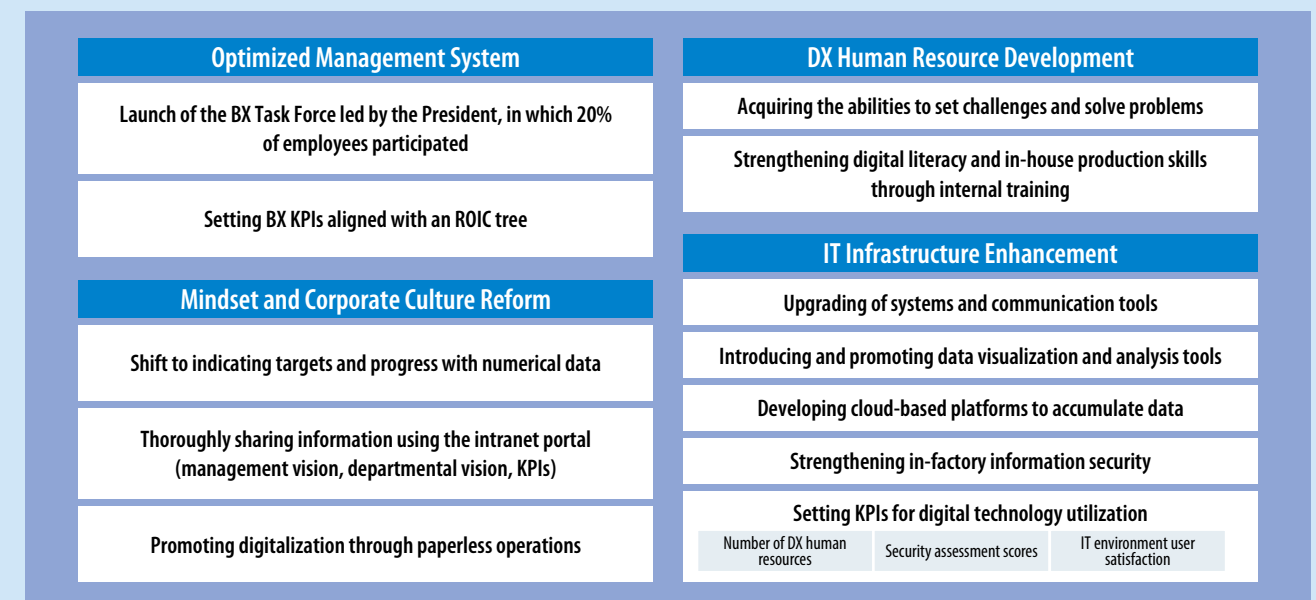
*4 RPA and business apps: Tools that enable the development of PC task automation or applications through intuitive operations that do not require knowledge of a development language as with conventional system development

Developing the Environments and Tools for Each Employee to Succeed

KITZ has made progress in streamlining operations through the update of mission critical systems and enabled the accumulation of accurate data. In addition, through the upgrading of communication tools, we have changed the way of information sharing internally.

As for BX Task Force activities, we have used these developments as the foundation for actively sharing information to employees and improving awareness of the management situation and management indicators. We have also introduced tools for employees to utilize the accumulated data, such as data platforms and BI tools. Based on the KITZ Group Information Security and Personal Information Protection Policy, we have developed the environments and tools to identify and solve problems in business operations.

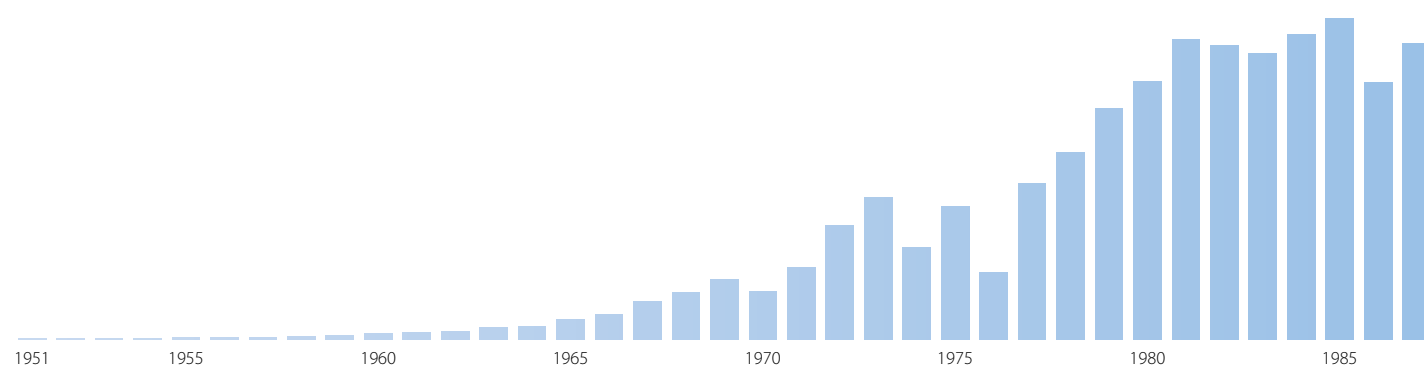
We are also pursuing paperless operations by digitizing existing analog data, and have seen each activity steadily bear fruit as the foundation for a new corporate culture to take root.



KITZ Group's Growth Trajectory

The Kitazawa Factory (now KITZ Corporation) was founded in 1951 when Japan was in the transition period from the chaotic aftermath of the postwar era to the approaching era of high growth. Guided by the founding principle of Toshio Kitazawa (1917-1997), the Company positioned integrated production as the basis of its operations, in which all processes are carried out under one roof, from materials to finished products and from casting through machining, assembly, inspection, and shipment. Furthermore, the Company has built a structure that provides customers with meticulous service and post-sale follow-up. This insistence on "better quality" has been upheld and passed down as the cornerstone of the KITZ Group's activities. The Group has grown to become one of the world's pre-eminent corporate groups, developing a solid position as an all-round valve manufacturer that provides a wide variety of products to multiple fields.

* Sales from 1951 to 1976: Non-consolidated



Toshio Kitazawa
(Term of office:
1951 to 1985)



Yusuke Shimizu
(Term of office:
1985 to 2001)



Kimio Kobayashi
(Term of office:
2001 to 2008)



Yasuyuki Hotta
(Term of office:
2008 to 2021)



Makoto Kohno
(Term of office:
2021-)

Initial founding, and building a production and sales network

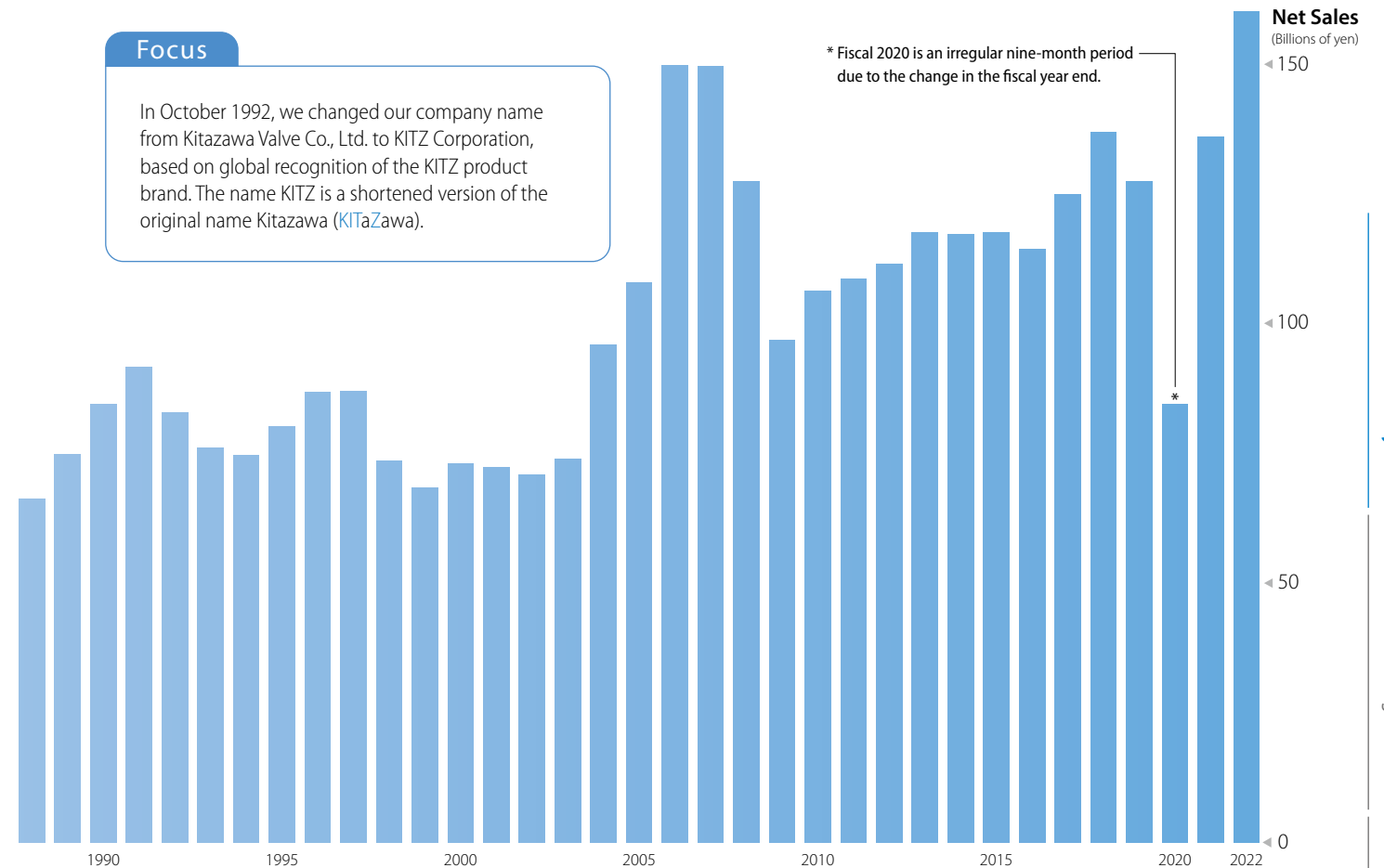
- 1951
 - Toshio Kitazawa founded the Kitazawa Mfg. Works Co., Ltd.
 - The Nagasaki Plant was completed and the manufacture and sales of cast bronze valves started.
- 1952
 - Nationwide distributors' association was organized, marking the establishment of a distribution system for the domestic market.
- 1959
 - Started manufacturing brass rods.

Expansion of product range and growth into an all-round valve manufacturer

- 1962
 - Company name was changed to Kitazawa Valve Co., Ltd.
- 1967
 - Started manufacturing and selling ductile cast iron valves and stainless steel valves.
- 1968
 - Started manufacturing and selling butterfly valves.
- 1969
 - Started manufacturing and selling cast iron valves.
- 1974
 - Started manufacturing and selling cast steel valves.
- 1977
 - Listed on the Second Section of the Tokyo Stock Exchange.
- 1978
 - KITZ** became a registered trademark.

Establishment of the trusted KITZ brand

- 1989
 - The Nagasaki and Ina plants obtained ISO 9001 quality management system certification, making KITZ the first Japanese company to receive this certification.
- 1991
 - Spanish ball valve manufacturer ISO S.A. (currently KITZ Corporation of Europe, S.A.) joined the KITZ Group.



Focus

In October 1992, we changed our company name from Kitazawa Valve Co., Ltd. to KITZ Corporation, based on global recognition of the KITZ product brand. The name KITZ is a shortened version of the original name Kitazawa (KITaZawa).

* Fiscal 2020 is an irregular nine-month period due to the change in the fiscal year end.

History

- 1951: The Nagasaki Plant begins operation in Japan with just 11 employees in a small workshop, not a full factory.
- 1962: Japan's first forged brass valves called FH and FS introduced.
- 1980: Introduced a cast bronze valves designed handwheel, "CHRYSANTHEMUM-HANDLE®" (See page 30 Focus).
- 1984: Listed on the First Section of the Tokyo Stock Exchange.
- 1999: KEEPALOY environmentally friendly lead-free dezincification-resistant brass bars are developed and announced.
- 2004: Toyo Valve Co., Ltd., another well-known Japanese valve manufacturer, joined the KITZ Group.
- 2012: Launched ultra-high pressure ball valves for hydrogen stations.
- 2019: Consolidated operating income for the fiscal year ended March 2019 was a record-high ¥11,713 million.
- 2022: Decided to relocate headquarters to Shiodome area, Minato-ku, Tokyo.

Value Creation Story

Growth Strategies

Sustainability

Data Section

Value Creation Process

