The KITZ Group helps enrich our world by producing precision valves to control the flow of water, air, oil and gas, all the fluids we need to sustain our industries, our communities and life itself.

KITZ professionals are in a constant state of challenge, designing and directing the science of fluid flow control to provide products and services that exceed customer expectations, to create innovations that will encompass new fields and new applications throughout the world and to help conduct the flow of civilization into the future.

Reflection on the Publication of Corporate Report 2022

KITZ has been publishing an integrated report (Corporate Report) since 2016. In addition to management strategy and financial information, the report integrates ESG and other non-financial information in a comprehensive and systematic fashion, and is compiled as a communication tool to promote understanding of the KITZ Group, including its growth potential. Corporate Report 2022 is made up of details on the KITZ Group’s value creation in the short, medium and long term based on the unique story of KITZ centering on the Long-term Management Vision “Beyond New Heights 2030 - Change the Flow” and the first Medium-term Management Plan 2024 (FY2022-2024), which were announced in February 2022.

In compiling this report, we made reference to the Integrated Reporting Framework presented by the Value Reporting Foundation (VRF) and Guidance for Collaborative Value Creation announced by the Ministry of Economy, Trade and Industry of Japan. Related departments have engaged in cooperative efforts spanning the company to compile this report to confirm the validity of the compilation process and the information described herein.

KITZ will make use of this report as a tool for engaging in dialogue with all manner of stakeholders, including shareholders and investors, and will endeavor to further enhance its corporate value. In addition, to ensure management transparency, and give readers insight into improvements to corporate value through sustainable growth and initiatives aimed at solving social issues, we will also make timely and appropriate disclosures outside this report using tools including our website, securities reports, shareholder notices and environmental report objects.

To Our Stakeholders

Message from the President

Message from the CFO

Business Summary and Strategy

Valve Manufacturing Business

Message from Unit General Manager, Flow Control Business Unit

KITZ Group + Water

KITZ Group + Energy

Research and Development System Creating High Added Value

Production Systems That Assure High-Quality Products

Extensive and Strong Sales Network

KITZ—A Reliable Brand

Brass Bar Manufacturing Business

Sustainability

Message from Director in Charge of Sustainability

Corporate Governance

Board of Directors, Corporate Auditors and Executive Officers

Messages from Outside Directors

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Human Resource Management

Diverse Human Resources in the KITZ Group

Stakeholder Engagement

As a Leading Company in the Valve Industry

Social Contribution Activities

Data Section

Financial and Non-Financial Data

Group Network

Corporate Data / Stock Information

Information

Notation

In this report, “Long-term Management Vision” will refer to the “Long-term Management Vision Beyond New Heights 2030 - Change the Flow,” which was announced on February 10, 2022, and “First Medium-term Management Plan” or “Medium-term Management Plan 2024 (FY2022-2024)” that was announced on the same day.

Cautionary Note Regarding Forward-Looking Statements

This report contains forward-looking statements concerning future plans, measures and other matters that the Company believes are reasonable assumptions based on information that is currently available. These statements contain a number of risks and uncertainties. Therefore, actual results may differ materially from our expectations due to various reasons.
The KITZ Group’s Value Creation

Value Creation Process

Changes in the external environment and social issues

- Climate change due to global warming
- Reduction of environmental impact
- AI and IoT
- Diversity
- Risk management
- Compliance
- Anti-corruption

E - S - G

Management resources supporting the value creation process

Value Creation Process

Output

Value Delivery

- Offering a variety of products to multiple fields
- Integrated production system from materials to finished products
- Global sales networks
- Diverse human resources in the corporate culture capable of taking on challenges
- Environmentally friendly manufacturing

R&D activities generating high added value

Thorough pursuit of customer value

KITZ’ Statement of Corporate Mission

Core markets
- Building facilities
- Petrochemicals
- Water treatment
- Machinery & equipment

Growth markets
- Semiconductor equipment
- Semiconductor materials (filters)
- Fine chemicals
- Hydrogen & clean energy

New businesses
- Water Solutions
- Maintenance Solutions

Core markets

Growth markets

New businesses

Providing high quality products and services catering to every need to Stream, Block and Squeeze flows

- Creation of a comfortable living environment through support for the stable supply of water and energy
- Customer/supplier confidence and coexistence with local communities
- Development of diverse human resources and creation of a corporate culture in which employees are always motivated
- Business activities that minimize the impact on the environment and strengthening of the environmental management system
- Continuous enhancement of shareholder value

Kit's Pledge

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

**Initial founding, and building a production and sales network**
- 1951: Toshio Kitazawa founded the Kitazawa Mfg. Works Co., Ltd.
- 1952: The Nagasaka Plant was completed and the manufacture and sales of cast bronze valves started.
- 1953: Nationwide distributors’ association was organized, marking the establishment of a distribution system for the domestic market.
- 1959: Started manufacturing brass bars.

**Expansion of product range and growth into an all-round valve manufacturer**
- 1962: Company name was changed to Kitazawa Valve Co., Ltd.
- 1963: 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.

**Establishment of the trusted KITZ brand**
- 1991: KITZ became a registered trademark.
- 1999: KITZLOY environmentally friendly lead-free dezincification-resistant brass bars are developed and announced.

**Accelerating selection and concentration, and promoting globalization**
- 2003: Started manufacturing and selling ductile cast iron valves.
- 2008: Changed name to KITZ Corporation and moved the head office to the Makuhari district of Chiba City.
- 2015: Shimizu Alloy Mfg. Co., Ltd. joined the KITZ Group, enabling the group to begin supplying products for water supply systems.
- 2019: Changed name to KITZ Corporation and moved the head office to the Makuhari district of Chiba City.
- 2021: Shimizu Alloy Mfg. Co., Ltd. joined the KITZ Group, enabling the group to begin supplying products for water supply systems.

**History**
- 1951: The Nagasaka Plant begins operation in Japan with just 11 employees in a small workshop, not a full factory.
- 1952: Japan’s first forged brass valves called FT and FS introduced.
- 1959: Listed on the First Section of the Tokyo Stock Exchange.
- 1992: Shimizu Alloy Mfg. Co., Ltd. joined the KITZ Group, enabling the group to begin supplying products for water supply systems.
- 2015: Shimizu Alloy Mfg. Co., Ltd. joined the KITZ Group, enabling the group to begin supplying products for water supply systems.
- 2019: Changed name to KITZ Corporation and moved the head office to the Makuhari district of Chiba City.

**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).
Business Segments

The KITZ Group operates a valve manufacturing business that involves the manufacturing and sale of joints, purifiers and industrial filters with a focus on valves as a type of fluid control device, brass bar manufacturing business that involves the manufacturing and sale of brass bars used as faucet fittings, gas equipment and materials for home appliance components, and other businesses including the operation of hotels.

Moving forward, the KITZ Group will continue to pursue further growth as an all-round fluid control device manufacturer with a focus on valves.

What Are Valves?

Valves are a general term for fluid control devices that have the function of flowing and stopping fluids (water, air, oil, gas, etc.) in pipes and controlling the flow.

The origin of valves dates back to woodcocks that were excavated from ancient Egyptian ruins dating from around 1000 BC. Around the mid-1800s, when boilers for spinning were imported, metal valves were used for the first time in Japan. At the start of the Meiji era, when water service and town gas service commenced, valve manufacture began in Japan.

Today, valves are connected with diverse pipes in a wide range of fields from those close to our daily life, such as water and sewage, hot-water supply, gas and air conditioning, to the production processes in industrial fields, such as oil, chemical and pharmaceutical products and food. Valves play an extremely important role. Although we are rarely aware of their existence in our daily life, valves strongly support our life behind the scenes.

Valve Manufacturing

Sales by segments 78.6%

Strengths

Providing a Wide Range of Products as an All-Round Valve Manufacturer
With a large number of valve manufacturers specializing in limited markets and fields and narrowing down the manufacturing and sale of valves to particular materials and shapes, the KITZ Group maintains a lineup of valves featuring an array of shapes in various materials including bronze, brass, stainless steel, cast iron and cast steel. As an all-round valve manufacturer, we offer products that span numerous fields covering every area from our daily lives to industry.

KITZ Brand as a Mark of High Quality
The KITZ Group maintains casting equipment designed for the main materials of valves. We manufacture our products on the basis of an integrated production system that covers everything from material selection to casting, machining, assembly and inspection. By developing a quality assurance system that extends back to the materials we use, we have established the position of KITZ as a brand that stands for reliability.

High Market Share
In the domestic market, we have established a strong sales network that can quickly respond to customer feedback through a network of distributors that cover all of Japan. Moreover, we maintain a particularly high market share in brass, bronze and stainless steel valves.

Brass Bar Manufacturing

Sales by segments 20.2%

Strengths

Development of New Materials based on Alloy Technologies Cultivated over Many Years
Our business began with the manufacturing of brass bars, which is a main material of valves. Today, we respond to market needs by actively developing and selling new materials that are friendly toward people and the environment, including dezincified corrosion-resistant brass bars and lead-free brass bars.

Other

Sales by segments 1.2%

Strengths

Operating One of the Largest Hotels in the Kamisuwa Onsen Hot Springs District
Our business is service-related operations, focusing on Hotel Beniya, located in Suwa, Nagano Prefecture. In addition to the hotel business, we also operate two service areas: the Suwako service area located along the Chuo Expressway (outbound) and the Tobu Yu-no-maru service area located along the Joshin-etsu Expressway (inbound).
To Our Stakeholders

Message from the President

We will aspire to new heights and change the flow.

Makoto Kohno
President and CEO

Revising our Corporate Mission

On the occasion of our 70th anniversary in 2021, we discussed the purpose of our company and our contribution to society. We are in a time of drastic change and uncertainty, with frequently occurring major disasters, the fragmentation of the world due to countries prioritizing their own interests and the remarkable evolution of digital technologies such as AI and IoT. For KITZ to continue to be a sustainable company in such times, and to aspire to greater heights in the future, we decided to take another look at returning to our roots, and to coincide with the announcement of our Long-term Management Vision “Beyond New Heights 2030 - Change the Flow” in February 2022, decided to revise the KITZ’ Statement of Corporate Mission. We recognize that our mission to society is to create a prosperous global environment and a sustainable future. To fulfill this mission, the new KITZ’ Statement of Corporate Mission incorporates our strong desire to continue supporting social infrastructure by further refining the fluid control technologies and materials development that we have cultivated since our founding.

Formulating the Long-term Management Vision

In February 2022, we unveiled our Long-term Management Vision. Amid a social environment changing with dizzying speed, this vision depicts where we want to be in 2030 as we strive to realize the KITZ’ Statement of Corporate Mission. To date, the KITZ Group has been supporting people’s living and industry while contributing to the development of an enriched society with a focus on every industrial field, particularly the fields of construction equipment, petrochemicals and general chemicals. While strengthening the foundations of these core businesses, we have identified “digitalization” as an essential element in improving the efficiency of energy usage and “decarbonization” as the key to achieving carbon neutrality. Embracing these keywords, we aim to accelerate our entry into growth businesses such as semiconductors, fine chemicals and hydrogen without fear of the risks, and engage in ambidextrous management that shifts the business domains in which we operate. We have allocated total investment of ¥80 billion over nine years to achieve these aims, of which roughly 60% will be set aside for strategic investment in growth fields and new fields (including DX and M&A).

In order to “change the flow,” we must effect significant reforms, both at the company level and the level of individual employees. We need to take on challenges that differ from the past. We will boldly move forward with a quick and decisive ability to take action, further evolve KITZ’ strength in fluid control technologies and take on new and ambitious challenges in the lead up to 2030.

Toward Realizing a Sustainable Society

In order to achieve our Long-term Management Vision, we must be a sustainable company that is trusted by society. We have placed sustainability at the core of our management strategy. To realize a sustainable society, we will work to solve social issues through our business activities while endeavoring to enhance both corporate value and social value. At the same time, by engaging in fair and highly transparent corporate management, we will aim to be a company that is trusted by society. In 2021, KITZ signed the United Nations Global Compact, which is made up of Ten Principles on human rights, labor, the environment and anti-corruption advocated by the UN. We support the ideas expounded in the UN Global Compact and will put those ideas into practice to fulfill our responsibilities as global citizens.

In keeping with our basic policy on sustainability, we have designated key management themes and concrete initiatives under the environmental (E), social (S) and governance (G) criteria and will make every effort to take

Corporate Philosophy Structure

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

Beyond New Heights 2030
Change the Flow

Do it KITZ Way
[ ] Do it True
[ ] Do it Now
[ ] Do it New

Our Aspirations for 2030

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.

Environmental Conservation through Business
KITZ will garner favor with society by contributing to a sustainable future, pursuing environmentally friendly product and material development and production processes.

Core Business/Growth Business
KITZ will strengthen the foundations of its core business for the information and sustainable society, while also accelerating its entry into growth businesses without fear of risk.

Diverse Human Resources
KITZ will ensure each and every employee, regardless of gender, age, nationality or culture, can work in high spirits at maximum performance as professionals.

Diverse Human Resources

FY2030 Financial Targets

Average sales growth rate 4% or more
(FY2030: consolidated sales of ¥200 billion)

ROE 10% or more
(FY2030: consolidated net income of ¥10 billion)
To Our Stakeholders

Compliance-oriented Management

KITZ has established “Do it True” as one Action Guide and has continued to educate and raise awareness of employees regarding compliance. Recently, we revised the Compliance Guidebook that we created in August 2000, translated the new edition into various languages and distributed it to all employees, including Group company employees.

While compliance is generally used in the sense of “legal compliance,” at the KITZ Group we believe that compliance is “not just about laws but also about observing internal regulations and rules as well as the morals and ethics of society, while meeting society’s expectations by engaging in fair and equitable corporate activities that earn its trust.” Companies that are unable to engage in fair business forfeit the trust of the market and are eventually eliminated due to the inability to compete. Going forward, KITZ will continue to undertake business activities that embrace “Do it True” as its strength. In the latest revision to the Compliance Guidebook, we particularly focused on incorporating details linked with contributions to a sustainable society, including those related to human rights, labor, the environment and anti-corruption.

First Medium-term Management Plan 2024

In the first Medium-term Management Plan 2024 (FY2022-2024) that was formulated to achieve the Long-term Management Vision, medium and long-term target markets are organized into eight market segments. Four markets, namely Building & Facilities, Petrochemicals, Water Treatment and Machinery & Equipment, were positioned as core markets. In the building & facilities market, housing in Japan is on a downward trend, but Asian markets continue to grow, especially in the ASEAN region. Global demand for data centers is growing rapidly, and we want to capture these areas of demand. In the petrochemical market, oil demand is expected to increase, especially in emerging countries, as they recover from the COVID-19 pandemic. In developed countries, demand for petrochemicals will remain strong despite a shift to clean energy. In the water treatment market, global demand for water infrastructure will increase, and investment in pure water and ultrapure water plants is expected to expand due to heightened demand for semiconductors. In the machinery & equipment market, we will gain an accurate grasp of increasingly sophisticated environmental response needs including compliance with environmental regulations as a way to create new customer value. These four markets represent areas in which the KITZ Group has established a significant track record to date, and we will develop these core businesses on more solid foundations.

In addition, we have designated semiconductor equipment, semiconductor materials (filters), fine chemicals and hydrogen & clean energy as growth markets. The semiconductor market has seen a solid expansion in demand for equipment associated with the widespread adoption of 5G communications as well as data centers. KITZ SCT already handles valves for semiconductor manufacturing equipment, and we have decided to invest in construction of a new plant building and production equipment at its main Nitta SC Plant (Ota City, Gunma Prefecture). In the semiconductor materials market, we expect to see growth in filters for semiconductor photosets against the backdrop of vigorous demand for semiconductors. With regard to the fine chemicals market, chemical companies, which have been our major customers to date, have begun to focus on high-value-added fine chemicals.

Valve Business / Target Segments

Building & facilities, Petrochemicals, Water treatment, Machinery & Equipment, Semiconductor equipment, Semiconductor materials (filters), Fine chemicals, Hydrogen & clean energy

Valve Business / Sales Composition by Market

Growth business CAGR 14%

Net sales by segments
- Valve manufacturing: FY2021 (Results) 106,754, FY2022 110,220, FY2024 118,500
- Brass bar manufacturing: FY2021 (Results) 27,366, FY2022 29,000, FY2024 29,500
- Other: FY2021 (Results) 1,686, FY2022 1,800, FY2024 2,000

Operating income (loss) by segments
- Valve manufacturing: FY2021 (Results) 12,088, FY2022 13,300, FY2024 15,100
- Brass bar manufacturing: FY2021 (Results) 665, FY2022 800, FY2024 1,000
- Other: FY2021 (Results) 243, FY2022 0, FY2024 100

Non-financial KPIs
- CO2 reduction rate (Compared to FY2013, domestic group): FY2021 (Results) 26.9%, FY2022—, FY2024 (80%)
- Employee Engagement Score
  - Job satisfaction*: FY2021 (Results) 48pt, FY2022—, FY2024 56pt
  - Postive work environment**: FY2021 (Results) 43pt, FY2022—, FY2024 55pt
  - Percentage of all female employees: FY2021 (Results) 21.7%, FY2022—, FY2024 23%
  - Ratio of women managers**: FY2021 (Results) 3.4%, FY2022—, FY2024 10%
  - Maternity leave rate: FY2021 (Results) 29.0%, FY2022—, FY2024 50%
To Our Stakeholders

Business Summary and Strategy

Sustainability Data Section

Net Sales and Operating Income

(FY2019-FY2021)

Net sales

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Operating income

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Review of the Fourth Medium-term Management Plan

None of the main numerical targets including net sales and operating income were met over the course of the fourth Medium-term Management Plan (FY2019-FY2021), an extremely disappointing result. While stagnant market conditions from the unexpected spread of COVID-19 infections had a significant impact, analysis reveals that overly optimistic conditions from the unexpected spread of COVID-19 infections had a significant impact, analysis reveals that overly optimistic domestic and overseas market forecasts and delays in reforms to our earnings structure were also key factors.

Although we entered into a capital and business alliance with Malaysia-based Unimech Group Berhad in anticipation of growth in Asia’s middle zone, contributions to earnings went only half way and sales of key products in the Japanese domestic market also fell short of targets. We have also reflected on the lack of flexibility in responding to the growing semiconductor market.

However, in terms of reinforcing our management infrastructure, in 2019 we appointed one female outside auditor, and in 2020 had one female outside director join the Board of Directors. Additionally, in May 2019 a new mission-critical business system entered operation, and in order to further strengthen our management structure as a global company, we changed the end of our financial reporting period from March 31 to December 31, unifying the KITZ Group’s financial reporting periods to coincide with the calendar year.

Due to insufficient operating cash flow and uncertain market conditions due to the COVID-19 pandemic, we held back on capital investment and postponed growth investment to FY2022 and beyond. Despite this, we managed to maintain a consolidated dividend payout ratio of 35%, consistent with our dividend policy. Moreover, over the course of the plan we acquired 5,449,600 treasury shares and cancelled 10 million shares.

The COVID-19 pandemic has brought major changes to many companies, not only KITZ. The introduction of telework and other changes have forced us to rethink the way we work, which has reminded us of the importance of employee motivation, work results and how those results are evaluated. Additionally, to continue to be a sustainable company that responds to major changes in the external environment, from energy shifts and the transition to a recycling-oriented society to the remarkable advance of digital technology, we have a keen sense of the need to not only improve cost structures and management practices but also to rebuild our business strategy in anticipation of a decarbonized society. Our newly formulated Long-term Management Vision is reflective of these new realities.

In Closing

KITZ was founded in 1951 as the Kitazawa Mfg. Works Co., Ltd. and reached its milestone 70th anniversary in 2021. At its founding, there were just 11 employees. KITZ made a start as a town workshop. Based on the belief of our founder, former President Toshio Kitazawa, that “it is the mission of a manufacturer to mass produce goods under unified standards and quality control to supply them with lower costs,” KITZ was among the first to establish full-scale mass production systems using the latest equipment. Starting with bronze, KITZ has expanded the materials it uses to brass, ductile iron, cast iron, stainless steel and cast steel, and also expanded the types of valves it offers to include ball valves, butterfly valves and more, achieving growth as a comprehensive valve manufacturer. Today, the KITZ Group comprises 36 consolidated subsidiaries and 5,153 employees. We maintain sites in 18 countries around the world, and have made significant strides in globalization, with employees working outside Japan accounting for 54.5% of all Group employees.

Throughout this long history, we have witnessed many changes over time. While there were times such as Japan’s high economic growth period during which we steadily expanded our business results, we have also faced serious downturns, including the bursting of the bubble economy and the global financial crisis of 2007-2008. However, against the backdrop of these social climates our predecessors faced crises in earnest and overcame them, and I believe we owe today’s KITZ to them.

While the COVID-19 pandemic is not yet over, just like our predecessors overcame crises, we will regard these changes to the external environment as opportunities, and accelerate our entry into growth areas without fear of the risks. To achieve our Long-term Management Vision, we will transform our earnings structure and secure stable areas for growth.

While 70 years marks an important milestone, it is but a waypoint. As trends change with the evolving external environment, we will aim high toward our upcoming 80th and even 100th anniversaries. Your ongoing support is greatly appreciated.
To Our Stakeholders

Debt Repayment / Financing

Under this operating environment, operating cash flow attributable to owners of the parent. In addition, as a result of ongoing selective investment, free cash flow was maintained at ¥5 billion, roughly equivalent to net income but due to ongoing selective investment, free cash flow was reduced ¥3.8 billion from the end of the previous year to 56%, and net interest-bearing debt minus cash and deposits also declined ¥3.8 billion from the end of the previous year.

Initiatives in the Fiscal Year Under Review (FY2021)

In the fiscal year under review, there were ongoing restrictions on economic activity in each country due to the COVID-19 pandemic, but in part due to strong performance for semiconductor manufacturing equipment, the effect of price revisions implemented in response to sharply rising raw material prices, the associated last-minute surge in demand and the effects of cost reductions, we produced higher sales and profits on a year-on-year basis.

Under this operating environment, operating cash flow declined year on year in part due to increased accounts receivable, inventories and other items as sales recovered, but due to ongoing selective investment, free cash flow was maintained at ¥5 billion, roughly equivalent to net income attributable to owners of the parent. In addition, as a result of progress in debt repayments including a repayment of ¥6 billion in short-term borrowings procured in response to funding risks due to COVID-19, interest-bearing debt declined ¥9.9 billion compared with the end of the previous fiscal year, the equity ratio recovered 3.2 points from the end of the previous year to 56%, and net interest-bearing debt minus cash and deposits also declined ¥3.8 billion from the end of the previous year.

Medium-term Financial Strategy and Capital Policy

In the first Medium-term Management Plan formulated to achieve our Long-term Management Vision, we will place a focus on improving return on invested capital over the medium to long term, adopt ROIC management internally to improve the external target ROE and develop an ROIC Tree that links those elements with KPIs in the field. On the profit/loss front, we will strive to improve profitability by executing pricing strategies and reviewing unprofitable products, and on the asset front we will make efforts to improve the CCR of inventories and engage in asset compression including surplus funds. Meanwhile, to ensure future growth and earnings potential, we will set strategic investment allocations with a focus on growth fields and new fields such as semiconductor, fine chemicals and hydrogen. Through proactive investment and with the aim of achieving the target ROE of at least 10% as declared in the Long-term Management Vision, we will strive to improve return on capital invested over the long term and enhance corporate value sustainably.

KITZ places an emphasis on capital efficiency targets such as medium-to-long-term ROE improvements and shareholder return. At the same time, to respond to changes in the management environment and risks while securing funds for strategic investments, we have set the financial and capital strategy of maintaining an appropriate capital structure that takes into account the ability to procure funds in addition to return on invested capital. More specifically, we will target an equity ratio in the neighborhood of 55-60%, enabling us to improve measures of capital efficiency such as ROE while responding to business risks.

In addition, to enable the implementation of flexible financing including strategic investments and bond redemption, we have endeavored to maintain a rating for our corporate bonds with the aim of maintaining good relationships with banks while ensuring sufficient borrowing capacity for the issuance of publicly offered bonds. We have obtained an A- rating from Rating and Investment Information, Inc. (R&I), registered a total of ¥20 billion in new corporate bond issuance capacity, and also obtained an A rating from Japan Credit Rating Agency, Ltd. (JCR).

While the majority of the operating cash flow generated over the three years of the first Medium-term Management Plan will be allocated to the total investment budget, a positive free cash flow will be maintained over the three years on a cumulative basis. Additionally, while we aim to improve funding efficiency by setting target liquidity on hand to about one month’s worth of consolidated monthly sales, we will continue to maintain risk response capabilities with a short-term credit line of ¥13.5 billion from banks, thus securing total liquidity on hand of around two months’ worth of consolidated monthly sales.

Shareholder Returns

Returning profits to shareholders is an important management issue, and KITZ has set around 35% of net income attributable to owners of the parent as a preferred consolidated dividend payout ratio level. Given the year-on-year increases in sales and profit, in the fiscal year under review dividends totaling ¥20 per share were issued, resulting in a consolidated pay-out ratio of 36.2%. We will also consider share buybacks as appropriate, taking into account financial stability, liquidity on hand and the state of investment funding. Also note that for FY2022 we are planning a dividend of ¥25 per share, which would represent a record dividend.

We will aim to improve the return on invested capital in the medium-to-long term by adopting ROIC management.

Kenji Katsuragi
Executive Officer and Division Manager, Corporate Finance Division

Message from the CFO

The First Medium-term Management Plan Financial Strategy and Capital Policy

Under the medium-term management plan, we have set “improving return on invested capital over the medium to long term” as the core management objective, and are managing ROE externally and ROIC internally as the main KPIs.

On the other hand, we will execute strategic investments and secure necessary funds for future growth and ROE improvement.

Cash and deposits, which was set aside in large amounts last year as a contingency measure, will be returned to normal. Consolidated cash in hand and the state of investment funding. Also note that for FY2022 we are planning a dividend of ¥25 per share, which would represent a record dividend.

Shareholder Returns

Return ROE/ROIC to shareholders is an important management issue, and KITZ has set around 35% of net income attributable to owners of the parent as a preferred consolidated dividend payout ratio level. Given the year-on-year increases in sales and profit, in the fiscal year under review dividends totaling ¥20 per share were issued, resulting in a consolidated pay-out ratio of 36.2%. We will also consider share buybacks as appropriate, taking into account financial stability, liquidity on hand and the state of investment funding. Also note that for FY2022 we are planning a dividend of ¥25 per share, which would represent a record dividend.

The First Medium-term Management Plan Financial Strategy and Capital Policy

- Under the medium-term management plan, we have set “improving return on invested capital over the medium to long term” as the core management objective, and are managing ROE externally and ROIC internally as the main KPIs.
- On the other hand, we will execute strategic investments and secure necessary funds for future growth and ROE improvement.
- Cash and deposits, which was set aside in large amounts last year as a contingency measure, will be returned to normal. Consolidated cash in hand and the state of investment funding. Also note that for FY2022 we are planning a dividend of ¥25 per share, which would represent a record dividend.
Business Summary and Strategy—Valve Manufacturing Business

Yukinari Koide
Executive Officer, General Manager, Flow Control Business Unit

We will accelerate initiatives targeting growth markets and aim to transform our business portfolio.

Business Results in the Fiscal Year Under Review (FY2021)

At the beginning of FY2021, the impact of COVID-19 on the market was uncertain, but due to expanding demand in the semiconductor market and the strong performance of products for semiconductor manufacturing equipment, combined with the efforts of price revisions implemented in April and August in response to sharply rising raw material, component, and secondary material prices, as well as the temporary demand those revisions caused, sales of general purpose products began to recover, and we managed to exceed our forecast business performance as a result. Sales to domestic industry and Europe have not yet returned to pre-pandemic levels, but the economy has bottomed out globally and is on a recovery track.

Even on the profit/loss front, profit rose in connection with higher revenue for semiconductor manufacturing equipment, and the effects of price revisions and recovery of sales volume also led to increased profit.

As a result of this performance, net sales in the valve manufacturing business segment rose ¥1,419 million year on year to ¥106,754 million. Operating income also increased year on year, up ¥2,781 million to ¥12,088 million and marking a recovery from a disappointing performance a year earlier due to COVID-19.

Toward Achieving the Long-term Management Vision

The Long-term Management Vision states a policy of aiming for expanded sales and profit by pursuing core businesses in greater depth and investing resources in growth markets. The first Medium-term Management Plan, which runs to FY2024, positions the businesses in which the KITZ Group excels, namely building facilities, petrochemicals, water treatment and machinery equipment as core businesses. We will further enhance the infrastructure of these businesses and lay solid foundations while investing resources in growth markets toward achieving “digitalization” and “decarbonization,” two keywords to solving social issues. Specifically, we have designated semiconductor equipment, semiconductor materials (filters), fine chemicals and hydrogen & clean energy as target markets. In addition, to drive these efforts we have established the Business Promotion Center and rearranged the organizations under the center to reflect business strategy as the Building System Department, Industrial Department and Fine Chemical Department. We have also established a Machinery Equipment Sales Department under the National Sales Division. In addition, the New Business Development Department, which has been newly established under the direct control of a executive officer, will aim to provide a fluid solution business through the integrated utilization of fluid control-related technologies. It will also practice open innovation utilizing KITZ technologies and outside technologies, and play the role of promoting the discovery of themes for new businesses.

We will accelerate initiatives aimed at each growth market while specifying and managing resource allocations in an effort to transform our business portfolio.

Initiatives in the Field of Hydrogen

KITZ began selling valves for hydrogen stations that supply hydrogen gas as fuel for fuel cell vehicles and other uses in July 2012, and in April 2020 entered the packaged unit-type hydrogen station business. Additionally, in recognition of the development of technologies to reduce the costs of hydrogen stations as part of the ultra-high pressure hydrogen infrastructure widespread adoption and technological development project operated by NEDO®, and for the technological development of large valves for liquefied hydrogen as part of a project to develop technologies to build a hydrogen-based society, KITZ was selected by METI as a “Zero-Emission Challenge Company.”

In addition, Kawasaki Heavy Industries, Ltd. proposed and was selected for its hydrogen-powered aircraft core technology development project as a “next-generation aircraft development project” as part of NEDO’s Green Innovation Fund, and in November 2021 KITZ was selected by Kawasaki Heavy Industries as a project participant and subcontracted again for the development of valve technologies under hydrogen aircraft engine combustor and system technology development and liquefied hydrogen fuel storage tank development. We will pursue efforts in the field of hydrogen, one of our growth markets, including our aim of contributing to the realization of next-generation aircraft through the development of these technologies.

Launch of a Monitoring Service

Domestically, there are many plants that were constructed during Japan’s high economic growth periods and which are still operating today. Due to their many years of operation, there is a heightened risk of trouble and accidents from deteriorating facilities, which increases the importance of regular inspections, upkeep and other maintenance tasks for securing safe operations. However, in the field of maintenance work, there are new needs to deal with the aging of experienced engineers and technicians, the decline in the working population and the spread of infectious disease, and as a solution, it is necessary to prevent equipment failures in a way that does not rely on human intervention. Using technologies based on unique sensing algorithms, AI, and IoT, KITZ has now launched KITZ SMART MONITORING SYSTEM, a monitoring service that detects signs of abnormalities in valves for batch processing production processes in plants and factories. This will provide a system for providing total support to customers from the selection of valves to planned maintenance. Going forward, KITZ will fully take on the challenge of solutions-oriented businesses.

Valves equipped with sensors and other devices

* NEDO: New Energy and Industrial Technology Development Organization
* METI: Ministry of Economy, Trade and Industry
To meet the world’s water infrastructure demands

Supporting the Stable Supply of Water
Water is the source of life and essential for sustaining all lives on the earth, flora and fauna alike. The KITZ Group helps to make people’s daily lives more comfortable by supporting the stable supply of clean and safe water through its safety-conscious products and services.

Evolution of Water Treatment Technology
The KITZ Group is steadily evolving technologies that meet the world’s water infrastructure demands, including water purification technologies that use membranes to clean water, desalination technologies to purify and desalinate water that is not suitable for consumption such as seawater and technologies catering to the need for pure water and ultrapure water against the backdrop of an expanding semiconductor market.

Working toward Solving Water-Related Issues
We work actively on the development of environmentally friendly technologies, such as surface treatment technology to prevent elution of nickel and lead from valves, and lead-free copper alloy materials, and meet the international standards for water quality. Moreover, our lineup includes equipment that breaks down organic substances dissolved into water by way of ozone, UV light or photocatalysis, purification devices designed to handle every kind of water source and household water purifiers.

The world faces serious issues related to water resources and shortages. The KITZ Group is marshalling its combined strengths to ensure that all people have access to clean and safe water and is seeking new solutions for various water-related problems by harnessing the Group’s combined capabilities, utilizing every group member’s experience, know-how, technologies, products and services.
Providing Valuable Energy Resources That Keep Industry Running in an Endless Stream

Ensuring the Stable Supply of Energy
The KITZ Group provides a wide scope of products that play a key role in providing essential energy resources that keep industry running to oil refineries, petrochemical plants, chemical plants and innumerable other industrial processes through oil and gas pipelines, loading/off-loading terminals and other modes of transportation.

Controlling the Flow of Fluids in Extreme Harsh Environments
At energy plants, valves must be able to withstand severe conditions like extremely high temperatures and pressure with no possibility of failure. Before introducing any new product, the KITZ Group repeats stringent laboratory tests, analyses and evaluations based on actual on-site service environments. Only those products that have passed such verification procedures are added to our product lineup.

For a Clean Energy Society
With the decarbonization of energy picking up speed in the race to carbon neutrality, there is increased interest in liquefied natural gas (LNG), which produces fewer CO₂ emissions during combustion than coal or oil and it can help curb global warming, as well as on hydrogen, regarded as the mainstay of next-generation energy. Particularly with regard to hydrogen, we have begun to develop large-sized valves for the high volume transportation of liquid hydrogen, and aim to have the KITZ Group’s valves supplied throughout the supply chain for hydrogen.

We are focused on developing eco-friendly products to deliver clean, renewable energy to people all over the world with the aim of contributing to the realization of a decarbonized society.
Research and Development System Creating High Added Value

In order to meet the diverse needs of the times, we take immense pride in producing fluid control devices delivering safety, durability and reliability.

**R&D Concept**
The KITZ Group's engineering section is actively and boldly engaged in research and development to realize KITZ’ Statement of Corporate Mission: “We strive to build a robust global environment and sustainable future by supporting societal infrastructure through our advancements in fluid control technologies and materials.”

- **Core technologies**
  We integrate process technologies in the field of sealing, material and process engineering that serves as the core of our R&D operations.

- **Providing solutions**
  We focus on resolving customer problems and provide products and services that please our customers.

- **Speed and global network**
  We develop new products rapidly by utilizing the worldwide group network to respond to the diverse needs of customers.

Sealing Technology and Materials Development Supporting Lifelines in a Wide Range of Fields
KITZ Corporation started operations from manufacturing general purpose valves. Over the years, KITZ has continually gone a step ahead of the needs of emerging markets and developed high value-added products, advancing from manually operated shut-off valves to automated control valves, and from single valves to complex modular products.

What makes it possible is sealing technology and materials development. Sealing technology has been developed in a wide range of fields from low pressure to ultra-high pressure, from extremely low temperature to high temperature, with up to more than 90,000 products created. The Company has also, based on its know-how cultivated over the long period of its history, developed optimum metal materials and introduced new products through high-level casting technology. These technologies are still evolving.

Sealing Technology

Valve Research and Development Process

- **Product planning**
- **Material and process engineering**
- **Product development**
- **3D-CAD**
- **Structural analysis**
- **Assessment of prototype**
- **Process design**
- **Casting analysis**
- **Mold design/production**
- **Reliability test**
- **Launch of product**

- **Mass production**
- **Evaluation of mass production**
- **Mass production**

- **Testing and analysis is carried out under every condition of use.**

**Earning the Trust of Users Globally with World-Class Valve Technologies**

The Product Development Department at KITZ is engaged in research and development to provide value to customers in a wide range of fields, including building utilities, petrochemicals, clean energy, water treatment and semiconductors.

To maximize the synergy of the Group, engineers from Japan, Europe, the Americas, ASEAN and China collaborate to promote product development and design, utilizing networks such as groupware, and have established a technology structure for design at the optimum sites worldwide.

We also develop products with materials and specifications that are compatible with the markets and regulations in each country, and strive to improve efficiency through the active introduction of DX, such as promoting product development according to market needs through centrally managing product drawings, design drawings and component tables through the use of PLM*.

In response to the diverse needs of today’s world, each and every engineer, by raising the level of his or her skills and continuing to take up the daily challenge of value creation, is creating fluid control devices that are outstandingly safe, durable and reliable.

*PLM: Product Lifecycle Management

**To Provide Next-generation Solutions**

As part of KITZ’ 70th anniversary project, the KITZ Group Innovation Center was constructed on the grounds of the Chino Plant.

- **Cryogenic test**
  Liquefied natural gas (LNG) is a low-temperature fluid. We conduct tests to reproduce the low temperature conditions.

- **Fire test**
  We verify as to whether valve functions can be maintained, even if a fire occurs and the valve seal materials are burned out completely.

- **Blow-off test**
  Significant force is applied for high temperature and high pressure fluid flow control when valves are opened and closed. We verify the durability to ensure that valves can operate properly even under the conditions of application limits.

- **Low emission test**
  The company exclusively retains the only methane gas testing facility based on the API standard in Japan and performs leak tests with actual fluid.

**Core technologies**

1. **Structural analysis**
   The optimal structure of the product is designed by using simulated fluid analysis, stress or other structural analysis.

2. **3D prototype verification**
   Prototypes can be verified at an early stage using 3D printer modeling. Customers can check those prototypes by touch.

3. **Casting analysis**
   Design for an optimal mold for casting is planned using solidification analysis.

4. **Mold design/production**
   Using the CAM* data used in design, the mold is transferred to processing equipment, and molds are produced manually.

5. **Reliability test**
   Testing and analysis is carried out under every condition of use.

*Computer Aided Manufacturing

On the second floor, which has an office area for development and design sections, there is ample meeting space. Thanks to the adoption of hot desk ing and activity-based working (ABW*), the space encourages the free and flexible exchange of ideas and knowledge. This has created an environment for the speedy development of products and technologies that will satisfy customers.

In addition, on the third floor we have set up an “innovation studio” for putting design ideas that create new value with original ideas into practice. This will be the starting point for the providing of solutions aimed at the next generation.

*ABW: A working style where people choose their work location based on the nature of the work at the time.
Production Systems That Assure High-Quality Products

The KITZ Group’s manufacturing is based on the concept of delivering products when necessary and in the quantities required with better quality.

Integrated Production System That Provides Quality Control Starting from Castings

Based on integrated production, the KITZ Group positions castings (forge and foundry materials) that are valve materials as the core technology and produces them internally from castings. We have established an integrated production system in which our Group has its own casting facilities for the main valve materials such as bronze, casting iron, ductile, stainless steel and cast steel, thus putting in place a quality assurance system starting from materials. We also provide a wide variety of products in small quantities.

What supports manufacturing operations based on the market-oriented concept is the production method according to the KITZ Innovative and Challenging System (KICS). KICS provides a mechanism of sending only good products to the subsequent process by producing each product one by one in a sequence of processes at the exact timing with which it can be sold. It also achieves the elimination of stagnation and waste in a series of processes from order receipt to production and delivery. Moreover, we strive to further reduce delivery times and reinforce production lines continuously by thoroughly implementing standard work and improving processes.

In June 2021, a machining center for casting mold production was set up at the Nagasaka Plant. The production of molds, which determine the quality of casted items, requires expertise in molding plan design and the precision machining technologies to give shape to those plans. By accumulating these mold production technologies in-house, we will be able to improve casting quality and shorten mold production lead times.

Toward an Eco-friendly Manufacturing Workplace for Creating Added Value

KITZ is investing proactively in R&D for new production technologies and environmental improvements with the aim of achieving quality, prices, delivery times, services and sustainable, eco-friendly production processes that will guarantee the satisfaction of our customers. In addition to introducing robots to the manufacturing workplace, we are also outfitting our production lines with ICT-based equipment management and inspections that apply image processing and sensor technologies. New initiatives include the reuse of sand used in the casting process, the recycling and use of water resources used in valve inspections and the substitution of raw materials in plastic components. Through these initiatives, we are driving the evolution of eco-friendly production processes in the manufacturing workplace toward creating greater added value.

KITZ Brand is Backed by Quality Management Systems

KITZ Corporation recognized the importance of conformance to the international standard on quality management systems earlier than anyone in the industry. In November 1989, KITZ became the first Japanese company to earn ISO 9001 certification. At present, all domestic and international production bases in the KITZ Group have been certified to this standard. In February 2019, our Group company, KITZ Engineering Service Co., Ltd., became the first in the Group to obtain certification for the scope of “valve maintenance” under the standard. Additionally, in July 2001, KITZ Corporation was certified, for the first time in the valve industry in Japan, in accordance with the Pressure Equipment Directive (PED) for CE marking required for European markets. KITZ plants in Taiwan, Thailand, China, Spain and Germany have subsequently obtained PED certification as well.

In addition to these international quality standards, in Japan, KITZ Corporation is approved by the Ministry of Economy, Trade and Industry as an authorized gas tester under the High Pressure Gas Safety Act. It supplies Japan Industrial Standards (JIS) certified products and complies with standards of the Japan Water Works Association (JWWA). KITZ plants in Japan and China are also certified to display the API Monogram of the American Petroleum Institute.

Global Production Network: Manufacturing Facilities Located in Optimum Locations

The KITZ Group is building a structure for undertaking production in the most suitable locations for its operations around the world.

Under this structure, we produce high-value-added products in Japan, while Japan also plays a crucial role as the command center for our global manufacturing activities. The KITZ Group now has international factories in Thailand, Taiwan, China, Korea, India, Spain, Germany and Brazil.
Extensive and Strong Sales Network

Since our foundation, the KITZ Group has established a strong sales network covering all of Japan. Today, we are working on the development of a global sales network in order to meet customers’ requests with regard to quality, price, delivery and service.

Full Distribution System
We have developed a sales structure to respond to customer requests immediately through a strong distributors’ network covering all of Japan. These distributors and KITZ are connected via dedicated lines and the Internet. As a result, information on market demand is fed back directly to the production site, and this also achieves marked improvements in business efficiency and the acceleration of business. We have also adopted a pull production system, a system for setting a standard volume of distributor inventory for each product and replenishing the quantity shipped on a daily basis to maintain the inventory at a certain level. With this, distributors do not need to monitor the inventory volume of products for which standard inventory is set and can meet needs for rapid delivery.

Sales Structure Responsive to the Market Environment
For global markets, we have been strengthening our sales and service systems based on the environment in each market. We have established regional headquarters that provide the functions of sales, marketing, engineering, stock, maintenance and service for each area, and conduct business close to the region and provide products and services to satisfy local customers’ needs. In addition to the representative offices in India and UAE, we have established sales bases in China, Hong Kong, Korea, Singapore, Thailand, Malaysia, Vietnam, the United States, Germany, Spain and Brazil and have developed global sales networks. In order to quickly respond to individual requests from customers, we have developed the KITZ Official Modification Shop network for the modification and repair of valves.

KITZ’s Strength in Domestic Sales
KITZ provides a variety of products, from goods familiar in our daily lives to the production processes encompassing industrial fields, through its powerful and wide-ranging sales network.

Customers in each market decide which valve manufacturer they will use. To respond to customer needs with a diverse range of solutions, KITZ listens carefully to usage conditions and the issues customers face to select the most suitable valves and quickly respond with prices and delivery times.

After delivery, we maintain close contact with customers through meticulous support services including technical assistance, parts supply and on-site inspection and repair. We build win-win relationships with customers by securing repeat orders from customers and by accepting maintenance requests for existing valve installations.

KITZ Engineering Service Co., Ltd. (KESCO) handles after-sales service. Through coordination between four domestic service centers and affiliate companies, we provide smooth and varied maintenance services across Japan.

Sales & Production Bases
Marketing Bases
Sales Bases
Production Bases
Headquarters

KITZ—A Reliable Brand

The KITZ Group provides a full lineup of products, and our quality is highly regarded by customers in Japan and overseas. Our 12 brands have a presence in virtually all markets and fields centered on the KITZ brand.

A “CHRYSANTHEMUM-HANDLE®” is a symbol of KITZ, the brand of valve reliability.

Created in cooperation with Mr. Sori Yanagi (1915-2011), a prominent Japanese industrial designer. Pursuing the ease of holding from the perspective of ergonomics, Because the shape of the finger-holds embodies plumpness that is reminiscent of large chrysanthemum petals, it is nicknamed the “chrysanthemum handle.” It was employed for the design of the handle for bronze valves in September 1980 and has gradually been applied to other products.

Since our foundation, the KITZ Group has established a strong sales network covering all of Japan.
Brass Bar Manufacturing Business

Manufacture and Sales of Brass Bars

The KITZ Group operates a brass bar manufacturing business, manufacturing and selling brass bars and other fabricated brass products (cut and forged brass products). Brass bars are widely utilized for machines, construction materials and other applications.

What is Brass?

Brass is an alloy of copper (Cu) and zinc (Zn). Modifying the percentages of copper and zinc contained in the alloy and adding various other metallic elements makes it possible to produce numerous superb characteristics, such as electrical and thermal conductivity, corrosion resistance, plastic workability and machinability.

Brass Bar Manufacturing Business

KITZ Metal Works Corporation, which handles the KITZ Group’s copper products business, develops and supplies the materials for brass valves, and also manufactures and sells high-quality brass bars and fabricated items, which are used widely as materials for faucet metal fittings, and components in gas supply equipment, home appliances and auto parts.

Hokuto Giken Kogyo Corporation manufactures and sells cut parts and brazed workpieces.

Development of Environmentally Friendly New Materials

In recent years, stricter regulations concerning substances that impact the environment have been introduced around the world. In Europe, in particular, lead regulations have become increasingly strict, and the demand for lead-free materials is expected to expand in the future. In addition to the KEEPALOY series of bismuth-based brass bars, which KITZ Metal Works Corporation has released, KEEPALOY II, a series of silicon-based lead-free brass bars, is expected to expand in the future.

In Europe, in particular, lead regulations have become increasingly strict, and the demand for lead-free materials is expected to expand in the future. KITZ Metal Works Corporation, which handles the KITZ Group’s copper products business, develops and supplies the materials for brass valves, and also manufactures and sells high-quality brass bars and fabricated items, which are used widely as materials for faucet metal fittings, and components in gas supply equipment, home appliances and auto parts.

In addition, a feature of the brass products manufactured by KITZ Metal Works Corporation is the ease of recycling. By promoting even greater recycling, the company will strive to reduce its environmental impact.

Initiatives as a Company Promoting the SDGs

KITZ Metal Works Corporation is registered as a company promoting the SDGs in Nagano Prefecture and pursues a number of initiatives to achieve the SDGs. As one of these efforts, since April 2015 we have adopted CO₂-free electric power utilizing environmental value derived from hydroelectric and solar power generation (non-feed-in-tariff/ non-fossil-fuel certified), and expect to reduce CO₂ emissions by roughly 85.4% compared with before introduction.

In addition, a feature of the brass products manufactured by KITZ Metal Works Corporation is the ease of recycling. By promoting even greater recycling, the company will strive to reduce its environmental impact.

Hotel Beniya is also a KITZ Group company.

Suwa, Nagano Prefecture, is the birthplace of KITZ founder Toshio Kitawaza. In addition to KITZ Corporation’s Chino and Ina plants, many of the plants and offices of the KITZ Group are located in the surrounding area, including KITZ Metal Works Corporation and KITZ Micro Filter Corporation.

Hotel Beniya is one of the largest resort hotels in the Kamisuwa Onsen hot spring area and boasts a diverse range of spa facilities, including a hot spring bath with outstanding panoramic views and a fully-equipped gannanokyu (hot stone spa). The hotel is used not only by tourists, but also by local residents as a place for relaxation.

Hotel Beniya also operates the Suwako Service Area on the Chuo Expressway (outbound) and the Toba-yunomaru Service Area on the Joshin-etsu Expressway (inbound) serving food incorporating local specialty produce and selling local goods and souvenirs.
We are now in the midst of a great swell, with changes in corporate social responsibility (CSR). what we see as sustainability management. is expected of us as a company. We believe that this creation to the global environment never experienced in the past, sustainably grow and enhance corporate value, while at the same time solving social issues and creating social value. In 2021, the KITZ Group celebrated its 70th anniversary. Since our founding in 1951, we have championed regional development. We will further evolve the fluid control technologies we have cultivated with valves, surpass even the lofty heights to which we aspire with a sense of speed and a willingness to take on challenges and build a "new flow." As a member of the global community, we will continue to be a company that strives boldly toward 2030 to help shape a society that can be left in the hands of future generations.

In the Long-term Management Vision unveiled in February 2022, we placed sustainability management at the core of our management strategy. To coincide with the Long-term Management Vision, we have formulated key sustainability management themes, and in December 2021, a Group Sustainability Promotion Committee was established following a resolution by the Board of Directors. The committee will share priority themes and key performance indicators (KPIs) on a groupwide basis and manage progress toward the achievement of targets.

In our bid to become a 100-year company that achieves growth and development a decade from now, three decades on and beyond we will continue to actively challenge new things rather than remaining tied to what is old and normal. We will further evolve the fluid control technologies we have cultivated with valves, surpass even the lofty heights to which we aspire with a sense of speed and a willingness to take on challenges and build a "new flow." As a member of the global community, we will continue to be a company that strives boldly toward 2030 to help shape a society that can be left in the hands of future generations.

Basic Policy and Slogan on Sustainability
The Basic Policy on Sustainability was formulated as the key-stone of sustainability management and approved by resolution of the Board of Directors in December 2021.

- **Basic Policy on Sustainability**
  - To realize "KITZ Statement of Corporate Mission", which expresses the KITZ Group’s corporate philosophy, we will work toward the following:
    1. Strive to increase both corporate value and social value by delivering solutions to social challenges through our businesses.
    2. Be an enterprise that deserves society’s trust, through realizing efficient, fair, and, transparent, highly ethical corporate management.
    3. Build unshakeable relations of trust through dialogue with all stakeholders.

- **Slogan on Sustainability**
  - The slogan is a guide for employees to recognize and embody the importance of what will change and what will be protected in a rapidly changing world.

Sustainability Promotion Structure
**Group-wide Sustainability Promotion Committee**
In December 2021, the KITZ Group established the Group-wide Sustainability Promotion Committee as an organization to assist the Board of Directors in promoting integrated sustainability management groupwide. It will promote sustainability management powerfully throughout the entire group by sharing priority themes and key performance indicators (KPIs) on sustainability management and deploying groupwide measures targeting issues, KPIs and other topics from individual companies and sections. The KITZ Group will continuously protect the earth’s finite resources and people’s lives and will work to realize a society in which we can preserve things for the next generation.

**Promoting Sustainability Management**
In 2021, the KITZ Group celebrated its 70th anniversary. Since our founding in 1951, we have championed regional development and environmental conservation activities to fulfill our corporate social responsibility (CSR). We are now in the midst of a great swell, with changes to the global environment never experienced in the past, and phenomenal advances in technology. To continue being a sustainable company under these conditions, we must sustainably grow and enhance corporate value, while at the same time solving social issues and creating social value. Managing these two essential dimensions in tandem are what is expected of us as a company. We believe that this creation of shared value (CSV) is linked with the trust of society. This is what we see as sustainability management.

Key Themes for Sustainability Management
- Environment
  - Circular economy
  - Renewable energy
  - Efficient management
- Human Resources
  - Diverse Human Resources
  - Employee Engagement
- Innovation
  - Digital transformation
  - Technology Solutions
- Governance
  - Corporate governance
  - Supply chain
  - Compliance

Our aspirations for 2030
- Technology Solutions
- Core Business Solutions
- Environmental, Social, Governance (ESG) Solutions
- Challenges
  - Surpass even the lofty heights to which we aspire with a sense of speed and a willingness to take on challenges and build a "new flow."

Participation in External Initiatives
- **United Nations Global Compact (UNGC)**
  - On August 23, 2021, the KITZ Group became a registered signatory of the United Nations Global Compact (UNGC). The UNGC is an initiative launched at the Davos World Economic Forum in 1999 to build healthy global societies through collaboration between the United Nations and private-sector businesses and organizations. UNGC signatories carry out activities along the axes of the Ten Principles in the four categories of human rights, labor, the environment and anti-corruption. We plan from now on to report annually on the state of our initiatives in this regard.

- **Task Force on Climate-Related Financial Disclosures (TCFD)**
  - KITZ has announced its support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and has also joined the TCFD Consortium, a collection of business enterprises, financial institutions and other entities that support the TCFD recommendations. Going forward, we will make steady progress on data-driven analysis to ascertain the risks and opportunities associated with climate change, and will enhance the quality and quantity of disclosures in line with the TCFD recommendations. Please check the KITZ website to learn more about our response to climate change (disclosures consistent with the TCFD recommendations).
The KITZ Group employs its organizational design for corporate governance to ensure that the structure of the company with an Audit & Supervisory Board, under which authority and responsibility for decision-making on important matters concerning business administration and for oversight of business execution are centered in the Board of Directors and the Audit & Supervisory Board, and its members provide highly effective oversight of the Board of Directors from independent and objective perspectives, thus ensuring the effectiveness of corporate governance. Additionally, an executive officer system has been adopted to facilitate swift decision-making regarding business execution.

**Organizational Design**

KITZ employs its organizational design for corporate governance to ensure that the structure of the company with an Audit & Supervisory Board, under which authority and responsibility for decision-making on important matters concerning business administration and for oversight of business execution are centered in the Board of Directors and the Audit & Supervisory Board, and its members provide highly effective oversight of the Board of Directors from independent and objective perspectives, thus ensuring the effectiveness of corporate governance. Additionally, an executive officer system has been adopted to facilitate swift decision-making regarding business execution.

**Board of Directors and Directors**

The Board of Directors comprises seven members, four of whom are independent outside directors (at least one third of the Board of Directors) in order to strengthen the management oversteer functions of the board.

In addition, to ensure diversity on the Board of Directors, one female director (outside director) has been appointed.

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**Key Themes for Sustainability Management**

- **E (Environmental)**
  - The Environment Safety Department and Sustainability Promotion Office will make a united effort to further strengthen the “three zero” initiatives of the Long-term Environmental Vision. Particularly with regard to the importance of “Zero CO2 emissions” issue, by making progress in shifting the electric power used by domestic Group companies to renewable energies by the end of FY2024, we aim to reduce emissions by more than 90% compared with FY2013 levels by 2030 as an interim environmental target, and reach carbon neutrality as a long-term environmental target by 2050.

- **S (Social)**
  - In its Long-term Management Vision, the KITZ Group mentions human resource development and system reforms to support global management, and realizing workplace environments in which employees can work with vitality.

With the aim of ascertaining the current state of this organizational climate, we introduced and began operating an Employee Engagement Survey in FY2021. Through the survey, we objectively evaluate employee work fulfillment and self-directed growth, and pursue initiatives to continually improve the scores further. This endeavor creates an organization in which each employee can realize his or her maximum performance as a professional, and also aims to ensure the company is always chosen by stakeholders, including employees.

- **G (Governance)**
  - In terms of corporate governance, we pursue the development of a management structure that enables fair, prompt and resolute management decision-making, and endeavor to disclose information that is highly useful to all stakeholders, including non-financial information. On the risk management front, we seek to avoid or mitigate threats by treating risks as future uncertainties and also implement initiatives focused on potential opportunities. In addition, with regard to compliance, we will also concentrate on social issues, such as human rights and anti-corruption, and will make unified groupwide efforts to develop systems to a global standard.

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**Corporate Governance**

The KITZ Group understands the effective functioning of corporate governance to help fulfill our corporate social responsibility and contribute to increasing management efficiency and transparency, as well as sustained increases in corporate value. For this reason, we aim to establish effective corporate governance through maintenance and continuous operation of top management and business execution systems capable of responding to changing business conditions in swift and appropriate ways while also rewarding the trust of all stakeholders and fulfilling our social missions and responsibility.

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**Sustainability Management**

**E (Environmental)**

- **Risk management**
  - Risk management that focuses on both risk reduction and opportunity creation
  - Establishment of a structure for stable procurement of raw materials and parts

- **Innovation**
  - Economic growth through innovation
  - Development of fluid control technology to support a decarbonized hydrogen-powered society
  - Development of materials that contribute to reducing environmental impact
  - Initiatives to solve social issues related to limited water and fluids

- **Carbon neutrality**
  - Resource recycling
  - Transition to a decarbonized society
  - Depletion of resources
  - Increase in waste

- **Resource recycling**
  - Water resource discharge
  - Water resource utilization

**S (Social)**

- **Sustainable improvement of employee engagement**
  - Decisive in the working-age population
  - Respect for human rights
  - Active role played by diverse human resources
  - System and environment for a better workplace
  - A meaningful work culture

- **Building sustainable supply chain**
  - Responsibilities in the supply chain surrounding the Company
  - Emphasis on CI/PQ management
  - Establishment of a structure for stable procurement of raw materials and parts

- **Corporate governance**
  - Corporate governance
  - Sustainable corporate management
  - Corporate social responsibility

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**Audit & Supervisory Board and Audit & Supervisory Board Members**

The Audit & Supervisory Board comprises five members, three of whom are outside (independent) Audit & Supervisory Board members in order to facilitate highly effective auditing and strengthen oversight functions.

In addition, to ensure diversity on the Audit & Supervisory Board, one female Audit & Supervisory Board member (outside Audit & Supervisory Board member) has been appointed.

**Composition of Directors and Audit & Supervisory Board Members (as of end of March 2022)**

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**Data Section**

- **E (Environmental)**
  - Environmental Governance
    - Strengthen the “triple zero” initiatives of the Long-term Promotion Office
    - Will make a united effort to further promote the environment.
    - Environment Safety Department and Sustainability Promotion Office will make a united effort to further promote the environment.

- **Social**
  - Human resource development and system reforms to support global management, and realizing workplace environments in which employees can work with vitality.

- **G (Governance)**
  - In terms of corporate governance, we pursue the development of a management structure that enables fair, prompt and resolute management decision-making, and endeavor to disclose information that is highly useful to all stakeholders, including non-financial information. On the risk management front, we seek to avoid or mitigate threats by treating risks as future uncertainties and also implement initiatives focused on potential opportunities. In addition, with regard to compliance, we will also concentrate on social issues, such as human rights and anti-corruption, and will make unified groupwide efforts to develop systems to a global standard.

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**Corporate Governance**

The KITZ Group understands the effective functioning of corporate governance to help fulfill our corporate social responsibility and contribute to increasing management efficiency and transparency, as well as sustained increases in corporate value. For this reason, we aim to establish effective corporate governance through maintenance and continuous operation of top management and business execution systems capable of responding to changing business conditions in swift and appropriate ways while also rewarding the trust of all stakeholders and fulfilling our social missions and responsibility.

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**Organi**
Nomination Committee and Executive Compensation Committee

To strengthen the oversight functions of the Board of Directors and enhance corporate governance, the Board of Directors has established an optional Nomination Committee and Executive Compensation Committee regarding candidates for director, candidates for Audit & Supervisory Board member, personnel matters concerning executive officers and the compensation of directors and executive officers, as advisory bodies whose members comprise a majority of independent outside directors.

Nomination Committee and Executive Compensation Committee
Chairpersons: Independent Outside Director Kazuyuki Matsumoto

Members: Independent Outside Director Minoru Amoh

Independent Outside Director Yutaka Fujiiwa

Independent Outside Director Yukino Kikuma

Executive Chairman Yosuyuki Hotta

Ensuring of the Effectiveness of the Board of Directors

To improve the effectiveness of the Functions of the Board of Directors, a questionnaire survey on the effectiveness of the Board of Directors is conducted among directors and auditors each year.

In the questionnaire survey conducted in February 2022, formulation and implementation of management strategy, sustainability initiatives, constitution of the Board of Directors, appointment and compensation for directors, roles expected for outside directors, vitalization of discussion at Board meetings and response to shareholders, investors and other stakeholders were asked. The result of the evaluation says that the effectiveness of the Board of Directors is ensured in general.

Constructive feedback was also obtained regarding sustainability initiatives, the promotion of non-financial information disclosures and about organizational design, including points for improvement. The Board of Directors will take up these issues for discussion in the future in an effort to ensure greater effectiveness.

Executive Officer System and the Management Conference

The Group employs an executive officer system as a system for cross-functional business execution responsibility regarding Group companies in Japan and around the world to focus the Group’s comprehensive strengths on corporate strategy. Thirteen executive officers, including those serving concurrently as executive directors, are appointed. In addition, the Management Conference, whose membership consists of executive directors and executive officers, meets monthly for broad-ranging discussions of important management topics and decides on important matters related to business execution.

Establishment of Various Committees

To enhance the effectiveness of internal control system operation, KITZ operates various dedicated committees. Through these committees, KITZ evaluates, checks and balances, improves and implements other necessary controls regarding important matters related to appropriate and lawful decision making in Group management.

Executive Compensation

KITZ’ policy regarding the details of compensation given to individual directors is to determine compensation amounts consistent with business performance while also taking into account factors such as compensation levels at other companies, the main objective of which is to increase motivation toward achieving the Long-term Management Vision and Medium-term Management Plan, and enhancing the corporate value of the KITZ Group.

As for the structure of compensation, it comprises monetary compensation in the form of “base compensation” and “performance-linked compensation (bonuses),” and non-monetary compensation in the form of “performance-linked stock-based compensation.”

Base compensation is paid as a fixed amount and is set based on the position and responsibilities of each director. Performance-linked compensation (bonuses) is paid out of an amount equivalent to 1% of net income attributable to owners of the parent (the total amount of bonuses) when certain requirements are met, and is paid based on the position and individual performance target achievement level for each director.

Performance-linked stock-based compensation involves a portion of compensation being granted as stock in the Company based on the position and performance target achievement level for each director, with the aim of increasing the awareness of contribution to KITZ’ medium-to-long-term business performance and improved corporate value, and promoting greater sharing of value between directors and shareholders.

Outside directors are only paid base compensation, in light of the fact that they are in positions independent from the execution of business.

Each fiscal year, the Board of Directors determines details including the compensation of individual directors based on deliberations and reports from the Executive Compensation Committee in order to ensure the objectivity and transparency of executive compensation.

Also note that the compensation of Audit & Supervisory Board members comprises only base compensation as fixed amounts, and the payment amounts are determined through discussions by the Audit & Supervisory Board.

Total amounts of compensation for directors and Audit & Supervisory Board members concerning the fiscal year ended December 2021

<table>
<thead>
<tr>
<th>Classification</th>
<th>Number of Members</th>
<th>Total Amount of Compensation (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>10</td>
<td>173 153 160</td>
</tr>
<tr>
<td>Outside officers</td>
<td>3</td>
<td>17 17 17</td>
</tr>
<tr>
<td>Total (Total for outside officers)</td>
<td>13</td>
<td>190 170 177</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Classification</th>
<th>Number of Members</th>
<th>Total Amount of Compensation (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>KITZ’ management and non-executive directors</td>
<td>1</td>
<td>255 235 240</td>
</tr>
<tr>
<td>KITZ’ management and non-executive officers</td>
<td>3</td>
<td>31 34 34</td>
</tr>
<tr>
<td>Total (Total for executive officers)</td>
<td>4</td>
<td>286 269 274</td>
</tr>
</tbody>
</table>

* Amounts recorded as the accrued bonuses to directors and accrued stock-based benefits to directors and officers stock benefits in the fiscal year ended December 2021 are limited.

Sale and Reduction of Cross-Shareholdings

KITZ basic policy is to not maintain cross-shareholdings for the purposes of securing stable shareholder. In addition, the Board of Directors annually verifies and reviews cross-shareholdings from the perspectives of both economic rationality (quantitative perspectives) and the qualitative significance of such holdings, and share issues judged not to satisfy the Policy on Cross-Shareholdings are sold.

Internal Control System

To establish sound and strong Group management foundations, KITZ has established a Basic Policy on Internal Control. KITZ has built and currently operates an internal control system in accordance with laws and regulations.

In addition, the Internal Audit Office conducts business audits and internal control audits of KITZ and KITZ Group companies, as well as monitoring the groupwide state of internal control and appropriateness of business processes. The results of the audits are communicated to the president, Audit & Supervisory Board members and related sections, and...
follow-up is conducted regarding corrective measures. These are reviewed closely by the Internal Control Committee and reported to the Board of Directors periodically. In addition, auditing is conducted regarding the important risks faced by each Group company to elucidate the risks inherent in each section of the Group company and to avoid and mitigate risks and thus to provide support for business improvements and building structures for legal and regulatory compliance.

**Promotion of Compliance Management**
KITZ recognizes compliance management as a fundamental and essential condition of continued corporate growth. This is expressed in the topmost element of the Action Guide for the realization of KITZ’ Statement of Corporate Mission, which expresses the Group’s corporate philosophy: “Do It True.”

**Compliance Management Promotion Structure**
In the KITZ Group, both KITZ and each Group company have established a Crisis and Compliance (C&C) Control Committee chaired by the president. It also is building structures to prevent various management risks, such as those associated with legal, regulatory and compliance violations, and to respond swiftly and appropriately to any crises that may arise.

**Initiatives Related to Promotion of Compliance Management**
The C&C Control Committee at KITZ and each Group company deliberates on the following matters related to promotion of compliance, formulates necessary policies and implements specific measures.

1. Formulation of basic policies on development and operation of the compliance promotion program
2. Formulation of basic policies on implementation of the Compliance Guidebook
3. Formulation of basic policies on implementing compliance education
4. Responding to any compliance violations that have occurred (including investigation of related facts, investigation of their causes, formulation and implementation of measures to prevent their recurrence, and checking on the countermeasures implemented)
5. Establishment, amendment and abolition of rules and regulations necessary for compliance promotion
6. Other necessary matters related to compliance promotion

**Whistleblowing System (Compliance Helpline)**
To promote compliance management, KITZ and each Group company has established compliance helplines as a contact point for reporting and consultation concerning information about any acts in violation of laws, regulations or compliance identified by directors, Audit & Supervisory Board members, executive officers and employees.

Directors, Audit & Supervisory Board members, executive officers and employees of KITZ and each Group company may use their own companies’ compliance helplines, compliance helplines set up by outside law firms and the compliance helpline of the parent company, KITZ. In this and other ways, we secure a structure that directors, Audit & Supervisory Board members, executive officers and employees can use with peace of mind, by setting up multiple routes for consultation and reporting.

Each compliance helpline is managed and operated by the C&C Control Committee of the Company or the Group company. Reports and consultations received are investigated swiftly while strictly protecting the confidentiality of the reporting party, and timely and appropriate corrective measures are implemented in response.

**Compliance Education**
KITZ distributes a groupwide Compliance Guidebook to the officers and employees of KITZ and Group companies. The guidebook describes the thinking of Group top management regarding compliance management, the importance of compliance management, the compliance promotion structure, the compliance code of conduct, the whistleblowing system and other matters related to compliance, and is designed to educate and raise awareness concerning compliance and to publicize how to use the contact point for whistleblowing reports (compliance helpline).

We also hold seminars on compliance education systematically each year and individual seminars focusing on the details of the operations of each section when requested by a section of KITZ or a Group company. Furthermore, we also strive proactively to foster a culture of compliance, raise awareness and convey related knowledge through various other means, such as preparing and distributing educational and awareness-raising tools and, recently, deployment of digital content using online tools.

**Compliance Survey**
To check the degree to which compliance management has taken root in KITZ and each Group company and visualize potential compliance risks, KITZ surveys employees on compliance.

The risks identified through this survey are utilized in such efforts as business process improvements and employee education in accordance with their degrees of importance.

**Risk Management**
To control various risks that could have severe impacts on corporate management, KITZ carries out risk management in KITZ and each Group company.

**Risk Management Structure**
In the KITZ Group, the executive officer in charge of risk management, who also serves concurrently as a member of the C&C Control Committee, promotes risk management at KITZ and each Group company based on basic policies decided on by the committee under the supervision of the Board of Directors.

**TVW Analysis and Evaluation**
In the KITZ Group, the importance of anticipated risks related to business activities (totaling 128 risk items) is judged quantitatively along the two axes of their frequency of occurrence and their impact on management based on the basic policy and evaluation standards for risk evaluation formulated by the C&C Control Committee. Specifically, risks are graded by each evaluation item under the standards for determining their frequency of occurrence and their impact (consisting of the items of human injury, physical damage, liability, loss of profit, loss of trust and environmental damage), and each is grouped into one of the four zones of high-damage/high-frequency, low-damage/low-frequency, high-damage/low-frequency or low-damage/low-frequency based on a four-quadrant risk-mapping scale.

**Risk Management Implementation Flow**
Based on the results of risk evaluation by each organization and through the Management Conference, the KITZ Group identifies important risks and key risks that have a particularly high possibility of significantly impacting management among the important risks, chooses whether to address each risk through avoidance, transfer, mitigation or retention in light of its importance, and drafts and implements necessary countermeasures under the responsibility of the individual executive officers and Group company presidents. Important risks and key risks thus identified, and countermeasures drafted for them, are shared with the Internal Audit Office. The Internal Audit Office evaluates the state of development and operation of risk management from an independent perspective through means that include checking on the progress and results of related countermeasures through business auditing and other activities.

In addition, based on reports on such matters as priority risks identified in the Management Conference and countermeasures drafted for them, as well as the results of evaluation by the Internal Audit Office, the Board of Directors carries out necessary deliberation and checks on the ultimate results of implementing countermeasures, among other activities involved in final decision-making on and oversight of risk management in the Group.
Board of Directors, Corporate Auditors and Executive Officers
(as of March 31, 2022)

Directors

Chairman
Yasuyuki Hotta
Born: June 10, 1958
Apr. 1980 Joined KITZ
Nov. 1997 Branch Manager, Chubu Branch, Sales Division
Aug. 2001 Plant Manager, Nagoya Chemicals Plant
Mar. 2001 Managing Executive Director, KITZ SCT Corporation
Apr. 2006 Managing Executive Officer, Division Manager, Flow Control Business Division
Apr. 2007 Senior Executive Officer, Division Manager, Flow Control Business Division
Jan. 2007 Director, Senior Executive Officer, Division Manager, Flow Control Business Division
Mar. 2008 President and Chief Executive Officer, Division Manager, Flow Control Business Division
Apr. 2009 President and Chief Executive Officer
May 2021 Chairman and Representative Director, Chair of the Board of Directors (present position)
Jun. 2021 Chairman of the KITZ Museum of Art (present position)

President
Makoto Kohno
Born: March 10, 1946
Apr. 1980 Joined KITZ
Aug. 2005 General Manager, Project Sales Department, International Sales Division, Flow Control Business Unit
Dec. 2011 General Manager, Project Management Department
Apr. 2015 General Manager, Project Control Division, Flow Control Business Unit
Apr. 2016 General Manager, Business Planning Department, Flow Control Business Unit
Apr. 2016 Executive Officer, Division Manager, Corporate Planning Division
Apr. 2017 CMO & Managing Director, KITZ Corporation of Asia Pacific Pte. Ltd., Managing Director, KITZ Foundation & Education Charitable Foundation Pte. Ltd.
Apr. 2019 Managing Executive Officer, General Manager, Flow Control Business Unit
Jan. 2019 Director, Managing Executive Officer, General Manager, Flow Control Business Unit
Mar. 2021 President and Chief Executive Officer (present position)

Director
Toshiyuki Murasawa
Born: February 6, 1999
Mar. 2001 Joined KITZ
Apr. 2003 Executive Officer, General Manager, Corporate Planning Department
Oct. 2011 Executive Officer, Division Manager, Corporate Planning Division
Apr. 2016 Executive Officer, Division Manager, Corporate Administration Division
Jan. 2016 Director, Executive Officer, Division Manager, Corporate Administration Division
Apr. 2017 Director, Managing Executive Officer, Division Manager, Corporate Administration Division
Jun. 2021 Director, Managing Executive Officer, Division Manager, Corporate Planning Division (present position)

Outside Director
Minoru Amoh
Born: December 1, 1977
Mar. 2002 Manager, Engineering Polymer Business Division
Jul. 2005 Director, Vice President
Apr. 2006 Representative Director, President
Jan. 2013 Representative Director, Chairman, Daini-Seto Kogyo Co. Ltd., President, Daini-Seto Pacific Ltd.
Sep. 2014 Honorary Chairman, Daini-Seto Kogyo Co. Ltd.
Jan. 2015 Outside Director of KITZ (present position)
Mar. 2016 Statutory Auditor, Daini-Seto Chemical Co., Ltd.
May 2019 Outside Director (present position)
Dec. 2020 Outside Director of Daini-Seto Metals, Inc. (present position)
Jun. 2021 Outside Director of Enoplus Corporation (present position)

Outside Director
Yukino Kikuma
Born: March 5, 1972
Apr. 1995 Joined Fuji Kikai Keiki Network, Inc.
Dec. 2011 Registered as an attorney at law
Jan. 2012 Joined ANPO & KIKUMA (present position)
Apr. 2014 Outside Director, Nomura Securities Co., Ltd.
Jan. 2016 External Director, KITZ Corporation (present position)
Mar. 2020 Outside Director, Nitori Holdings, Inc. (present position)
Jun. 2020 Outside Director, AKIYAMA Corporation (present position), Outside Director of KITZ (present position)
Jun. 2022 Representative attorney (managing partner), NIKKODO & KIKUMA (present position)

Audit & Supervisory Board Members

Standing Audit & Supervisory Board Members

Masahiko Kondo
Born: September 8, 1952
Aug. 1977 Joined KITZ
Jul. 2004 Executive Officer, General Manager, Financial Administration and Human Resource Department
Aug. 2004 Executive Officer, General Manager, Corporate Administration Department
Oct. 2010 Executive Officer, Deputy Division Manager, Corporate Administration Division
Apr. 2011 Executive Officer, Division Manager, Corporate Administration Division
Jan. 2012 Director, Executive Officer, Division Manager, Corporate Administration Division
Apr. 2014 Director, Managing Executive Officer, Division Manager, Corporate Administration Division
Jan. 2016 Standing Audit & Supervisory Board Member (present position)

Yusuke Aoki & Supervisory Board Member

Tatsushika Takai
Born: September 21, 1945
Jul. 1974 Joined Hitachi, Ltd. & Hitachi, Ltd. (present position)
Jun. 2004 Executive Officer, General Manager, Finance Department, Hitachi, Ltd. & Hitachi, Ltd., Outside Audit & Supervisory Board Member, MESCO, Inc.
Jun. 2008 Executive Officer, Senior Executive Officer, General Manager, Financial Department
Jan. 2009 Outside Audit & Supervisory Board Member
Jun. 2009 Outside Audit & Supervisory Board Member, Nakahata Chemicals Co., Ltd.
Jan. 2015 Outside Audit & Supervisory Board Member of KITZ (present position)

Yusuke Aoki & Supervisory Board Member

Atsushi Nakamura
Born: December 17, 1954
Oct. 1979 General Manager, Affiliated Company Supervision Office
Aug. 2003 RICOH President, General Manager, Accounting & Treasury Center, Corporate Administration Headquarters
Jun. 2008 Senior Vice President, General Manager, Audit & Compliance Headquarters
Jan. 2014 Audit & Supervisory Board Member, NipponGekko Electric Works Co., Ltd.
Jan. 2017 Audit & Supervisory Board Member of KITZ (present position)
Dec. 2019 Outside Audit & Supervisory Board Member, Ayakawa Co., Ltd. (present position)

Yusuke Aoki & Supervisory Board Member

Ayako Kobayashi
Born: October 14, 1975
Oct. 2008 Registered as an attorney at law
Jan. 2009 Partner, Katsura & Kobayashi
Sep. 2011 Partner, Katsura, Katsura & Kobayashi
Oct. 2013 Part-time lecturer, Katsura, Katsura & Kobayashi
Sep. 2018 Partner, KATSURA & KOBAYASHI (present position)
Jun. 2021 Outside Audit & Supervisory Board Member of KITZ (present position)
Jan. 2021 Outside Director of Masahiko Bank, Ltd. (present position)
Reasons for Appointment of Directors and Skills Matrix

<table>
<thead>
<tr>
<th>Name</th>
<th>Reason for Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Yusuke Hotta</td>
</tr>
<tr>
<td>President</td>
<td>Makoto Kohno</td>
</tr>
<tr>
<td>Director, Managing Executive Officer</td>
<td>Toshiyuki Marusawa</td>
</tr>
<tr>
<td>Outside Director</td>
<td>Kazuyoshi Matsumoto</td>
</tr>
<tr>
<td>Outside Director</td>
<td>Minoru Amoh</td>
</tr>
<tr>
<td>Outside Director</td>
<td>Yukio Fujiwara</td>
</tr>
<tr>
<td>Outside Director</td>
<td>Yuko Kikuma</td>
</tr>
</tbody>
</table>

* The main areas in which each director is expected to demonstrate specialized knowledge based on past experience are indicated with up to three marks. This does not indicate all knowledge and experience that each director possesses.

Reason for Appointment of Audit & Supervisory Board Members

<table>
<thead>
<tr>
<th>Name</th>
<th>Reason for Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standing Audit &amp; Supervisory Board Member</td>
<td>Makihito Kondo</td>
</tr>
<tr>
<td>Standing Audit &amp; Supervisory Board Member</td>
<td>Taro Ikuma</td>
</tr>
<tr>
<td>Outside Audit &amp; Supervisory Board Member</td>
<td>Tatshiko Takei</td>
</tr>
<tr>
<td>Outside Audit &amp; Supervisory Board Member</td>
<td>Shuhei Sakuno</td>
</tr>
<tr>
<td>Outside Audit &amp; Supervisory Board Member</td>
<td>Ayako Kiyosaki</td>
</tr>
</tbody>
</table>
I will contribute to sustainable growth to enhance corporate value.

**Minoru Amoh** Outside Director

I believe that an outside director has important roles to play in offering differing opinions and approaches, driving tough decision-making and contributing to the selection of successors for important positions. To ensure these roles function effectively, it is important to closely communicate with inside and outside officers, understand the logic behind actions on the execution side and have a good knowledge of the corporate culture. To enhance corporate value, which is the greatest responsibility of a company, I will be involved in medium- to long-term strategy and contribute to sustainable growth.

KITZ is currently in the process of establishing global management foundations, and is striving to harness world-class technologies and production innovations to deliver solutions to customers while pursuing sustainable management, adapting to energy shifts and a recycling-oriented society and setting the stage to establish a solid position in growth markets. KITZ is also working to visualize global supply chains, invest in labor savings and boost labor productivity while pursuing workstyle reforms and striving to become a company where employees can work in better health and safety.

KITZ is also promoting a structure of company officers that takes into account diversity, specialization and overall balance, important elements for further enhancing corporate governance and at the same time is thoroughly implementing risk management and global compliance and making every effort to ensure management transparency.

I will be involved in the challenge to make KITZ a truly global company.

**Yutaka Fujiwara** Outside Director

Starting April 2022, the Tokyo Stock Exchange was reborn. KITZ moved from the previous First Section of the exchange to the newly created Prime Market. To borrow from the words of the Tokyo Stock Exchange, the Prime Market is “a market for companies with a market capitalization (liquidity) large enough to be targeted by many institutional investors, which are committed to sustainable growth and enhancing corporate value in the medium to long term.”

Against the backdrop of this market reorganization, I understand that stock exchanges and market participants harbor a great sense of crisis. The corporate governance systems of Japanese companies still compare unfavorably to those of European and American companies, and more than anything, if the overwhelming difference in capital efficiency remains this way, Japan Inc. could sink.

Perhaps a further sifting out of companies will occur in the near future. It is not an easy road. But KITZ has boldly opted to take on challenges. To shine as a truly global company in the near future, KITZ is prepared to assume a united posture in taking on the Prime Market, where even greater challenges await. As a member of the Board of Directors, I will actively take part in this challenge.

I look forward to KITZ taking a positive attitude toward solving social issues.

**Yukino Kikuma** Outside Director

The Long-term Management Vision and Medium-term Management Plan that were recently announced were formulated after roughly six months of discussions by the Board of Directors. They clarified President Kohno’s desire for KITZ’s future direction, to accelerate initiatives related to existing businesses and boldly take on the challenge of new businesses. I think President Kohno has demonstrated outstanding leadership in embracing the sincere attitude of objectively analyzing the company’s own strengths and weaknesses without turning away from reality and drawing up concrete measures to ensure success in this uncertain world.

In the Medium-term Management Plan, KITZ has laid out strategies specific to each market and area, but the basis for all of these strategies is, as stated in the Basic Policy on Sustainability, striving to solve social issues through business activities and enhancing both corporate and social value. To accomplish these goals, we need to adopt an attitude of seeking out social issues actively, not passively. I hope that having each and every employee feel personally invested in every business of KITZ and working together on them as one will lead to greater motivation and well-being.
Environmental Activities

The KITZ Group has established targets for environmental conservation on a global scale based on its Principle of Environmental Activities and Environmental Action Policy. The Group is making a united effort to achieve a sustainable society.

### KITZ Group Principle of Environmental Activities

KITZ Group companies aspire to become operations worthy of society’s confidence through the supply of environmentally friendly products and services and promotion of environment-responsive corporate activities.

### KITZ Group Companies: Environmental Action Policy

KITZ Group companies shall recognize environmental issues as an essential perspective of corporate management and every employee shall positively participate in the following activities.

1. Development and supply of environmentally friendly products and services
2. Effective use of resources
3. Promotion of reduction, reuse and recycle of waste
4. Prevention of environmental contamination

#### Philosophy and Initiatives for Environment-Responsive Management

KITZ will conduct activities in accordance with the aforementioned principle and action policy on the basis of developing a balance between risk prevention and cost reduction. This balance is based on our philosophy that preventing environmental risks such as soil contamination through proactive environmental conservation activities minimizes potential future costs, and that we can reduce other costs and make a broad contribution to society by thoroughly reducing waste generated by our business activities.

Long-term Environmental Vision

- **3 ZERO**
  - Zero emissions
  - Zero environmental impact
  - Zero risk

### Initiatives toward a Decarbonized Society

- **Switching to 100% CO2-free Electricity at Main Manufacturing Facilities in Japan.**
  - Starting in April 2022, KITZ has adopted CO2-free Shinshu Green Denki electricity and makes maximum use of the abundant water resources in Nagano Prefecture in Japan, where many of the KITZ Group’s manufacturing facilities are located. KITZ has also adopted CO2-free electricity utilizing the environmental value of hydroelectric and solar power (non-feed-in tariff) to reduce environmental pollution and fires.

#### Long-term Environmental Vision 3 ZERO

<table>
<thead>
<tr>
<th>Environmental Impact</th>
<th>2020 (90%)*</th>
<th>2030 (100%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>-Zero coal use</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>-Zero use of organic solvents</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>-Zero use of hazardous substances</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>-Zero occupational accidents</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>-Zero fire accidents</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

*Compared to 2020.

#### Hydrogen Station Package Unit Wins Award of Excellence at Yamanashi Industrial Grand Prize

The hydrogens station package has won an award of excellence as part of the Yamanashi Industrial Grand Prize. The award is given by Yamanashi Prefecture to companies that have contributed to the development of industry and revitalization of local economies, and this product was recognized for its high level of uptake due to the packaging of innovative technologies. The product not only reduces initial costs due to the innovative design and equipment selection that take into account usage environment, but also reduces the length of time and costs of maintenance, which requires facility shutdown. As a result, it helps to significantly reduce the operations costs of customers that use the product for extended periods. The product also features minimal operating noise, making it a hydrogen station package unit that is suitable for use in all kinds of environments, and was recognized for being a product that puts customers first.

#### To Our Stakeholders

Data Section

- **Data Section**

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The third important issue is Zero Risk. We are working to maintain safe and secure manufacturing and stable operations through activities to prevent occupational accidents, environmental pollution and fires.
Effective Use of Resources
The main materials of valves are metals, which are natural resources. KITZ utilizes used scrap metal as part of raw materials for valves. KITZ also strives to recycle scrap and casting chips generated in the production process by utilizing the know-how it has accumulated over many years. In addition, for casting sand to be used in the casting process, chunks are crushed, sorted and processed in the sand process for recycling. If casting sand is used repeatedly and becomes smaller than the standard particle diameter, it will become waste. However, casting sand that is disposed of will be used as auxiliary materials for cement. In this way, KITZ aims to achieve coexistence with the global environment and promotes the effective use of limited resources.

Flow Chart of Recycling and Reuse in Production Process of Cast Iron Valves

Reduction of Waste, Promotion of Recycling and Reuse
We are working to properly dispose of materials that we are unable to reduce (no generation or bringing in of waste), recycle (recyclable waste materials are returned to the production lines for reuse) or recycle (sort and recycle as resources). By thoroughly sorting waste material and recycling it as valuable resources, we are curbing the amount of waste materials generated. In its production divisions, based on surveys and analyses of the volume of waste generated, KITZ is stepping up efforts to reduce and reuse industrial waste materials, which consist mostly of waste materials generated by the KITZ Group’s production activities. Moreover, the Waste Material Management System, which manages the KITZ Group’s environment and safety-related information, enables KITZ to ascertain on a timely basis the entire waste-handling process, from the generation of waste to final disposal, and allows this information to be shared within the Group. For its waste handling system, KITZ has established a framework under which the waste disposal route is determined in advance and waste cannot be processed using any route other than the route specified in the consignment agreements.

Prevention of Environmental Contamination
Metal resources and casting sand, which are raw materials of valves, contain many Pollutant Release and Transfer Register (PRTR) target substances such as lead, manganese, chrome, nickel and chromium oxide. The main types of substances discharged into the atmosphere are xylene and toluene from paints, thinner and stored gasoline while the main substance transferred externally is chromium oxide contained in casting sand. To prevent environmental contamination caused by dangerous and toxic substances contained in chemical products, in addition to preventing contamination from PRTR target substances*, KITZ built the Chemical Substance Management System. KITZ is working to identify chemical products containing toxic substances and to use alternative substances as it strives to improve the safety of its valve products and reduce environmental impacts.

* PRTR target substances: These are substances recognized as being persistent in the environment over a sedex area and that meet one of the following conditions that include “being harmful to human health and ecosystems”, “chemicals in substances that may easily form hazardous chemical substances through a naturally occurring chemical transformation” and “ozone layer destroying substances”.

Strengthening Environmental Management Systems
The KITZ Group regards the promotion of environmental management as a key aspect of strengthening our management foundations. We have obtained ISO 14001 certification at all plants in Japan and overseas, and are making efforts to establish global environmental management.

Business Offices That Have Acquired Integrated ISO 14001 Certification

Business Resource Management

1. KITZ Corporation
2. KITZ Corporation of Europe, S.A.
3. KITZ Corporation of France
4. KITZ Corporation of Jiangsu Kunshan
5. KITZ (Thailand) Ltd.
7. Cephas Pipelines Corp.
8. KITZ Micro Filter Corporation
9. KITZ Metal Works Corporation
10. KITZ Micro Filter Co., Ltd.
11. KITZ Chemical Substance Management System
12. KITZ Micro Filter Corporation
14. KITZ Micro Filter Corporation
15. KITZ Micro Filter Corporation
16. KITZ Micro Filter Corporation
17. KITZ Micro Filter Corporation
18. KITZ Micro Filter Corporation
19. KITZ Micro Filter Corporation
20. KITZ Micro Filter Corporation

Human Resource Management

The KITZ Group aims to be an organization in which each employee can work with vitality and demonstrate the highest levels of performance as a professional, regardless of gender, age, nationality and culture. We are also making progress on the development of environments to support our human resources as they continue proactively taking on challenges with a sense of urgency and ambition, demonstrating the creativity that is inherent in each and every employee.

Respect for Human Rights

Basic Concept of Respect for Human Rights and Code of Conduct
The KITZ Group supports the Universal Declaration of Human Rights, an international standard concerning human rights, and has also expressed its support for the United National Global Compact (UNGC). The spirit of the UNGC conforms to the spirit of the KITZ Group’s corporate philosophy, and we will strive to put the Ten Principles of the UNGC into practice going forward.

Under the KITZ Group Compliance Code of Conduct, which calls for respecting the individuality and human rights of all individuals, we advance initiatives to enable each and every KITZ Group employee to act based on thinking in line with the relevant guidelines, conscious of their roles as members of a global society.

Human Rights Initiatives
Swift relief and corrective measures are taken in the event that the KITZ Group’s business activities are found to have negatively impacted human rights or to be involved in such negative impacts. We have installed a Compliance Helpline to build a structure where employees can consult over these matters at any time with peace of mind.

Additionally, as initiatives to raise employee awareness, we run compliance surveys and conduct harassment training, as part of efforts to promote the development of an open workplace by responding to visualized risks and conducting educational activities.

Formulation of Supplier Guidelines
We recognize that initiatives respecting human rights are something we cannot realize alone. To have our business partners understand KITZ’ vision and values and to implement initiatives throughout the entire supply chain, in FY2011 we formulated Supplier Guidelines that incorporate items on respect for human rights. Through our procurement activities, we will focus on the requirements listed in these guidelines to encourage their permeation and comprehensive compliance, strengthen coordination with suppliers, fulfill our social responsibilities across the supply chain and strive to provide new value and contribute to society.

Desired Personnel
“Do it True” (referring to sincerity and the truth) is the first Action Guide at KITZ. Being sincere, being serious and complying with the rules and morals of society are the values that the KITZ Group considers to be the most important. We also consider these values to be the essence of KITZ’s outstanding corporate culture. The Action Guides that follow these are “Do it Now” (referring to speed and timeliness) and “Do it No” (referring to creative ability and challenges). To swiftly respond to a world that is rapidly changing, we need agile business expansion and the ability to come up with and act on ideas that fall outside conventional thinking. We aim to be a professional group that boldly takes on new challenges and where employees can deploy their own latent creative powers.

Human Resource Development
In human resource development, KITZ promotes two themes, displaying human resources competency and displaying organizational capacity. To achieve these themes, we support the development of motivation, skills and opportunities to demonstrate potential through a wide range of in-house educational programs.

Basic Concept to Human Resource Development
1. We will provide support to those who seek to improve themselves based on self-development.
2. Supervisors will conduct systematic on-the-job training (OJT) with the aim of having employees gain the practical skills and knowledge necessary to properly carry out their duties in the workplace.
3. Education (group training) outside the workplace will be provided to supplement and accelerate OJT.
4. Ongoing human resource development will be pursued by incorporating human resource development into challenge goals (personal goals).
Initiatives Toward Enhancing Employee Engagement

KITZ regards constant improvements to employee engagement as one of the key themes of sustainability management. In FY2021, we have started conducting an engagement survey with the aim of ascertaining the current state of our organizational culture.

In addition to reporting on management of the results of the engagement survey, we also provide feedback to individual workplaces to verify and analyze the current state of the organizational culture, as well as setting specific action plans and target figures, and deploying these activities in each workplace. We will endeavor to improve employee engagement by conducting the survey on a regular basis in the future.

Health Management Initiatives

In FY2021, the KITZ Group established a Health Management Statement under which we aim by 2030 to be a company in which employees can work more safely, in better health and with greater vitality, in accordance with fair and transparent rules. To strategically promote the physical and mental health of employees and create a vibrant organization, we have worked on a variety of measures, including measures to deal with lifestyle-related diseases and mental health, based on our Policy on Health Management Initiatives. In March 2022, we were accredited by the Ministry of Economy, Trade and Industry under the Certified Health & Productivity Management Outstanding Organizations Recognition Program.

Health and Safety Activities

We promote efforts to ensure zero accidents based on the KITZ Group Safety and Health Fundamental Policies and the Safety and Health Fundamental Policies. We have established

<table>
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<tr>
<th>Personnel Structure by Country</th>
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<tbody>
<tr>
<td>U.S.</td>
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<tr>
<td>China</td>
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<tr>
<td>Brazil</td>
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<td>Singapore</td>
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<td>Germany</td>
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<td>Switzerland</td>
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<tr>
<td>Other</td>
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<td>总计</td>
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Office safety activities

Take preventive steps

- Implement safety measures for machines, equipment and people (prevent similar accidents)
- Measures for employee health and safety
- Measures for people

Create a workplace culture (promote zero accidents)

- Develop a management system (comply with safety and health related laws and regulations)
- Implement safety measures for machines, equipment and people (prevent similar accidents)
- Create a workplace culture (promote zero accidents)
- Develop a management system (comply with safety and health related laws and regulations)
- Implement safety measures for machines, equipment and people (prevent similar accidents)
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- Implement safety measures for machines, equipment and people (prevent similar accidents)
- Create a workplace culture (promote zero accidents)

Reciprocal Audits by Group Companies

Mutual audits regarding the environment, health and safety of KITZ’ eight Group domestic companies are conducted. To identify and assess risks, once a year internal auditing personnel conduct on-site inspections regarding 20 evaluation items, and a briefing session is held for the officer and the managers of each site. These efforts lead to activities that reduce the spread of and eliminate risks. In the future, KITZ is also considering the introduction of on-site inspections by an outside organization.

In addition, to cultivate personnel who will be responsible for the environment and safety in the future, we conduct training related to the environment, health and safety and while also actively creating opportunities to experience actual on-site inspections.
We introduce how employees work creating value at their own posts.

Diverse Human Resources in the KITZ Group

We aim to supply KITZ products to realize a carbon neutral society.

Longtian Piao
Hydrogen Station Group, Hydrogen Department, Business Promotion Center, Flow Control Business Unit, KITZ Corporation

I am responsible for work that covers everything from the development of hydrogen-related products and technology proposals to product delivery. In the course of following one project through to completion, I have accumulated a wide range of experience, and each time I realize that I have achieved personal growth. In the future, I will aim to supply KITZ products across the entire hydrogen supply chain to help realize a carbon neutral society.

I try to convey my experience to other employees for their own development.

Maria Luisa Ribas Steegmann
Managing Director & President, KITZ Corporation of Europe, S.A.

I feel especially pleased when our team manages to overcome a major challenge to help other people so we can satisfy the needs of a customer. The trust placed in me to put me in charge of the management of one of its companies has helped me to grow professionally and improve in other areas during the past 15 years, and I try to convey my experience also to other employees for their own development.

I will adapt to the increasingly diverse roles expected of an accounting department.

Yoshie Suzuki
Deputy Center Manager, Accounting and Finance Center, Corporate Finance Division, KITZ Corporation

Times have changed from the role of accounting as a safekeeper. I hope to respond to the diversification of the roles now expected of an accounting department, including data analysis and support for management decisions, along with taking on the challenge of reforming workstyles in the back office.

I feel happy to be facing new challenges together with fellow KITZ Group colleagues.

Takashi Takagi
Managing Director, KITZ Valve & Actuation (Thailand) Co., Ltd.

I feel happy to be facing new challenges together with fellow colleagues who share the same common philosophy: the KITZ Statement of Corporate Mission. Looking ahead, we will continue to engage in new challenges in order to enable us to evolve into a stronger company in the global marketplace, and to contribute to society through our activities.

I hope to fulfill my role with an employee-first spirit.

Yuka Yoshihara
Plant General Affairs and Accounting Section, Administrative Division, KITZ SCT Corporation

In addition to general affairs, accounting and human resource management duties, I am the contact point for consultations from employees, and I feel the need to acquire a wide range of knowledge in this role. I hope to embrace a mindset of compassion and gratitude with an employee-first attitude while fulfilling a role as a bridge between employees and the company.

I want to help a “culture of learning about technology” take root through technical training for salespeople.

Masanao Takatsuka
Manager, Sales Engineer Training Group, Sales Engineering Department, Flow Control Business Unit, KITZ Corporation

Through involvement in employee training related to technology, I feel that I have improved my own knowledge and understanding, and when I receive words of thanks for providing technical support, it fills me with happiness. I hope to instill a “culture of learning about technology” through the technical training curriculum for salespeople.

I have a sense of satisfaction in serving as a bridge between two different cultures.

Shizuka Mita
Chief Accounting Officer, KITZ Corporation of America

I oversee all administrative, accounting and inventory-related functions. My position is very interesting as it involves so many different areas. I am often asked to assist with communication between KITZ Japan and KCA management. It is extremely important to understand one another correctly. I find this the most challenging and rewarding part of my job. Successfully coping with the economic and social challenges has also been very satisfying.

I don’t even imagined being posted overseas, and with every new experience I feel personal growth.

Tomoya Nakagomi
Production Control Department Section Chief, KITZ Corporation of Taiwan

When I joined KITZ, working overseas was the last thing I expected. But when I actually began working in Taiwan, I had opportunities to experience many new things, and each time I gained a sense of personal growth. Moving forward, I will keep working to maintain a broad view of the world.

I want to connect KITZ with customers from the standpoint of sales administration.

Kaori Kikumoto
Osaka Sales Office 2, Osaka Branch, National Sales Division, Flow Control Business Unit, KITZ Corporation

Using my perspective of sales administration, I have been involved in various business activities from the launch of a new IT system to the introduction of order placement systems for our customers. Moving forward, I hope to continue doing work that connects KITZ with its customers in a wide range of ways.

I aim to establish quality assurance practices that are trusted by customers.

Kumi Shimizu
Manager, QA Operational Improvement Group, Quality Assurance Department, Customer Satisfaction Division, KITZ Corporation

I carry out business improvement activities that observe compliance requirements and combine practical experience with business transformation. With the goal of establishing quality assurance operations that are trusted by customers, I want to develop an organization that can go about its tasks with enthusiasm.

I feel especially pleased when our team manages to overcome a major challenge to help other people so we can satisfy the needs of a customer. The trust placed in me to put me in charge of the management of one of its companies has helped me to grow professionally and improve in other areas during the past 15 years, and I try to convey my experience also to other employees for their own development.

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As a Leading Company in the Valve Industry

As a leading company in the valve industry, KITZ has cultivated advanced technology and a wealth of experience over the course of many years. KITZ utilizes these to provide a wide range of services regarding valves to meet the diverse needs of customers.

Completion of Construction of the KITZ Group Innovation Center

As a part of the project to celebrate the 70th anniversary of KITZ, construction of the KITZ Group Innovation Center that was being built on the grounds of the Chino Plant is now complete. The facility will be utilized to develop the human resources that will form the backbone of development at the KITZ Group, for creative and innovative technological development, and as a place to enhance information dissemination capabilities inside and outside the Group. The facility will supersede the KITZ Training Center that was constructed in 1981 and has for many years contributed to employee training and the cultivation of human resources related to the valve industry. The Innovation Center will meet a wide range of internal and external training needs and will also function as an evacuation facility for local residents in the event of a disaster.

Valve Meister System

KITZ introduced the Valve Meister System for certifying employees who have reached a certain level of skills and knowledge regarding automated valves and metal materials for valves as Valve Meisters. Our 58 certified Valve Meisters who have passed the certification test (as of March 2022) act as concierges who respond to requests for customer consultations, propose specific solutions and solve various issues together with customers.

From FY2022, the system was revised into a new technical training curriculum in an effort to further enhance knowledge levels. By enhancing the valve-related technical skills of each employee, we provide greater value to customers and help improve knowledge and skills across the entire industry.

Customer Satisfaction Survey

To provide better products and services, KITZ has conducted a customer satisfaction survey targeting more than 1,000 companies annually since 1997. Based on the results of the responses collected from customers and analyzed, we work toward additional improvements to further enhance customer satisfaction.

Customer feedback leads to improvements.
Social Contribution Activities

KITZ focuses its various social contribution activities on areas including regional development (regional contribution), environment preservation, social and international contribution, and culture development.

Collaboration with Local Communities Where Our Business Sites are Located

The KITZ Group maintains many business sites including the Ina and Chino plants in Nagano Prefecture. As part of collaboration with local communities, KITZ has entered into agreements with governmental bodies to provide the employee cafeterias of the Ina and Chino plants as emergency evacuation points during a disaster.

Support for Kitazawa Museum of Art

KITZ supports the activities of the Kitazawa Museum of Art located on the shores of Lake Suwa. KITZ founder Toshio Kitazawa established the museum in 1983 as an incorporated foundation with the aim of contributing to the promotion and development of the regional culture. The museum became a public interest incorporated foundation in 2013.

The Kitazawa Museum of Art permanently displays excellent pieces of artwork, including some of the world’s best French glassworks made during the art nouveau era at the end of 19th century and modern Japanese paintings. These works are highly acclaimed both in Japan and overseas.

Relationships with Local Communities:
Promoting Sports in Communities with KITZ Business Locations

Ventforet Kofu

KITZ supports the training academy for (U-18) developing future players as a uniform sponsor.

Matsumoto Yamaga F.C.

In addition to supporting the Academy development organization (Ladies U-15) as a uniform sponsor, KITZ also displays a stadium banner with its company name in the wheelchair seats on the back-stand side of Sunpro Alwin stadium, which is the team’s home ground.

VC Nagano Tridents

KITZ’s logo has been displayed on the back (leg) of the team’s uniform and on training attire. Horizontal banners are also displayed at away match venues.

Tokyo 2020 Olympic Games Gold Medalist Yui Susaki joined KITZ

Yui Susaki is an athlete from Chiba Prefecture, where the head office of KITZ Corporation is located. After overcoming injury and competing in the difficult environment of the Tokyo Olympic Games that had been postponed a year due to the COVID-19 pandemic, she boldly took on the competition, earned her place to compete in Tokyo and won the gold medal without giving up a point in any of her bouts, providing great inspiration around Japan. KITZ decided to support her competitive activities out of a respect for her attitude to always aim high, even in the face of adversity.

In FY2024, which will be the final year of the first Medium-term Management Plan created to achieve our Long-term Management Vision, the Paris Olympic Games will be held. The sight of Susaki making an all-out effort to achieve her main goal of clinching gold at the Paris Olympic Games resonates with KITZ’ vision to aspire to greater heights. KITZ will continue to take on challenges while supporting Susaki in her activities.

Comments from Yui Susaki

I joined KITZ Corporation from this April, giving me the opportunity to continue with wrestling as a full-time employee. KITZ is from my birthplace of Chiba Prefecture and is active around the world. There are many things to learn from its philosophies, beliefs and passion, and I have a strong desire for both KITZ and myself to compete and be successful on the world stage. KITZ has put a lot of effort into supporting sport, and I felt that it was the best environment for me to pursue my next goal of securing a second straight gold medal at the Tokyo Olympic Games. In addition, KITZ head office is located in Makuhan, close to Makuhan Messe where I fulfilled my dreams at the Tokyo Olympic Games, which also gives me a sense that this partnership was meant to be.

I would like to express my heartfelt gratitude for the opportunity to continue with wrestling in this fantastic environment, and vow to work even harder to achieve success in Japan, the world and at the Olympic Games while remaining aware of my role as a full-fledged member of society. I will spread my wings around the world together with KITZ. Thank you for your support!
## Financial and Non-Financial Data

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<td>For the Year</td>
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<tr>
<td>Domestic sales</td>
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<td>32,384</td>
<td>35,052</td>
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<td>87,888</td>
<td>90,152</td>
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<td>Operating income</td>
<td>4,638</td>
<td>6,558</td>
<td>6,470</td>
<td>6,886</td>
<td>7,245</td>
<td>8,929</td>
<td>10,117</td>
<td>11,713</td>
<td>6,950</td>
<td>3,751</td>
<td>8,990</td>
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<td>Ordinary income</td>
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<td>6,501</td>
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<td>7,300</td>
<td>8,799</td>
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<td>7,241</td>
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<td>Net income attributable to owners of the parent</td>
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<td>4,039</td>
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<td>10,117</td>
<td>11,713</td>
<td>6,950</td>
<td>3,751</td>
<td>8,990</td>
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<tr>
<td>Cash flows from operating activities</td>
<td>2,217</td>
<td>7,885</td>
<td>4,667</td>
<td>8,923</td>
<td>9,592</td>
<td>12,979</td>
<td>6,941</td>
<td>10,069</td>
<td>13,329</td>
<td>10,204</td>
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<td>(4,519)</td>
<td>(3,546)</td>
<td>(1,010)</td>
<td>(9,763)</td>
<td>(2,141)</td>
<td>(7,066)</td>
<td>(9,264)</td>
<td>(8,040)</td>
<td>(2,379)</td>
<td>(3,236)</td>
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<td>Cash flows from financing activities</td>
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<td>66</td>
<td>(3,706)</td>
<td>976</td>
<td>(6,838)</td>
<td>5,267</td>
<td>(9,702)</td>
<td>(167)</td>
<td>7,497</td>
<td>(11,527)</td>
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<td>At Year-End</td>
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<tr>
<td>Current assets</td>
<td>47,247</td>
<td>49,956</td>
<td>55,866</td>
<td>63,884</td>
<td>63,501</td>
<td>67,972</td>
<td>77,400</td>
<td>71,226</td>
<td>73,351</td>
<td>81,765</td>
<td>143,419</td>
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<td>61,712</td>
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<td>Total assets</td>
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<td>99,972</td>
<td>107,583</td>
<td>115,790</td>
<td>119,422</td>
<td>119,148</td>
<td>133,545</td>
<td>131,657</td>
<td>135,063</td>
<td>140,681</td>
<td>143,419</td>
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<tr>
<td>Current liabilities</td>
<td>47,247</td>
<td>49,956</td>
<td>55,866</td>
<td>63,884</td>
<td>63,501</td>
<td>67,972</td>
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<td>Interest-bearing liabilities</td>
<td>24,290</td>
<td>22,319</td>
<td>23,728</td>
<td>25,740</td>
<td>24,304</td>
<td>24,917</td>
<td>25,740</td>
<td>27,728</td>
<td>27,728</td>
<td>27,728</td>
<td>27,728</td>
</tr>
<tr>
<td>Share price (Yen)</td>
<td>360</td>
<td>472</td>
<td>505</td>
<td>534</td>
<td>487</td>
<td>742</td>
<td>914</td>
<td>811</td>
<td>653</td>
<td>627</td>
<td>712</td>
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</tbody>
</table>

### Per Share Data

<table>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>EPS</td>
<td>22.71</td>
<td>36.98</td>
<td>32.63</td>
<td>63.22</td>
<td>55.01</td>
<td>67.972</td>
<td>77.400</td>
<td>71.226</td>
<td>73.351</td>
<td>81.765</td>
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<tr>
<td>BPS</td>
<td>490.65</td>
<td>542.41</td>
<td>601.56</td>
<td>686.47</td>
<td>700.17</td>
<td>727.78</td>
<td>782.98</td>
<td>793.74</td>
<td>819.49</td>
<td>828.76</td>
</tr>
<tr>
<td>Cash dividends per share</td>
<td>7.50</td>
<td>9.50</td>
<td>10.00</td>
<td>13.00</td>
<td>13.00</td>
<td>13.00</td>
<td>17.00</td>
<td>20.00</td>
<td>20.00</td>
<td>9.00</td>
</tr>
</tbody>
</table>

### Financial Indicators (%)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income to net sales</td>
<td>4.3</td>
<td>5.9</td>
<td>5.5</td>
<td>5.9</td>
<td>6.2</td>
<td>7.8</td>
<td>8.1</td>
<td>8.6</td>
<td>5.5</td>
<td>4.5</td>
</tr>
<tr>
<td>ROE</td>
<td>47.2</td>
<td>7.2</td>
<td>5.7</td>
<td>9.8</td>
<td>6.6</td>
<td>7.3</td>
<td>8.7</td>
<td>7.4</td>
<td>6.5</td>
<td>2.8</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>45.7</td>
<td>6.7</td>
<td>6.3</td>
<td>6.8</td>
<td>6.2</td>
<td>7.4</td>
<td>7.7</td>
<td>9.0</td>
<td>5.4</td>
<td>2.3</td>
</tr>
<tr>
<td>Payout Ratio</td>
<td>56.4</td>
<td>59.3</td>
<td>61.1</td>
<td>64.2</td>
<td>62.9</td>
<td>61.9</td>
<td>57.1</td>
<td>57.4</td>
<td>56.0</td>
<td>52.8</td>
</tr>
<tr>
<td>Total return ratio</td>
<td>33.0</td>
<td>25.7</td>
<td>30.6</td>
<td>20.6</td>
<td>28.6</td>
<td>25.3</td>
<td>26.0</td>
<td>34.2</td>
<td>37.7</td>
<td>38.5</td>
</tr>
</tbody>
</table>

* KITZ Corporation has applied the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) as of the start of the fiscal year ended March 31, 2019. Accordingly, figures for the year ended March 31, 2018 in this report are those after retrospective application of the standard.

* The fiscal year ended December 2020 is an irregular nine-month period due to the change in the fiscal year end.
Non-Financial Data

- CO2 Emissions
  - (thousands of t CO2)
  - 2017: 65.9
  - 2018: 57.4
  - 2019: 51.5
  - 2020: 48.8
  - 2021: 46.2

- Waste Generation
  - (thousands of t)
  - 2017: 6.8
  - 2018: 7.4
  - 2019: 7.0
  - 2020: 6.9
  - 2021: 6.8

- Water Resource Usage
  - (thousands m3)
  - 2017: 40
  - 2018: 32
  - 2019: 24
  - 2020: 17
  - 2021: 17

- Number of Employees
  - (thousands)
  - 2017: 5,153
  - 2018: 5,086
  - 2019: 5,020
  - 2020: 4,908
  - 2021: 4,868

- Number of Newly Hired Employees
  - (thousands)
  - 2017: 4,952
  - 2018: 4,945
  - 2019: 5,046
  - 2020: 1,183
  - 2021: 1,398

- Total Working Hours
  - (millions of hours)
  - 2017: 5,185
  - 2018: 5,370
  - 2019: 5,593
  - 2020: 5,998
  - 2021: 6,177

- Number of Patents Held
  - 2017: 40
  - 2018: 41
  - 2019: 43
  - 2020: 45
  - 2021: 46

- Percentage of Employees Taking Childcare Leave
  - 2017: 3.0%
  - 2018: 3.1%
  - 2019: 3.2%
  - 2020: 3.3%
  - 2021: 3.5%

- LTIF Rate (4 days of absence)
  - 2017: 0.0%
  - 2018: 0.0%
  - 2019: 0.0%
  - 2020: 0.0%
  - 2021: 0.0%

Consolidated Balance Sheets

<table>
<thead>
<tr>
<th>Assets</th>
<th>FY2019 (Millions of yen)</th>
<th>FY2020 (Millions of yen)</th>
<th>FY2021 (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>27,745</td>
<td>28,806</td>
<td>32,630</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>12,938</td>
<td>13,982</td>
<td>16,409</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>7,884</td>
<td>7,487</td>
<td>7,652</td>
</tr>
<tr>
<td>Inventories</td>
<td>5,137</td>
<td>4,532</td>
<td>4,562</td>
</tr>
<tr>
<td>Net current assets</td>
<td>34,698</td>
<td>36,246</td>
<td>42,308</td>
</tr>
<tr>
<td>Investments</td>
<td>16,708</td>
<td>16,201</td>
<td>16,285</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>4,474</td>
<td>5,189</td>
<td>5,713</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>3,701</td>
<td>3,683</td>
<td>3,631</td>
</tr>
<tr>
<td>Investments and other assets</td>
<td>6,381</td>
<td>7,102</td>
<td>7,829</td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>11,223</td>
<td>12,526</td>
<td>14,067</td>
</tr>
<tr>
<td>Capital stock</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>1,223</td>
<td>1,526</td>
<td>1,067</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>987</td>
<td>1,173</td>
<td>1,305</td>
</tr>
<tr>
<td>Total shareholders' equity</td>
<td>18,213</td>
<td>20,726</td>
<td>24,655</td>
</tr>
<tr>
<td>Total liabilities and shareholders' equity</td>
<td>49,214</td>
<td>51,726</td>
<td>59,970</td>
</tr>
</tbody>
</table>

To Our Stakeholders

Sustainability

Data Section
## Consolidated Statements of Income

<table>
<thead>
<tr>
<th></th>
<th>FY2019</th>
<th>FY2020</th>
<th>(Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>12,700</td>
<td>14,240</td>
<td>135,790</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>9,320</td>
<td>10,320</td>
<td>101,328</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>3,380</td>
<td>3,920</td>
<td>34,461</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses</strong></td>
<td>26,580</td>
<td>28,100</td>
<td>25,470</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>6,950</td>
<td>6,950</td>
<td>8,990</td>
</tr>
<tr>
<td><strong>Non-operating income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interest income</strong></td>
<td>47</td>
<td>47</td>
<td>33</td>
</tr>
<tr>
<td><strong>Dividend income</strong></td>
<td>240</td>
<td>155</td>
<td>164</td>
</tr>
<tr>
<td><strong>Exchange gains</strong></td>
<td>142</td>
<td>84</td>
<td></td>
</tr>
<tr>
<td><strong>Insurance income</strong></td>
<td>155</td>
<td>28</td>
<td>187</td>
</tr>
<tr>
<td><strong>Subsidy income</strong></td>
<td>321</td>
<td>196</td>
<td>161</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>467</td>
<td>215</td>
<td>320</td>
</tr>
<tr>
<td><strong>Total non-operating income</strong></td>
<td>1,236</td>
<td>658</td>
<td>931</td>
</tr>
<tr>
<td><strong>Non-operating expenses</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Interest expenses</strong></td>
<td>261</td>
<td>210</td>
<td>269</td>
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<tr>
<td><strong>Sales discount</strong></td>
<td>173</td>
<td>220</td>
<td>313</td>
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<tr>
<td><strong>Losses on sales of notes receivable</strong></td>
<td>72</td>
<td>102</td>
<td>174</td>
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<tr>
<td><strong>Exchange losses</strong></td>
<td>64</td>
<td>150</td>
<td>214</td>
</tr>
<tr>
<td><strong>Losses on valuation of derivatives</strong></td>
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<td>212</td>
<td>209</td>
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<tr>
<td><strong>Other</strong></td>
<td>201</td>
<td>146</td>
<td>98</td>
</tr>
<tr>
<td><strong>Total non-operating expenses</strong></td>
<td>945</td>
<td>1,277</td>
<td>946</td>
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<tr>
<td><strong>Ordinary income</strong></td>
<td>7,241</td>
<td>5,159</td>
<td>8,075</td>
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<tr>
<td><strong>Extraordinary income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gains on sales of property, plant and equipment</strong></td>
<td>14</td>
<td>44</td>
<td>70</td>
</tr>
<tr>
<td><strong>Gains on sales of investment securities</strong></td>
<td>195</td>
<td>164</td>
<td></td>
</tr>
<tr>
<td><strong>Gains on sales of investment real estate</strong></td>
<td>32</td>
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<td>32</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>5</td>
<td>22</td>
<td>27</td>
</tr>
<tr>
<td><strong>Total extraordinary income</strong></td>
<td>375</td>
<td>237</td>
<td>102</td>
</tr>
<tr>
<td><strong>Total extraordinary loss</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total losses on disposal of property, plant and equipment</strong></td>
<td>74</td>
<td>87</td>
<td>117</td>
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<tr>
<td><strong>Impairment loss</strong></td>
<td>24</td>
<td>21</td>
<td>1,223</td>
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<tr>
<td><strong>Loss from the temporary closing</strong></td>
<td>0</td>
<td>7</td>
<td>7</td>
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<tr>
<td><strong>Other</strong></td>
<td>150</td>
<td>22</td>
<td>31</td>
</tr>
<tr>
<td><strong>Total extraordinary losses</strong></td>
<td>228</td>
<td>167</td>
<td>1,372</td>
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<tr>
<td><strong>Net income before income taxes and non-controlling interests</strong></td>
<td>7,167</td>
<td>6,217</td>
<td>7,705</td>
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<tr>
<td><strong>Income taxes</strong></td>
<td>2,024</td>
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<td><strong>Income tax adjustment</strong></td>
<td>275</td>
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<td><strong>Total income taxes</strong></td>
<td>2,346</td>
<td>1,172</td>
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<tr>
<td><strong>Net income</strong></td>
<td>4,821</td>
<td>5,045</td>
<td>5,091</td>
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<tr>
<td><strong>Net income attributable to non-controlling interests</strong></td>
<td>90</td>
<td>12</td>
<td>136</td>
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<tr>
<td><strong>Net income attributable to owners of the parent</strong></td>
<td>4,911</td>
<td>4,933</td>
<td>4,954</td>
</tr>
</tbody>
</table>

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

## Consolidated Statements of Cash Flows

<table>
<thead>
<tr>
<th></th>
<th>FY2019</th>
<th>FY2020</th>
<th>(Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net income before income taxes and non-controlling interests</strong></td>
<td>7,947</td>
<td>6,319</td>
<td>7,705</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>6,158</td>
<td>6,314</td>
<td>6,675</td>
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<td><strong>Amortization of goodwill</strong></td>
<td>219</td>
<td>65</td>
<td>82</td>
</tr>
<tr>
<td><strong>Exchange (gains)/losses</strong></td>
<td>(13)</td>
<td>(13)</td>
<td>230</td>
</tr>
<tr>
<td><strong>Gain or loss on sales of investment securities</strong></td>
<td>(88)</td>
<td>(69)</td>
<td></td>
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<tr>
<td><strong>Increase (decrease) in allowance for doubtful accounts</strong></td>
<td>(1)</td>
<td>(1)</td>
<td>45</td>
</tr>
<tr>
<td><strong>Increase (decrease) in accrued bonuses to employees</strong></td>
<td>(115)</td>
<td>(77)</td>
<td>1,219</td>
</tr>
<tr>
<td><strong>Increase (decrease) in retirement benefit liabilities</strong></td>
<td>(6)</td>
<td>(6)</td>
<td>142</td>
</tr>
<tr>
<td><strong>Increase (decrease) in accrued retirement benefits to directors</strong></td>
<td>14</td>
<td>50</td>
<td>(34)</td>
</tr>
<tr>
<td><strong>Increase (decrease) in allowance for stock benefit for directors</strong></td>
<td>92</td>
<td>(3)</td>
<td>50</td>
</tr>
<tr>
<td><strong>Increase (decrease) in provision of accrued bonuses to directors</strong></td>
<td>(47)</td>
<td>(42)</td>
<td>87</td>
</tr>
<tr>
<td><strong>Loss on sale and disposition of property, plant, and equipment</strong></td>
<td>402</td>
<td>311</td>
<td>(198)</td>
</tr>
<tr>
<td><strong>Impairment losses of fixed assets</strong></td>
<td>39</td>
<td>48</td>
<td></td>
</tr>
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<td><strong>Increase (decrease) in notes and accounts receivable</strong></td>
<td>616</td>
<td>1,505</td>
<td>1,796</td>
</tr>
<tr>
<td><strong>Increase (decrease) in inventory</strong></td>
<td>187</td>
<td>1,390</td>
<td>(2,740)</td>
</tr>
<tr>
<td><strong>Increase (decrease) in other current assets</strong></td>
<td>289</td>
<td>21</td>
<td>(243)</td>
</tr>
<tr>
<td><strong>Increase (decrease) in accounts payable</strong></td>
<td>882</td>
<td>(1,071)</td>
<td>1,976</td>
</tr>
<tr>
<td><strong>Increase (decrease) in other current liabilities</strong></td>
<td>819</td>
<td>608</td>
<td>(575)</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>100</td>
<td>59</td>
<td>(151)</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>16,515</td>
<td>11,082</td>
<td>9,464</td>
</tr>
<tr>
<td><strong>Interest and dividend income received</strong></td>
<td>183</td>
<td>135</td>
<td>176</td>
</tr>
<tr>
<td><strong>Interest expenses paid</strong></td>
<td>(1,094)</td>
<td>(1,053)</td>
<td>(1,116)</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td>15,329</td>
<td>10,024</td>
<td>8,280</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Payments for purchase of property, plant and equipment</strong></td>
<td>6,552</td>
<td>2,670</td>
<td>(3,478)</td>
</tr>
<tr>
<td><strong>Proceeds from sales of property, plant and equipment</strong></td>
<td>29</td>
<td>116</td>
<td>337</td>
</tr>
<tr>
<td><strong>Payments for purchase of intangible assets</strong></td>
<td>(100)</td>
<td>(84)</td>
<td>(220)</td>
</tr>
<tr>
<td><strong>Payments for purchase of investments in securities</strong></td>
<td>(1,790)</td>
<td>(151)</td>
<td>(23)</td>
</tr>
<tr>
<td><strong>Proceeds from sales of investments in securities</strong></td>
<td>716</td>
<td>207</td>
<td></td>
</tr>
<tr>
<td><strong>Increase (decrease) in time deposits, net</strong></td>
<td>6</td>
<td>126</td>
<td>112</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>159</td>
<td>267</td>
<td></td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td>(9,065)</td>
<td>(2,570)</td>
<td>(2,236)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Increase (decrease) in short-term borrowings, net</strong></td>
<td>(1,116)</td>
<td>(35)</td>
<td>(6,165)</td>
</tr>
<tr>
<td><strong>Proceeds from long-term borrowings</strong></td>
<td>2,423</td>
<td>2,502</td>
<td>11</td>
</tr>
<tr>
<td><strong>Repayment of long-term borrowings</strong></td>
<td>(2,865)</td>
<td>(1,561)</td>
<td>(2,790)</td>
</tr>
<tr>
<td><strong>Proceeds from issuance of bonds</strong></td>
<td>6,683</td>
<td>1,930</td>
<td>(474)</td>
</tr>
<tr>
<td><strong>Payments for redemption of bonds</strong></td>
<td>(714)</td>
<td>(237)</td>
<td>(1,171)</td>
</tr>
<tr>
<td><strong>Cash dividends paid</strong></td>
<td>(2,078)</td>
<td>(1,977)</td>
<td>(1,117)</td>
</tr>
<tr>
<td><strong>Proceeds from sales of treasury stock</strong></td>
<td>10</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td><strong>Payments for acquisition of treasury stock</strong></td>
<td>5,220</td>
<td>1,784</td>
<td>(112)</td>
</tr>
<tr>
<td><strong>Cash dividends paid to non-controlling interests</strong></td>
<td>(18)</td>
<td>(1)</td>
<td>(112)</td>
</tr>
<tr>
<td><strong>Payments for acquisition of treasury stock</strong></td>
<td>268</td>
<td>75</td>
<td>—</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>(576)</td>
<td>(856)</td>
<td></td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td>(11,521)</td>
<td>(11,571)</td>
<td>777</td>
</tr>
<tr>
<td><strong>Effect of exchange rate changes on cash and cash equivalents</strong></td>
<td>117</td>
<td>164</td>
<td>1,706</td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash and cash equivalents</strong></td>
<td>5,041</td>
<td>15,308</td>
<td>33,364</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the beginning of the period</strong></td>
<td>12,756</td>
<td>17,050</td>
<td>27,808</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the end of the period</strong></td>
<td>17,835</td>
<td>32,358</td>
<td></td>
</tr>
</tbody>
</table>

## Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>FY2019</th>
<th>FY2020</th>
<th>(Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and cash equivalents at the end of the period</strong></td>
<td>17,835</td>
<td>32,358</td>
<td>27,808</td>
</tr>
</tbody>
</table>

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

# Of Stakeholders

# Governance 

# Financial Results

# Sustainability

# Data Source
Corporate Data / Stock Information

**Corporate Data** (as of December 31, 2021)

<table>
<thead>
<tr>
<th>Name</th>
<th>KITZ CORPORATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head Office</td>
<td>1-10-1 Rokasai, Mihama-ku, Chiba-shi, Chiba Prefecture 261-8577, Japan</td>
</tr>
<tr>
<td>URL</td>
<td><a href="https://www.kitz.com/english/">https://www.kitz.com/english/</a></td>
</tr>
<tr>
<td>Established</td>
<td>January 26, 1911</td>
</tr>
<tr>
<td>Capital</td>
<td>¥21,207,848,670</td>
</tr>
<tr>
<td>Fiscal Year-end</td>
<td>December</td>
</tr>
<tr>
<td>Stock Exchange Listing</td>
<td>First Section of Tokyo Stock Exchange (Prime Market from April 4, 2022) Code: 6498</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>1,396 (Non-consolidated basis)</td>
</tr>
<tr>
<td>Business Activities</td>
<td>Manufacturing and sales of valves, other flow control devices and related products</td>
</tr>
<tr>
<td>Independent Auditor</td>
<td>Ernst &amp; Young ShinNihon LLC</td>
</tr>
</tbody>
</table>

**Stock Information** (as of December 31, 2021)

| Total Number of Authorized Shares | 400,000,000 shares |
| Shares Issued and Outstanding    | 90,120,070 shares |
| Number of Shareholders           | 12,599 |
| General Meeting of Shareholders  | March |
| Reference Dates                  | Date of resolution of meeting of shareholders: December 31 |
|                                  | Year-end dividend: December 31 |
|                                  | Interim dividend: June 30 |
| Public Announcement Method       | In addition, a public announcement will be made in advance as necessary |
| Share Unit Number                | 100 Shares |

**Major Shareholders (top 10)**

<table>
<thead>
<tr>
<th>Name</th>
<th>Shareholdings (thousands)</th>
<th>Percent of total shares issued (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Master Trust Bank of Japan, Ltd.</td>
<td>8,726</td>
<td>9.68</td>
</tr>
<tr>
<td>Kitazawa-kai Stock Ownership Plan</td>
<td>4,710</td>
<td>5.23</td>
</tr>
<tr>
<td>Nippon Life Insurance Company</td>
<td>4,920</td>
<td>4.78</td>
</tr>
<tr>
<td>Custody Bank of Japan, Ltd.</td>
<td>3,530</td>
<td>3.92</td>
</tr>
<tr>
<td>SUMITOMO LIFE INSURANCE COMPANY</td>
<td>3,416</td>
<td>3.79</td>
</tr>
<tr>
<td>Kitazawa Ikueikai Foundation</td>
<td>3,411</td>
<td>3.79</td>
</tr>
<tr>
<td>KITZ Corporation Trading Partner Stock Ownership Plan</td>
<td>3,204</td>
<td>3.56</td>
</tr>
<tr>
<td>Sumitomo Mitsui Banking Corporation</td>
<td>2,953</td>
<td>2.83</td>
</tr>
<tr>
<td>KITZ Corporation Employee Stock Ownership Plan</td>
<td>2,069</td>
<td>2.30</td>
</tr>
<tr>
<td>SECOM General Insurance Co., Ltd.</td>
<td>1,702</td>
<td>1.89</td>
</tr>
</tbody>
</table>

**Stock Price Information**

- **Share Unit Number**: 100 Shares
- **Total Number of Authorized Shares**: 400,000,000 shares
- **Shares Issued and Outstanding**: 90,120,070 shares

**Composition of Shareholders**

- **Treasury stock**: 0.1%
- **Financial instruments business operators**: 0.1%
- **Other domestic companies**: 12.7%
- **Foreign investors**: 17.3%
- **Individuals and others**: 33.5%
- **Financial institutions**: 15.1%
- **Treasury stock**: 0.3%
- **Other domestic companies**: 13.7%

**Outdoor Signboards of KITZ**

To increase name recognition, KITZ installed company advertising signboards at Tokyo Dome, JR Tokyo Station, JR Kaihin Makuhari Station and JR Makuhari Hongo Station, etc. We are carrying out company PR activities mainly in the Tokyo metropolitan area.

The advertisement depicts the image of a child passing through a valve, heading toward a bright future full of hope. The advertising copy "KITZ Valves, link to the future." expresses the message that valves are essential in the journey toward a bridge future, and the desire that KITZ will become indispensable toward achieving a sustainable society.

**KITZ Website**

Please access our website for smartphones that has been designed using large buttons for the main menu and is easy to browse.

**Corporate PR Character**

**Name**: Kikumaru  
**Date of birth**: October 3, 2007  
**Gender**: N/A  
**Personality**: Sincere and honest, Active, and full of the spirit of challenge, but sometimes clumsy.

Kikumaru is a PR character, designed around the motif of the Chrysanthemum-Handle* (see Page 28 Focus), created to improve the KITZ corporate brand. The character is used at trade expo booths and in sales promotion tools, and is also actively utilized in all manner of promotional situations as a corporate PR character.