

FY2022 Results Presentation

KITZ CORPORATION
February 2023

The forecast data presented herein reflects assumed results based on conditions that are subject to change. KITZ Corporation does not make representations as to, or warrant, in whole or in part, the attainment or realization of any of the forecasted results presented in this document. Numerical figures presented herein are rounded down.

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1 FY2022 Financial Results

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Summary of FY2022 Financial Results

Sales

¥159.9 Billion

YoY : +17.8%

vs. Plan : +1.9%

- Record-high Sales
- Valve Manufacturing Business
Increased by 17.3% YoY on the back of price revisions, strong performance in Semiconductor Equipment, recovery in the Americas and ASEAN markets, and forex effects
- Brass Bar Manufacturing Business
Increased by 18.8% YoY led by higher sales prices from higher raw material prices and sales volume growth

Operating Income

¥11.0 Billion

YoY : +22.9%

vs. Plan : +5.3%

- Valve Manufacturing Business
Increased by 23.9% YoY due to strong performance in Semiconductor Equipment and profit growth from sales growth in Japan and overseas followed by the market recovery
- Brass Bar Manufacturing Business
Decreased by 66.6% YoY as a result of a defect in furnace renewal work in Q1, a decline in sales prices due to a sharp drop in raw material prices, and higher energy costs in Q3

ROE

10.0%

YoY : +3.6P

vs. Plan : +1.0P

- FY2021 Result : 6.4%

Annual Dividend

¥33 per share

YoY : ¥+13

- Record high dividend with a further ¥2 increase in year-end
- Dividend payout ratio: 34.6%

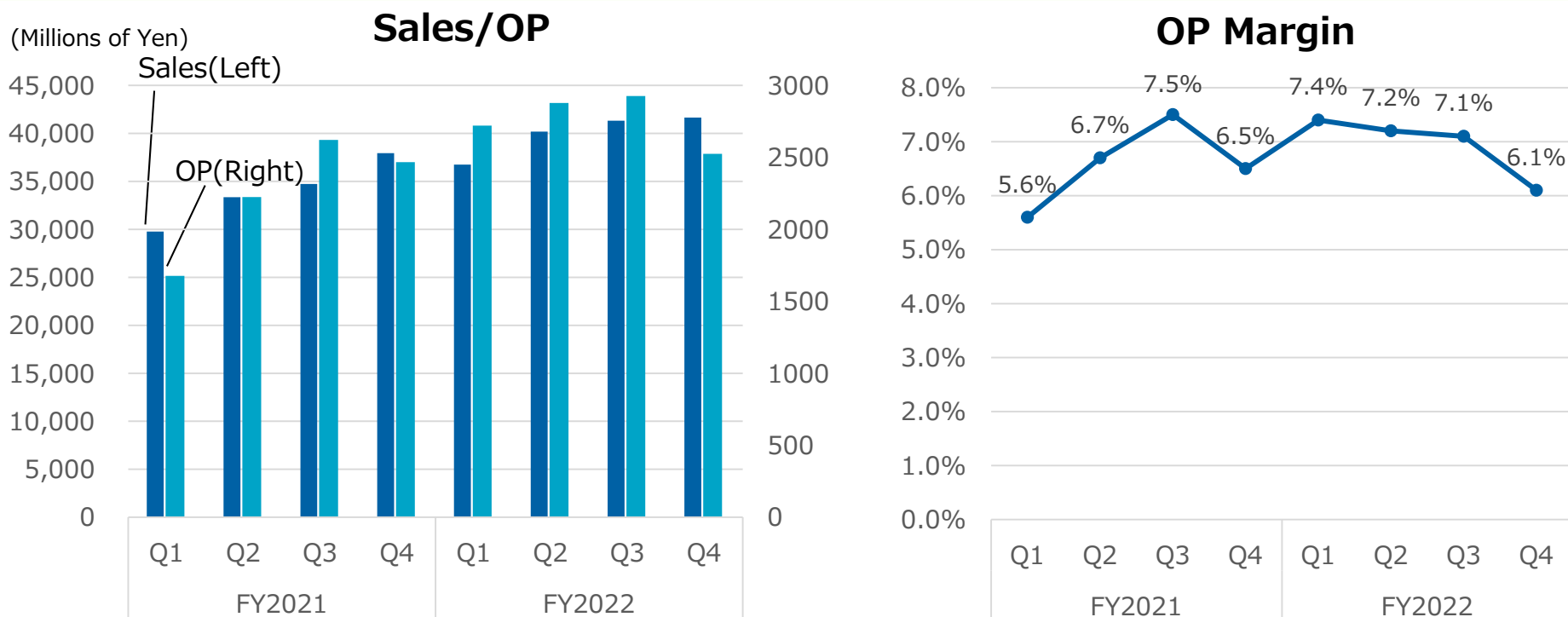
FY2022 Results

(Millions of Yen)

	FY2021 Results	FY2022 Plan	FY2022 Results	YoY Change		vs. Plan	
Sales	135,790	157,000	159,914	24,124	17.8%	2,914	1.9%
Valve Manufacturing	106,754	123,000	125,189	18,434	17.3%	2,189	1.8%
Brass Bar Manufacturing	27,366	32,000	32,513	5,146	18.8%	513	1.6%
Operating Income	8,990	10,500	11,051	2,060	22.9%	551	5.3%
%	6.6%	6.7%	6.9%				
Valve Manufacturing	12,088	14,400	14,980	2,892	23.9%	580	4.0%
Brass Bar Manufacturing	665	100	222	(443)	(66.6%)	122	122.5%
Ordinary Income	8,975	11,450	12,045	3,070	34.2%	595	5.2%
%	6.6%	7.3%	7.5%				
Net Income Attributable to Owners of the Parent	4,954	7,700	8,549	3,595	72.6%	849	11.0%
%	3.6%	4.9%	5.3%				
Yen / US Dollar	110.39	133.31	132.09				
Yen / Euro	130.36	138.03	138.49				
Electrolytic Copper, Yen/ton	1,067,000	1,178,750	1,194,750				

*Note : Total Sales and Operating Income include other segment and adjustment.

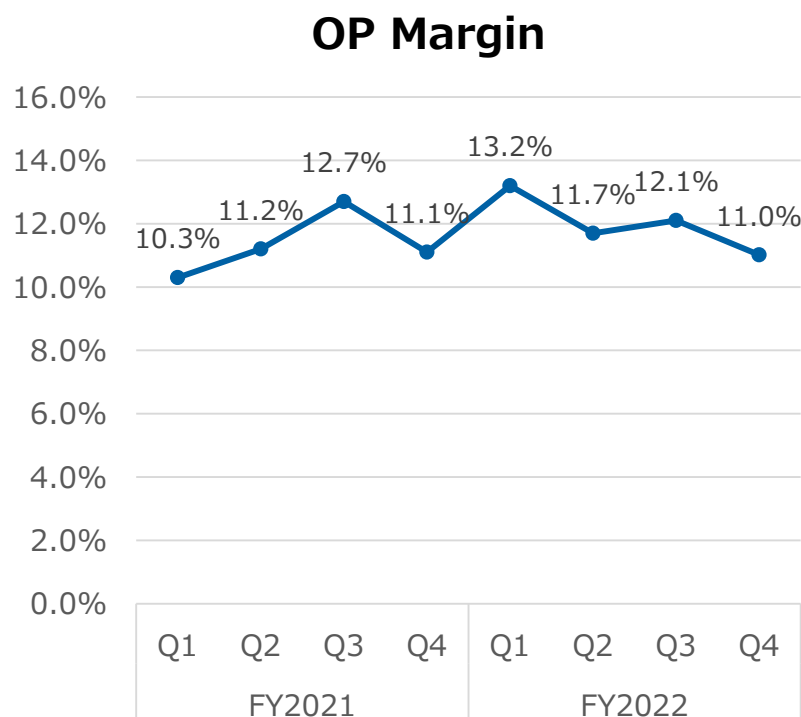
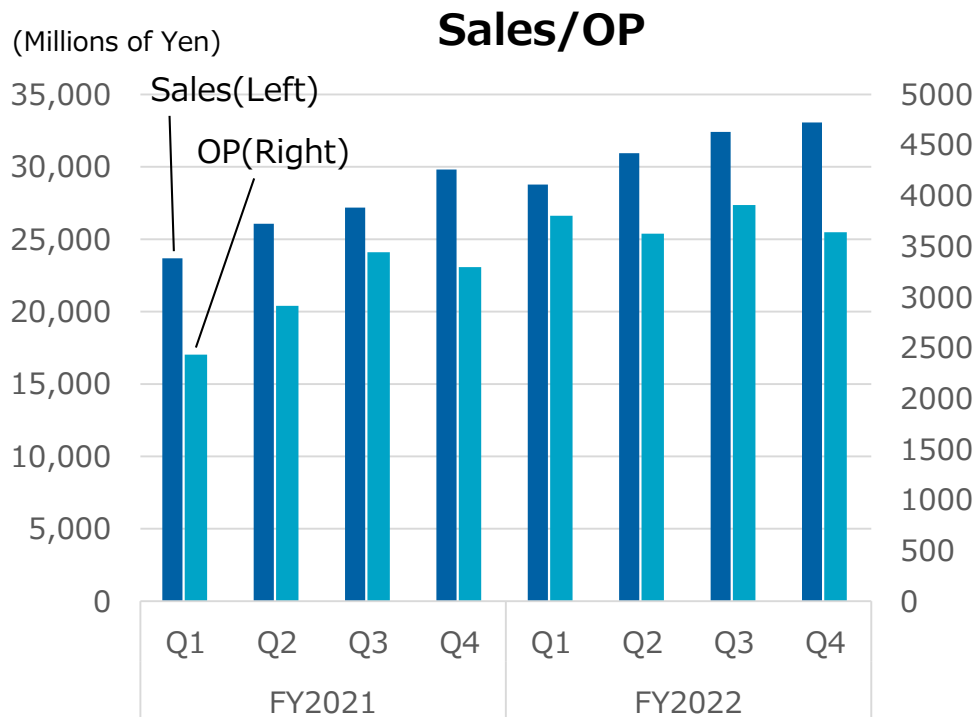
Quarterly Results (Consolidated)



(Millions of Yen)

	FY2021				FY2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	29,772	33,345	34,729	37,942	36,750	40,182	41,327	41,654
Operating Income	1,677	2,224	2,621	2,467	2,721	2,878	2,926	2,525
Ordinary Income	1,694	2,263	2,706	2,310	2,832	3,300	3,331	2,580
Net Income	918	1,144	1,764	1,126	1,866	2,280	2,341	2,061
OP Margin	5.6%	6.7%	7.5%	6.5%	7.4%	7.2%	7.1%	6.1%

Quarterly Results (Valve Manufacturing)



(Millions of Yen)

	FY2021				FY2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	23,683	26,073	27,184	29,812	28,773	30,936	32,416	33,063
Operating Income	2,433	2,914	3,443	3,296	3,803	3,626	3,908	3,641
OP Margin	10.3%	11.2%	12.7%	11.1%	13.2%	11.7%	12.1%	11.0%

Valve Manufacturing Business Results

– by Market –

- Sales of Building & Facilities slowed due to inventory backlogs in the distribution channel, partly caused by construction delays. Petrochemicals and Water Treatment were on track. Machinery & Equipment slightly fell short of the plan.
- Semiconductor Equipment and Semiconductor Materials achieved the annual plan with strong sales.
- Fine Chemicals focused on market analysis and new product development as a medium-to-long term growth area.
- Hydrogen & Clean Energy focused on winning projects and received 5 orders and offers.

(Billions of Yen)

		FY2021	FY2022	FY2022 Results					Progress
		Results	Plan	Q1	Q2	Q3	Q4	Total	
Core	Building & Facilities	22.9	29.4	7.0	7.3	7.6	7.1	29.0	98.6%
	Petrochemicals	23.7	26.7	6.3	6.9	7.8	7.1	28.2	105.6%
	Water Treatment	7.7	8.0	1.6	2.2	2.6	2.7	9.1	113.9%
	Machinery & Equipment	11.1	11.5	2.8	2.8	2.7	2.7	11.0	95.5%
Growth	Semiconductor Equipment	17.1	20.9	4.7	5.1	5.4	6.2	21.5	103.0%
	Semiconductor Materials (Filters)	3.7	4.3	1.0	1.1	1.2	1.2	4.5	105.0%
	Fine Chemicals	1.7	1.9	0.3	0.6	0.7	0.9	2.5	133.1%
	Hydrogen & Clean Energy	1.1	0.9	0.3	0.2	0.2	0.2	0.9	101.2%
Others		17.7	19.4	4.6	4.7	4.5	4.6	18.4	95.0%
Total		106.8	123.0	28.8	30.9	32.7	32.8	125.1	101.8%

Note 1: The disclosed results have been classified into the target markets outlined in Medium-Term Management Plan since FY2022.

Note 2: Since figures are shown in units of billion yen, totals may not align to the calculation.

Valve Manufacturing Business Results

– by Area –

- Japan: Despite slowdown in sales for Building & Facilities, price revisions contributed to sales increase. Semiconductor Equipment also stayed strong.
 - ASEAN: Sales increased due to recovery from the pandemic. Strong Semiconductor Equipment sales in South Korea.
 - China: Economy slowed due to stagnation in the real estate industry and the zero-COVID policy although the impact of the lockdown in Shanghai was minor.
 - Americas: Sales for Petrochemicals, etc. remained strong in addition to the favorable forex rate.
 - Europe: Despite economic downturn due to Russia's invasion of Ukraine, the results have improved on a year-over-year basis.
- *Forex impact on increase in overseas sales (YoY): + 5,956 million yen

(Billions of Yen)

	FY2021 Results					FY2022 Results					YoY Change	
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total		
Japan	15.3	16.8	16.9	18.4	67.3	17.3	18.1	18.4	19.0	72.8	5.4	8%
Overseas Total	8.4	9.3	10.3	11.4	39.4	11.4	12.8	13.9	14.1	52.3	13.0	33%
ASEAN, Korea and other	3.2	3.3	3.9	3.8	14.2	4.4	5.2	5.3	4.8	19.6	5.4	38%
China	2.0	2.4	2.9	3.4	10.9	2.3	2.4	2.8	3.2	10.8	(0.1)	(1%)
Middle East	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.5	0.5	1.2	5.4	198%
Asia Total	5.3	5.8	7.0	7.3	25.5	6.8	7.7	8.5	8.5	31.6	6.1	24%
Americas (North and South America)	2.4	2.7	2.5	3.0	10.5	3.6	3.9	4.6	4.7	16.7	6.2	59%
Europe, etc.	0.7	0.8	0.8	1.0	3.3	0.8	1.0	1.0	1.1	4.0	0.7	21%

Note : Since figures are shown in units of billion yen, totals may not align to the calculation.

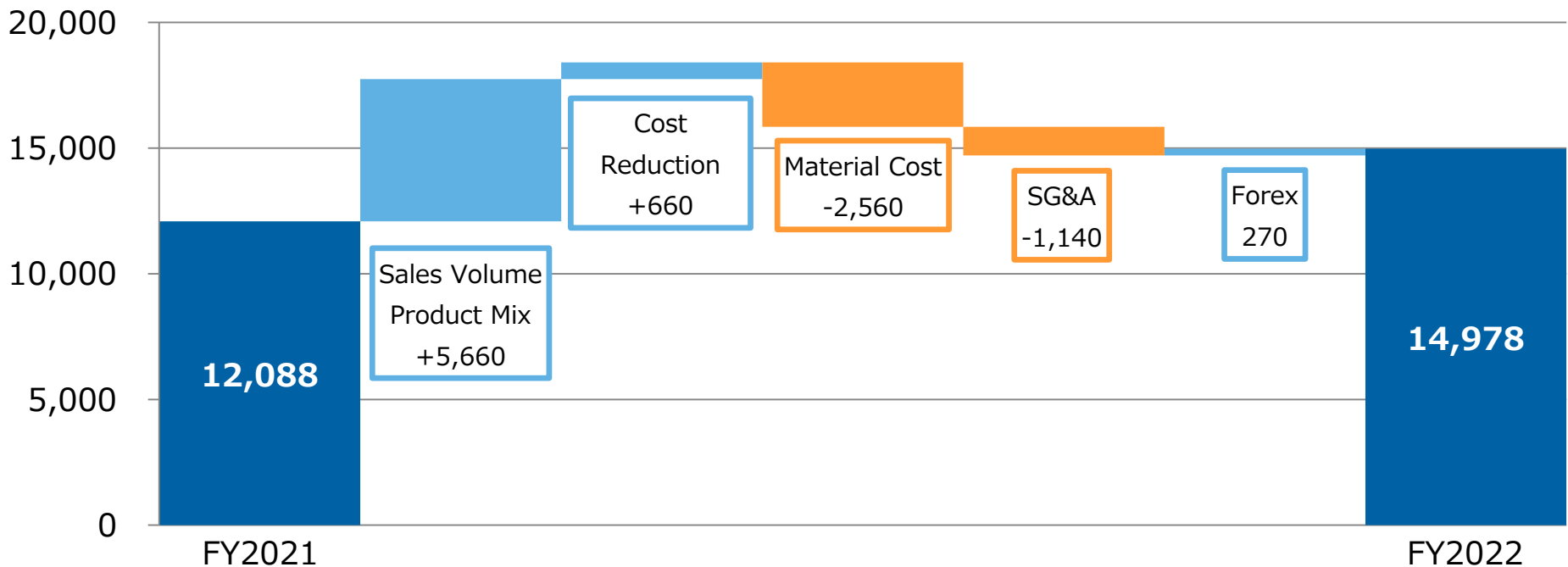
Valve Manufacturing Business Results

– Operating Profit Analysis by Factors–

(Millions of Yen)

	FY2021 Results	FY2022 Plan	FY2022 Results	YoY Change		vs. Plan	
Sales	106,754	123,000	125,189	18,434	17.3%	2,189	1.8%
Operating Income	12,088	14,400	14,980	2,892	23.9%	580	4.0%

(Millions of Yen)



Brass Bar Manufacturing Business

- Production and sales volumes remained at high levels. Raw material prices, which affect sales prices, rose again after falling sharply in early July. Sales increased 18.8% YoY to 32,513 million yen.
- Operating income recovered from Q3 while declining 66.6% YoY to 222 million yen due to rising energy cost, etc.

(Millions of Yen)

	FY2021 Results	FY2022 Plan	FY2022 Results	YoY Change		vs. Plan	
Sales	27,366	32,000	32,513	5,146	18.8%	513	1.6%
Operating Income	665	100	222	(443)	(66.6%)	122	122.5%
Electrolytic Copper, Yen / ton	1,067,000	1,178,750	1,194,750				



Brass products



Manufacturing equipment

Major Management Indicators

(Millions of Yen)

	Consolidated	
	FY2021 Results	FY2022 Results
Sales	135,790	159,914
Operating Income	8,990	11,051
Ordinary Income	8,975	12,045
Net Income Attributable to Owners of the Parent	4,954	8,549
Overseas Sales Ratio	30.4%	34.7%
Overseas Sales Ratio in Valve Manufacturing Business	36.9%	41.8%
Interest Bearing Debt	39,710	38,386
Equity Ratio	56.0%	59.0%
ROE	6.4%	10.0%
BPS	896.55円	1,002.69円
EPS	55.26円	95.35円



1 FY2022 Financial Results

2 Progress of 1st Medium-term
Management Plan 2024
and FY2023 Plan

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Summary of FY2023 Plan

Sales 167.0 Billion

YoY : +4.4%

Operating Income 11.9 Billion

YoY : +7.7%

ROE more than 9%

Annual Dividend ¥33 per share

Equal to Previous FY

■ Dividend Payout Ratio 34.4%

"ROIC × ESG" Management

Aim to enhance both corporate value and social value

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

■ ROIC

- Through ROIC tree, make all employees perceive their role and contribution to the company
- Aim to minimize inventory and receivables turnover and maximize profits considering asset efficiency
- Identify and improve unprofitable products (cost reduction, product integration & discontinuation, price raise)
- Invest actively in growth areas and harvest speedily



■ ESG (Sustainability Management)

- Protect the environment through "Triple Zero" and target environmental businesses sector
- Consider employees as capital, and create an environment to improve their capabilities and engagement
- Take reasonable risks and mitigate risks that exceed our tolerance
- Build a management system that is transparent and capable of quick decision-making

Management Indicators

- Net sales exceeded the plan as a result of material price hikes, price revisions, and forex effects.
- Operating income achieved the plan despite rising costs for raw materials, purchased parts, and energy.
- Non-financial KPIs also made steady progress from the previous year toward the FY2024 target.

(Billions of Yen)

Management Indicators		FY2022	
		Plan	Results
Financial Targets	Net Sales	143.0	159.9
	Valve	112.2	125.1
	Brass Bar	29.0	32.5
	Other	1.8	2.2
	Operating Income	10.0	11.0
	Valve	13.3	14.9
	Brass Bar	0.8	0.2
	Other	0.0	0.0
	Adjustment	(4.1)	(4.2)
	ROE	7.6%	10.0%

Management Indicators		FY2021	FY2022
		Plan	Results
Non-financial Targets	CO2 reduction rate (compared to FY2013, domestic group)	(28.1%)^{*2}	(65%) (provisional figure)
	Employee Engagement Score		
	Rewarding work culture ^{*3}	48pt	48pt
	Better work environment ^{*4}	43pt	44pt
	Percentage of women employees	21.7%	22.0%
	Percentage of women managers^{*5}	3.4%	3.4%
	Percentage of men taking childcare leave^{*1}	29.0%	35.3%

※1 KITZ(non-consolidated) excluding CO₂ reduction rate

※2 Replaced FY2020 results with FY2021 results (final figures, -26.9% to -28.1%)

※3 Scores on questions measuring willingness to contribute toward goals, sense of belonging, voluntary effort, etc.

※4 Scores on questions measuring opportunities to utilize skills and abilities, and a better work environment, etc.

※5 Managers: employees of the department manager

Revision of Quantitative targets In Medium-term Management Plan

(Millions of Yen)

Sales	FY2022			FY2023	FY2024	
	Initial Plan (Announced in Feb. 2022)	Revised Plan (Announced in Nov. 2022)	Results	Plan (Announced in Feb. 2023)	Initial Plan (Announced in Feb. 2022)	Revised Plan (Announced in Feb. 2023)
Valve	112,200	123,000	125,189	134,700	118,500	136,600
Brass Bar	29,000	32,000	32,513	30,000	29,500	31,000
Other	1,800	2,000	2,212	2,300	2,000	2,400
Total	143,000	157,000	159,914	167,000	150,000	170,000

(Millions of Yen)

Operating Income	FY2022			FY2023	FY2024	
	Initial Plan (Announced in Feb. 2022)	Revised Plan (Announced in Nov. 2022)	Results	Plan (Announced in Feb. 2023)	Initial Plan (Announced in Feb. 2022)	Revised Plan (Announced in Feb. 2023)
Valve	13,300	14,400	14,980	16,400	15,100	17,000
Brass Bar	800	100	222	400	1,000	800
Other	0	0	68	70	100	100
Adjustment	(4,100)	(4,000)	(4,219)	(4,970)	(4,200)	(4,900)
Total	10,000	10,500	11,051	11,900	12,000	13,000

ROE	FY2022			FY2023	FY2024	
	Initial Plan (Announced in Feb. 2022)	Revised Plan (Announced in Nov. 2022)	Results	Plan (Announced in Feb. 2023)	Initial Plan (Announced in Feb. 2022)	Revised Plan (Announced in Feb. 2023)
	7.6%	9.0%	10%	more than 9%	more than 8%	more than 9%

Economic Trend

- 2022
 - Rising costs (food and energy, semiconductor shortages, material and logistics)
 - China issues (supply chain disruption due to COVID-19 restrictions, U.S.-China economic confrontation, ongoing economic security)
 - Emerging geopolitical risks (Russia/Ukraine and Taiwan issues, etc.)
- 2023
 - Economic uncertainties worldwide, such as risks of economic slowdown from rising inflation and interest rates, as well as forex fluctuations
 - Manufacturers returning to the domestic market due to supply chain issues and economic security
 - Trend toward wage hikes in response to historically high prices, led by the government and the business community as a whole
 - Expectation of gradual economic recovery following removal of COVID-19 restrictions on economic and social activities

Medium- and Long-term Business Environment

- The semiconductor market is slowing down. The outlook is uncertain, but recovery and expansion are expected in the medium term.
- Price competition intensifies due to improved product quality and overseas market development of China and India.
- Declining workforce, rising wages, and DX efficiencies will accelerate automation.
- Investments in data centers and large-scale redevelopment in the Tokyo metropolitan area will continue.
- Capital investment declines due to refinery consolidation and steel mill blast furnace shutdowns. Demand for maintenance will increase due to aging of plants.
- Business structure changes related to ESG investment. Demand for functional chemicals, hydrogen, and decarbonization will increase.

1. Building & facilities



Investments decreased due to the global economic slowdown. Housing construction in Japan are declining, but redevelopment projects in the Tokyo metropolitan area are continuing. Overseas government-related investments and data center construction investments are still active.

Key Measures and Results for FY2022

Business Environment

- Active investment in data center projects worldwide
- Decreased investment in building and facilities due to economic stagnation
- Review of investment plans due to supply chain disruptions

(Data center)

- Securing projects with flexible delivery time using strategic inventory

(Overseas building and facilities)

- Improvement of KITAZAWA brand lineup and supply system
- Launch of products to meet the needs for simplified installation



Groove End Butterfly Valve

(Distribution inventory)

- Inventory backlog in the distribution channel for domestic building and facility due to construction project delays caused by supply delivery delays

Key Measures for FY2023

Business Environment

- Ongoing active investment in data centers project
- Increased redevelopment projects mainly in the Tokyo metropolitan area
- New investments to avoid geopolitical risks (China, Russia)

- Expand regionally-contained business in China and ASEAN
- Capture demand in the data center market
 - Utilizing strategic inventory for short delivery times
- Product development for changes in piping construction methods and materials, as well as automation and smart technology

Sales Target (Billion Yen)	FY2021 Results	FY2022 Plan	FY2022 Results	FY2023 Plan
	22.9	29.4	29.0	29.4

2. Petrochemicals



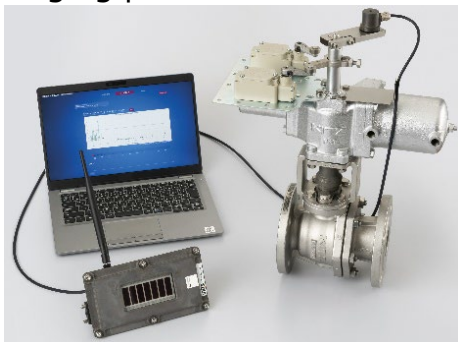
Business restructuring is driven by the global trend toward decarbonization and the supply-demand imbalance caused by the Russia/Ukraine issue. In emerging countries, investment is expected to increase over the medium to long term due to rising demand from economic growth. In developed countries, investment in demonstration plants for decarbonization and chemical recycling is expected to increase.

Key Measures and Results for FY2022

Business Environment

- Shift in energy policy due to issues in Russia and Ukraine
- Petrochemical market restructuring and downsizing toward low-carbon emission
- Continued demand growth in emerging and developing countries, but limited investment

- Strong sales in the North American market
- Decline in capital investment due to refinery consolidation and blast furnace shutdowns at steel mills in Japan
- Start of valve trouble prevention solution service in response to increased maintenance demand from aging plants.



"KISMOS" - Preventive Solution for Valve Problems

Key Measures for FY2023

Business Environment

- Multiple government-related investment plans in ASEAN
- Investment in fertilizer plants and waste plastic recycling as environmental measures
- Growing demand for preventive maintenance due to maintenance and manpower saving in domestic plants

- API Certified product lineup for the North American market
- Expansion toward KISMOS commercialization
 - Obtain a formal contract from companies that are currently using KISMOS for evaluation purposes
 - Expansion of contracted companies in similar plants
 - Utilize distributors and dealers
- Capture demand for maintenance
Short delivery time, expansion of KESCO business
- Achieve short delivery times for high value-added products by manufacturing Perrin products in Japan

Sales Target (Billion Yen)	FY2021 Results	FY2022 Plan	FY2022 Results	FY2023 Plan
	23.7	26.7	28.2	27.3

3. Water treatment

KITZ

RED-WHITE
TOYO

SGS

KITAZAWA

Despite rising global demand for water infrastructure, price range and certification systems remain barriers to entry. In Japan, demand for replacing old water pipelines and improving earthquake resistance is growing, but customers' budgets are limited. Investment in pure water/ultrapure water plants will continue due to growing demand for semiconductors. Demand for water recycling is also expected to grow for environmental measures.

Key Measures and Results for FY2022

Business Environment

- Postponement of construction and investment by material shortages due to COVID19 restrictions in China
- Increased efforts for safe and secure water supply based on the SDGs

- Promotion of butterfly valves for pure water/ultrapure water treatment systems
- Preparation for launch of Environmental Solution business
- Pureculaser: Expansion of product lineup and reinforcement of maintenance business



Lined Butterfly Valve

TOYO VALVE
Water Treatment System "Pureculaser"

Key Measures for FY2023

Business Environment

- Continued investment in pure water/ultrapure water equipment for semiconductor equipment
- Solid maintenance demand in domestic waterworks
- Increased investment in environmental and sanitation measures mainly in developing countries

- Provide solutions that integrate the KITZ Group's water-related technologies, products, and services
 - ① Pureculaser: High flow rate type release; service system establishment
 - ② Increase butterfly valve/Aqua series sales and capture maintenance demand.
 - ③ Full-scale entry into the groundwater treatment field
- Full-scale entry into the pure water/ultrapure water treatment equipment market
 - ① Launch of PPS Disk Butterfly Valves
 - ② Promote sales of PFA Lined Butterfly Valves

Sales Target (Billion Yen)	FY2021 Results	FY2022 Plan	FY2022 Results	FY2023 Plan
	7.7	8.0	9.1	8.9

4. Machinery & equipment

KITZ

EMGAE[®]
VÁLVULAS INDUSTRIAIS

KITAZAWA

Product supply and parts sourcing in compliance with environmental regulations such as RoHS and REACH are required. Demand for switching to green refrigerants to reduce greenhouse gas emissions continues to grow. High specifications are required for machinery and equipment for the medical, food, battery, and bio industries.

Key Measures and Results for FY2022

Business Environment

- Rising demand for environmental regulations such as RoHS and REACH
- Growing demand for semiconductor manufacturing equipment and special gas manufacturing equipment
- Regulations to reduce greenhouse gas emissions

- Establishment of Machinery Equipment Sales Department
- Launch of explosion-proof actuators



Explosion-Proof Electric Actuator

- Sales expansion of ball valves for refrigeration and food products

Key Measures for FY2023

Business Environment

- Expecting demand for switchover to reduce CFC substitutes from 2024 onward
- Ongoing demand for machinery and equipment for semiconductor manufacturing equipment
- Growing demand for medical/food/secondary battery/biotechnology sectors

- Tighten control of RoHS and REACH restricted substances and expand the range of compliant products
- Deep market research by Machinery Equipment Sales Department
- Development of compact, lightweight, and automated products to meet customer needs
- Expand sales of explosion-proof actuators

Sales Target (Billion Yen)	FY2021 Results	FY2022 Plan	FY2022 Results	FY2023 Plan
	11.1	11.5	11.0	12.6

5. Semiconductor equipment

KITZ SCT

Currently, investment in semiconductors is slowing down, and the outlook of the market is uncertain due to the U.S.-China issues. However, investment is expected to continue in the medium to long term, with sustained growth. It is necessary to increase production capacity, strengthen the R&D system, and enhance overseas sales capabilities to respond flexibly to customer needs.

Key Measures and Results for FY2022

Business Environment

- Strong capital investment by semiconductor manufacturers
- Supply chain breakdown (lockdown in China) causing procurement difficulties
- Decline in investment, mainly in memory and other products

- Record-high sales and profits for semiconductor equipment on the back of strong demand
- Increased production capacity through expansion of clean room and improvement of production efficiency
- Decision to construct a new plant building (Estimated completion in April 2023)



Construction of New factory building

Key Measures for FY2023

Business Environment

- Increased opportunities from rapid expansion of large Fab investments worldwide
- Global diversification of investment projects
- Estimated market recovery is in the second half of FY2023

- Increase market share by establishing a new factory
- Labor saving and automation through renewal of the core system
- Promote development of strategic products for the U.S. market

Sales Target (Billion Yen)	FY2021 Results	FY2022 Plan	FY2022 Results	FY2023 Plan
	17.1	20.9	21.5	24.6

6. Semiconductor materials (filters)

KITZ MICRO FILTER

Filters for semiconductor photoresists (Polyfix) are showing solid growth on the back of strong demand for semiconductors. Customers are requiring higher quality in terms of products, components, and environmental impact.

Key Measures and Results for FY2022

Business Environment

- Strong semiconductor and electronics industry markets
- Significant increase in the cost of purchased parts

- Strong sales and profits supported by strong demand
- CO2 separation membrane: Participation in NEDO project
- Decision to construct a new factory building (Estimated completion in January 2024)



Image of new factory building

Key Measures for FY2023

Business Environment

- Strong demand for polyfix and filters for semiconductor
- Growing demand for higher product quality and lower environmental impact
- More opportunities to enter overseas markets following the easing of COVID-19 restrictions

- Prepare for startup of new plant and obtain customer approval
- Expand sales by establishing technology for miniaturization and promoting customer approval
- CO2 separation membrane: Implement NEDO project

Sales Target (Billion Yen)	FY2021 Results	FY2022 Plan	FY2022 Results	FY2023 Plan
	3.7	4.3	4.5	5.3

7. Fine-chemicals

KITZ



perrin

EMGA
VALVULAS INDUSTRIAIS

Global investment in the pharmaceutical, food, hygiene, and rechargeable battery market is likely to remain strong. Our primary customers, petrochemical industries, are focusing on high-value-added fine chemicals. The product lineup must be expanded to accommodate highly sophisticated processes.

Key Measures and Results for FY2022

Business Environment

- Business restructuring toward decarbonization and expansion of fine chemical market
- Ongoing growth of pharmaceuticals market
- Increased investment in rechargeable battery market

- Analysis of the fine-chemicals market and customer
- Approach to the pharmaceutical market
- Development of diaphragm valves
- Launch of competitive extension bonnet ball valves to the market



Extension bonnet ball valves

Key Measures for FY2023

Business Environment

- Constant investment in pharmaceutical market
- Growing demand for industrial gases
- Increased investment in rechargeable battery market

- Launch of diaphragm valves to the Market
- Expand lined valve product lineup
- Expand sales of extension bonnet ball valves
- Ongoing market research in the pharmaceutical market

Sales Target (Billion Yen)	FY2021 Results	FY2022 Plan	FY2022 Results	FY2023 Plan
	1.7	1.9	2.5	2.8

8. Hydrogen & Clean energy



Demand for clean energy (LNG/ammonia/hydrogen) and renewable energy (biomass/geothermal, etc.) is growing rapidly, driven by the energy transition toward decarbonization and Russia/Ukraine issues. Building a supply chain for a hydrogen society is underway.

Key Measures and Results for FY2022

Business Environment

- Promotion of shift to clean energy for low-carbon emission
- Active LNG-related investment in the U.S. and Europe due to Russia issues
- Emerging international hydrogen supply chain

■ Development of Valves for Liquefied Hydrogen



Large Ball Valve for -253°C Cryogenic Liquefied Hydrogen

- Entry into the green hydrogen energy chain business for local production and local consumption
- Participation in R&D projects (NEDO/JAXA)
- Expansion of the cryogenic valves for LNG product line for overseas markets

Key Measures for FY2023

Business Environment

- Investment plans to utilize H₂/NH₃/CCUS for decarbonization
- More investment plans for growing LNG demand
- Acceleration of testing for hydrogen utilization and international standardization

- Establishment of Hydrogen Business Division
 - Target the hydrogen station market with package units
 - Promote valves for liquefied hydrogen and high-pressure hydrogen
 - R&D projects (NEDO/JAXA) execution
 - Examine maintenance business

Sales Target (Billion Yen)	FY2021 Results	FY2022 Plan	FY2022 Results	FY2023 Plan
	1.1	0.9	0.9	1.9

FY2023 Plan Brass Bar Business

Despite the shrinking trend in existing areas, we will continue to expand sales by cultivating growth areas (automobiles, semiconductors, etc.) and strengthen sales expansion of processed products driven by the change in supply chain and increase profitability through cost reduction.



Key Measures and Results for FY2022

Business Environment

- Decline in faucet-related business, which had been strong due to home-at-stay demand and remodeling
- Inventory reductions at wholesalers in response to soaring copper prices
- Rising energy costs (electricity, gas, etc.)

- Despite industry-wide efforts to improve roll margins, profit fell due to defects in furnace renewal work in Q1, a steep drop in raw material prices in Q3, and higher energy costs such as electricity and gas.
- Improved efficiency and safety by visualizing facility operations.



Key Measures for FY2023

Business Environment

- Shrinking housing-related market (decline in new housing starts)
- Risk of shift to copper substitute materials due to price hikes
- Ongoing rise in electricity, gas, and other energy costs

- Material cost reduction
 - Expand casting line C to 3 furnaces to reduce wear and tear
 - Recycle brass slag
- Entry and sales expansion in growth markets
 - Semiconductor, automobile, construction/heavy /agricultural machinery
- Rationalize and automate operations through DX
 - Production management (production planning) and order-taking task
 - Visualize operation and improve productivity at factories

Sales Target (Billion Yen)	FY2021 Results	FY2022 Plan	FY2022 Results	FY2023 Plan
	19.8	32.0	32.5	30.0

FY2023 Plan

(Millions of Yen)

	FY2022 Results	FY2023 Plan				
		Q1-Q2	Q3-Q4	Total	YoY Change	
Sales	159,914	79,600	87,400	167,000	7,085	4.4%
Operating Income	11,051	5,500	6,400	11,900	848	7.7%
%	6.9%			7.1%		
Ordinary Income	12,045	5,840	6,460	12,300	254	2.1%
%	7.5%			7.4%		
Net Income Attributable to Owners of the Parent	8,549	4,100	4,500	8,600	50	0.6%
%	5.3%			5.1%		
ROE	10.0%	—	—	more than 9%	—	—
BPS(Yen)	1,002.69	—	—	1,062.77	60	6.0%
EPS(Yen)	95.35	—	—	95.91	1	0.5%
Yen/ US Dollar	132.09			128		
Yen/ Euro	138.49			139		
Electrolytic Copper Yen/ton	1,194,750			1,250,000		

FY2023 Plan (By Segment)

(Millions of Yen)

Sales	FY2022 Results			FY2023 Plan		
	Q1-Q2 (First Half)	Q3-Q4 (Second Half)	Total	Q1-Q2 (First Half)	Q3-Q4 (Second Half)	Total
Valve	59,709	65,479	125,189	64,400	70,300	134,700
Brass Bar	16,352	16,160	32,513	14,300	15,700	30,000
Other	870	1,341	2,212	900	1,400	2,300
Total	76,932	82,981	159,914	79,600	87,400	167,000

(Millions of Yen)

Operating Income	FY2022 Results			FY2023 Plan		
	Q1-Q2 (First Half)	Q3-Q4 (Second Half)	Total	Q1-Q2 (First Half)	Q3-Q4 (Second Half)	Total
Valve	7,430	7,550	14,980	7,670	8,730	16,400
Brass Bar	144	77	222	110	290	400
Other	(60)	128	68	(50)	120	70
Adjustment	(1,915)	(2,304)	(4,219)	(2,230)	(2,740)	(4,970)
Total	5,599	5,452	11,051	5,500	6,400	11,900

Valve Manufacturing Business Plan

– by Market –

(Billions of Yen)

		FY2022 Results	FY2023 Plan	YoY Change	
Core	Building & Facilities	29.0	29.4	0.4	1.3%
	Petrochemicals	28.2	27.3	(0.9)	(3.1%)
	Water Treatment	9.1	8.9	(0.2)	(1.9%)
	Machinery & Equipment	11.0	12.6	1.6	14.5%
Growth	Semiconductor Equipment	21.5	24.6	3.0	14.1%
	Semiconductor Materials (Filters)	4.5	5.3	0.8	17.0%
	Fine Chemicals	2.5	2.8	0.3	11.2%
	Hydrogen & Clean Energy	0.9	1.9	1.0	109.6%
Others		18.4	21.9	3.5	19.0%
Total		125.1	134.7	9.5	7.6%

Note1 : The disclosed results have been classified into the target markets outlined in Medium-Term Management Plan since FY2022.

Note2 : Since figures are shown in units of billion yen, totals may not align to the calculation.

Valve Manufacturing Business Plan

– by Area –

(Billions of Yen)

	FY2022 Results	FY2023 Plan	YoY Change	
Japan	72.8	79.5	6.7	9.2%
Overseas Total	52.3	55.2	2.9	5.5%
ASEAN, Korea Middle East and other	19.6	20.1	0.5	2.6%
China	10.8	12.0	1.2	11.1%
India	1.2	1.6	0.4	33.3%
Asia Total	31.6	33.7	2.1	6.6%
Americas (North and South America)	16.7	17.5	0.8	4.8%
Europe, etc.	4.0	4.0	0.0	0.0%

Note : Since figures are shown in units of billion yen, totals may not align to the calculation.

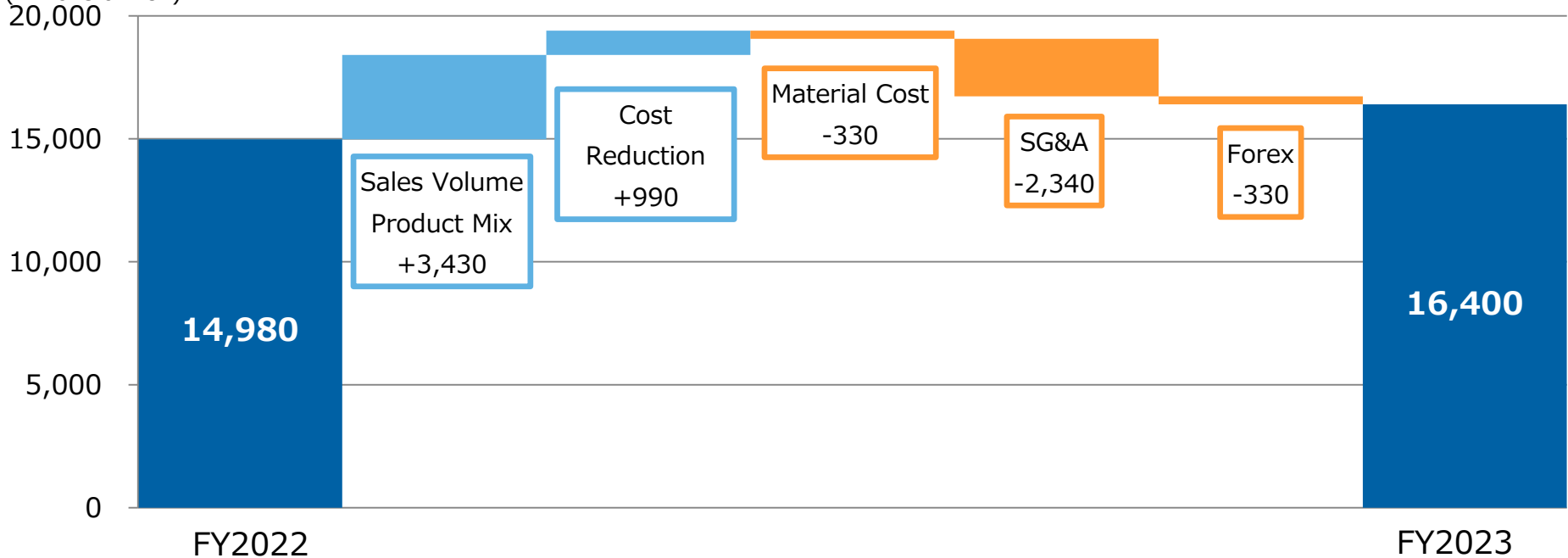
Valve Manufacturing Business Plan

– Operating Income Analysis by Factors–

(Millions of Yen)

	FY2022 Results	FY2023 Plan	YoY Change	
Sales	125,189	134,700	9,510	7.6%
Operating Income	14,980	16,400	1,419	9.5%

(Millions of Yen)



Brass Bar Manufacturing Business Plan

- Assumptive copper price: 1,250 thousand yen/ton (average copper quotation for the previous FY: 1,195 thousand yen/ton)
- Material cost reduction → Expand casting line C to 3 furnaces to reduce wear and tear and recycle brass slag
- Entry and sales expansion in growth markets → Semiconductor, automobile, construction/heavy/agricultural machinery
- Rationalize and automate operations through DX → Production management (production planning), order receipt, and visualize and improve productivity at factories

(Millions of Yen)

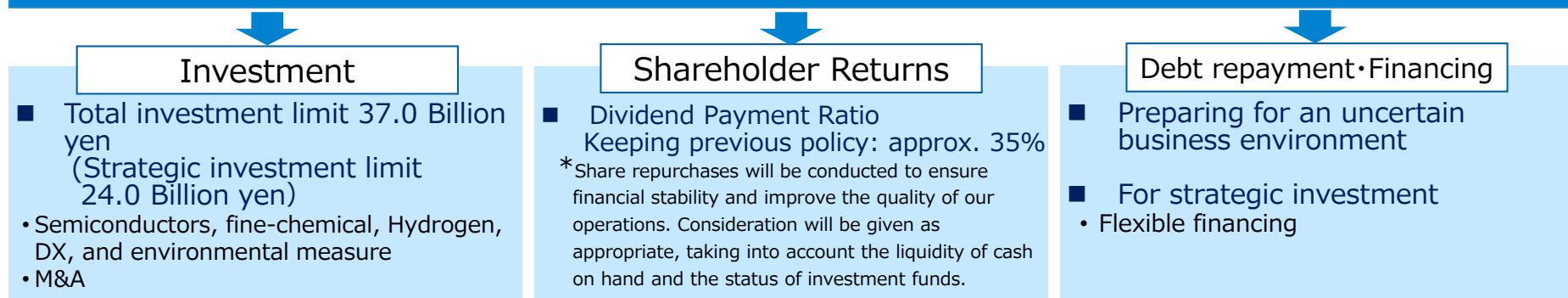
	FY2022 Results	FY2023 Plan	YoY Change	
Sales	32,513	30,000	(2,513)	(7.7%)
Operating Income	222	400	177	79.8%

Financial Strategy and Capital Policy

- To enhance the corporate value, 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 raise necessary funds for future growth and ROE improvement.
- We also aims to enhance our social value by promoting sustainability management through the issuance of Sustainability Linked Bonds.

<p>ROE Target</p> <p>FY2024 : more than 9%</p> <p>FY2030 : more than 10%</p>	<ul style="list-style-type: none"> ■ Introduction of ROIC management : <ul style="list-style-type: none"> ①Profitable improvement ②ROIC Tree deployment and PDCA management ③CCC improvement and asset compression
	<ul style="list-style-type: none"> ■ Proactive strategic investment: Ensuring growth and profitability for the future
	<ul style="list-style-type: none"> ■ Preservation of optimal capital structure and Ensuring borrowing capacity: Flexible financing and risk response capability

Accumulated Operating Cash Flow 38.0 Billion yen (FY2022-2024) Active investment but aiming for free CF above zero



Target of optimal capital structure	<ul style="list-style-type: none"> ■ Risk response capability: Equity Ratio Target 55 to 60 % Commitment line of short-term loans from banks (Current state: 13.5 billion yen) ■ Corporate Bond Rating: Maintain A (Current Rating: R&I → A – [May. 2022]; JCR → A [Nov. 2021]) Preliminary Rating for Corporate Bond Issuance (R&I): A – (20 billion yen; Oct. 2022 – Oct. 2024)
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Shareholder Return

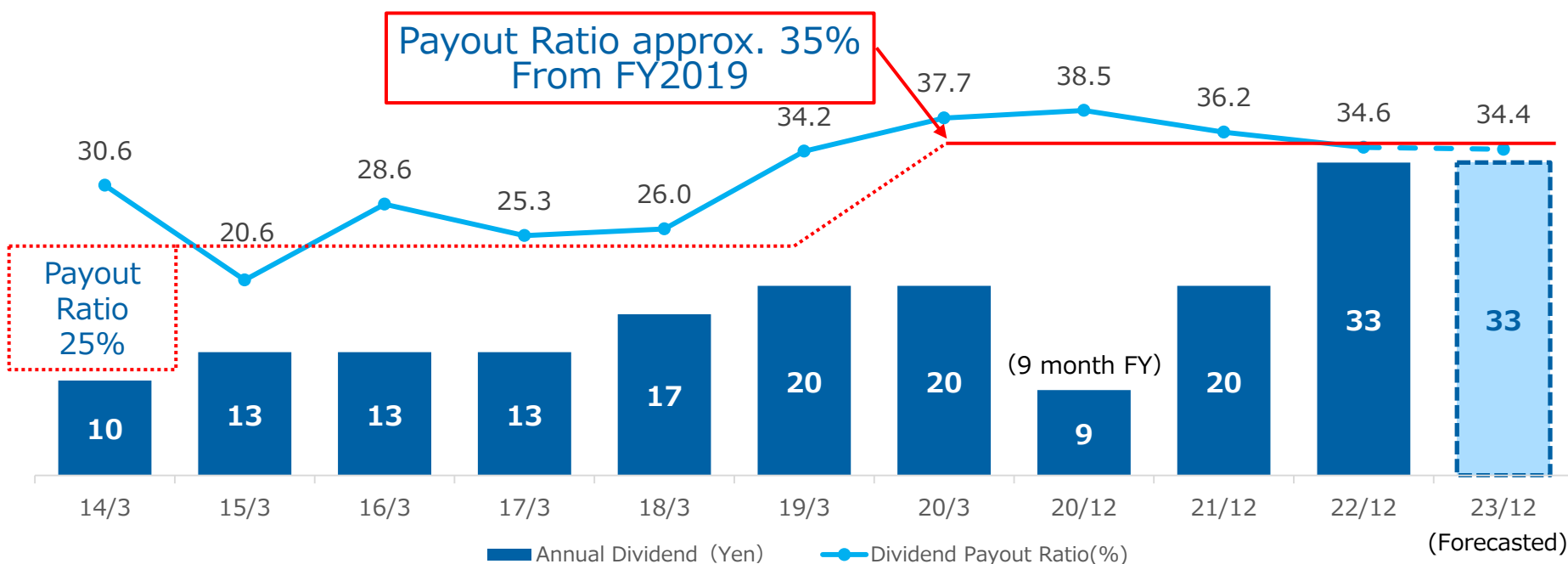
Standard Dividend Payout Ratio

Approx. **35%** of net income attributable to owners of the parent

- Pay adequate attention to the continuity and safety of dividends

- Considering acquisition of treasury stock as appropriate

- FY2022 Results : ¥33 per share (Record high, ¥15 in Q2 and ¥18 in Q4). Consolidated dividend payout ratio was 34.6% of net income attributable to owners of the parent.
- FY2023 Forecast : **¥33 per share** (¥16 in Q2 and ¥17 in Q4)





1 FY2022 Financial Results

2 Progress of 1st Medium-term
Management Plan 2024
and FY2023 Plan

- Appendix -

Non-operating and Extraordinary Income and Loss

(Millions of Yen)

	FY2021 Results	FY2022 Results	YoY Change	Note
Operating Income	8,990	11,051	2,060	
Non-operating Income	931	1,532	600	Forex gains +303 (FY2021:84 → FY2022:387)
Non-operating Expenses	946	538	(408)	Brass bar manufacturing business hedge profit and loss +188 (FY2021:209 → FY2022:21)
Ordinary Income	8,975	12,045	3,070	
Extraordinary Income	102	46	(55)	
Extraordinary Loss	1,372	87	(1,285)	Impairment loss on property, plant and equipment (FY2021: 1,223 → FY2022: -)
Net Income Before Income Taxes and Minority Interests	7,705	12,004	4,299	
Income Taxes	2,614	3,275	661	
Net Income	5,091	8,729	3,638	
Net Income Attributable to the Non-controlling Interests	136	179	42	
Net Income Attributable to Owners of the Parent	4,954	8,549	3,595	

Balance Sheet

Total assets increased by 9,149 million yen due to an increase in both current and fixed assets.

- Current assets: Cash and deposits decreased by 3,573 million yen. Trade receivables increased by 3,508 million yen. Inventories increased by 6,198 million yen.
- Fixed assets: Property, plant and equipment increased by 3,764 million yen. Intangible assets decreased by 1,425 million yen.
- Liabilities: Notes and accounts payable increased by 938 million yen. Short and long term loans payable decreased by 1,473 million yen.
- Interest bearing debts decreased by 1,324 million yen to 38,386 million yen (Net interest-bearing debt increased by 2,249 million yen to 14,016 million yen).
- Net assets increased by 9,789 million yen due to recorded net income attributable to owners of the parent and an increase in currency translation adjustment, etc.

(Millions of Yen)

Assets	December 2021	December 2022	Change	Liabilities	December 2021	December 2022	Change
Current Assets	86,621	93,177	6,555	Current Liabilities	32,939	23,335	(9,603)
Fixed Assets	56,798	59,392	2,594	Fixed Liabilities	29,226	38,190	8,964
PPE	41,436	45,200	3,764	Total Liabilities	62,166	61,526	(639)
Intangible	4,590	3,164	(1,425)	Net Assets	81,253	91,042	9,789
Investment and Others	10,772	11,027	254				
Total Assets	143,419	152,569	9,149	Total Liabilities and Net Assets	143,419	152,569	9,149

Cash Flows

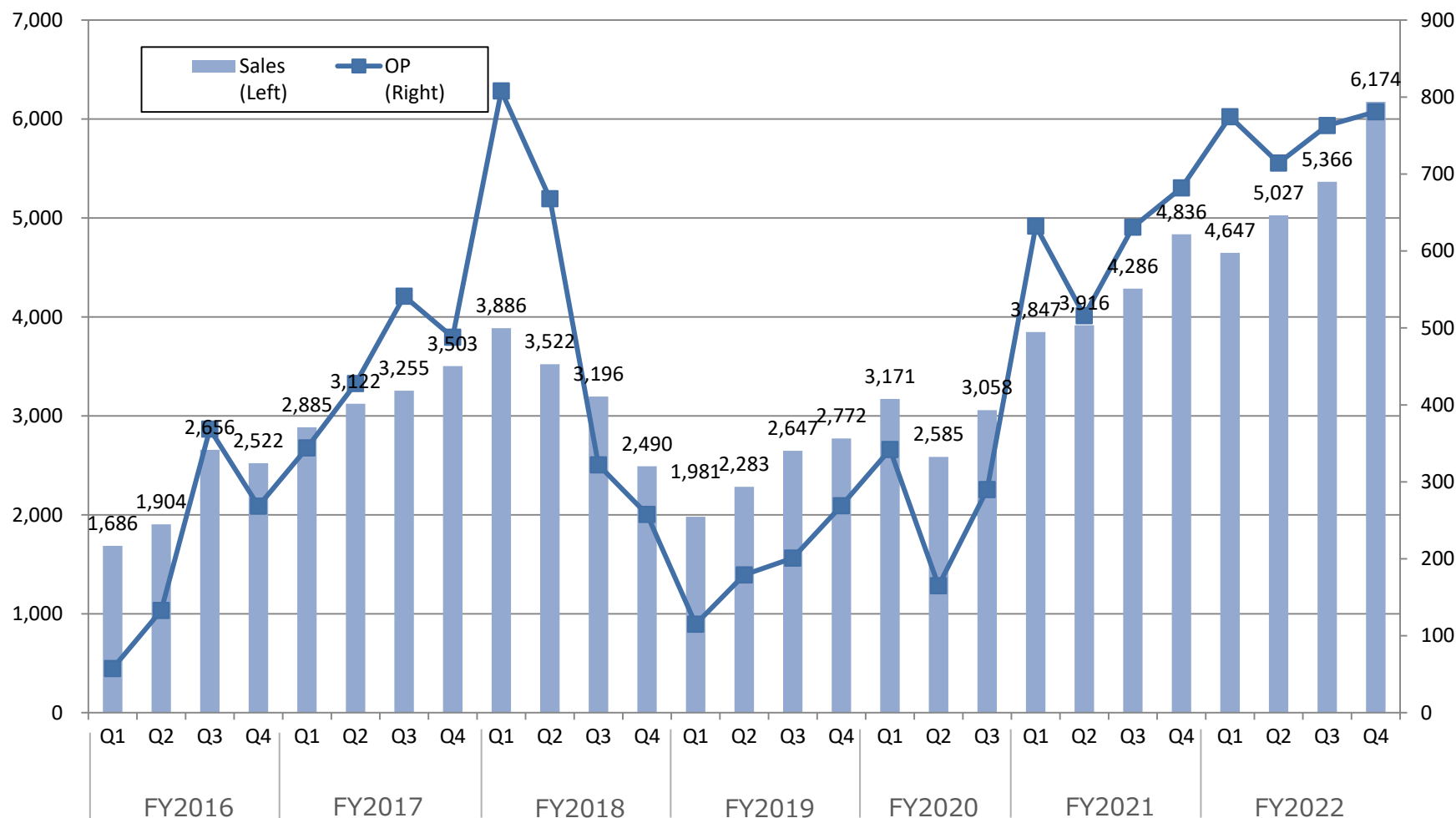
- **Operating Cash Flow** Increased to 8,541 million yen despite increases in trade receivables and inventories as a result of net income before taxes and non-controlling interest of 12,004 million yen, depreciation of 6,809 million yen, and increase in accounts payable of 313 million yen, etc.
- **Investing Cash Flow** Decreased to 7,471 million yen due to 7,024 million yen for purchase of property, plant and equipment, etc.
- **Financing Cash Flow** Decreased to 5,567 million yen due to repayment of long-term and short-term debt of 2,368 million yen, bond redemptions of 10,474 million yen, and dividends paid of 2,343 million yen, etc.

(Millions of Yen)

	FY2021 Results	FY2022 Results	YoY Change	
Operating Cash Flow	8,280	8,541	260	3.2%
Investing Cash Flow	(3,236)	(7,471)	(4,234)	—
Free Cash Flow	5,044	1,070	(3,973)	(78.8%)
Financing Cash Flow	(11,527)	(5,567)	5,960	—
Cash and Cash Equivalents at the End of the Period	27,658	24,076	(3,582)	(13.0%)

Quarterly Results (Sales and OP for Semiconductor)

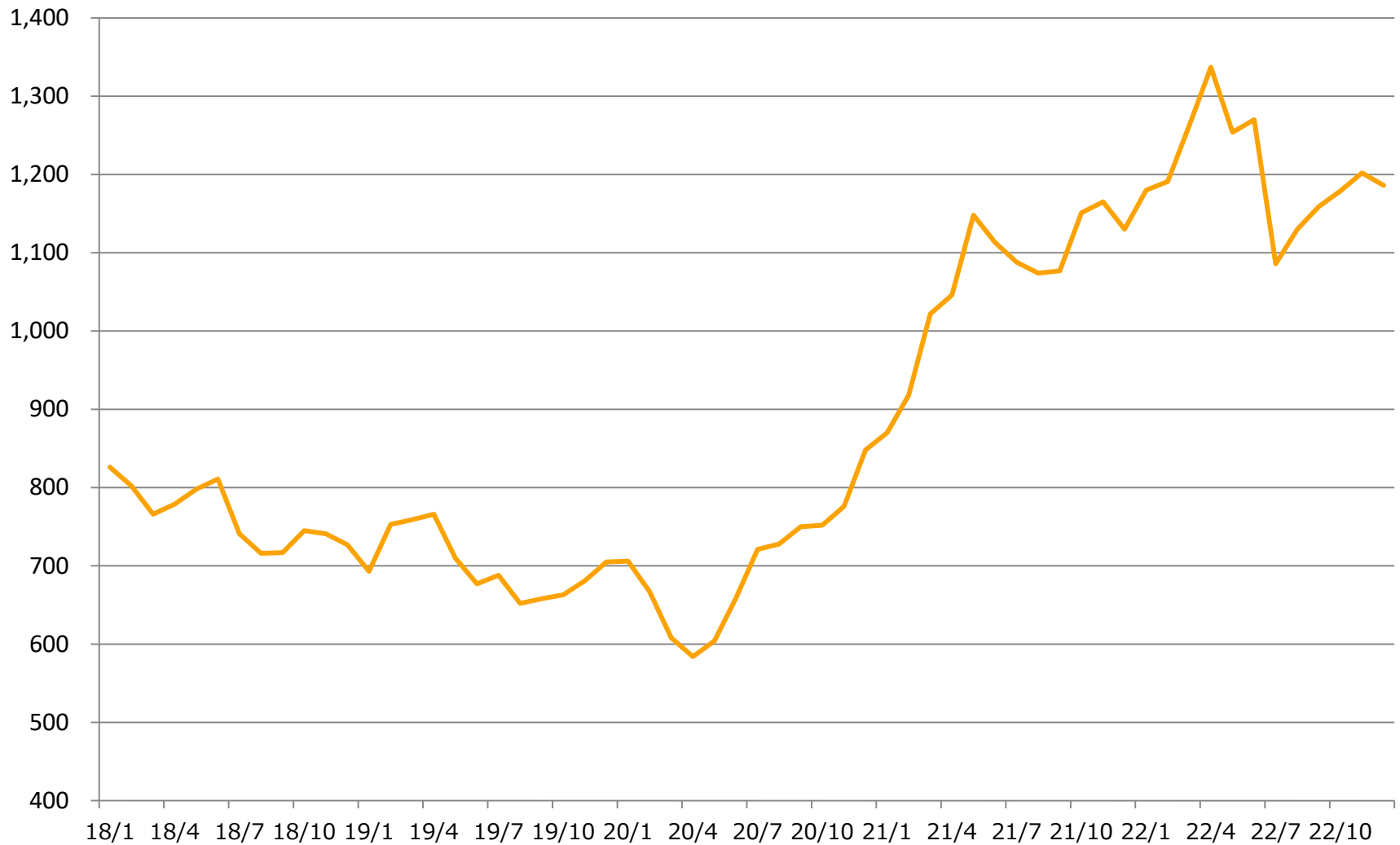
(Millions of Yen)



- Sales and OP of KITZ SCT Corporation, which manufactures and sells products for semiconductors, are shown for each quarter.
- Differences from consolidated financial figures due to elimination of consolidation.

Electrolytic Copper Market

(1000yen / ton)



Crude Oil Price

(USD / Barrel)

