

To Our Shareholders:

KITZ Corporation celebrated its 70th anniversary in April 2021.

We would like to express our sincere appreciation to our shareholders and all of our stakeholders, who have supported us over the years.

The Company was founded in 1951 with only 11 employees as the Kitazawa Factory. At the time when there were no uniform standards and many products had quality issues, our founder, Toshio Kitazawa, quickly introduced the latest equipment and established a full-scale mass production system based on his strong belief that “the mission of a manufacturer is to mass produce products under uniform standards and quality control and to supply them at a reduced cost.” As a result, 21 years after its establishment, the Company became the largest valve manufacturer in Japan in terms of sales and has continued to grow as a general valve manufacturer.

In February this year, the Company formulated and announced the Long-term Management Vision with the aim of making further progress toward its 80th and 100th anniversaries and beyond. We are in a rapidly changing and uncertain world, with the pandemic of COVID-19, frequent large-scale disasters around the world, and the remarkable evolution of digital technology. Nevertheless, we will work harder to fulfill our mission to support societal infrastructure through our advancements since our founding in fluid control technology and materials, in order to contribute to the building of a robust global environment and sustainable future.

March 10, 2022

Makoto Kohno
President and Chief Executive Officer
KITZ Corporation

Note: This document has been translated from the Japanese original for the convenience of non-Japanese shareholders. In the event of any discrepancy between this translation and the Japanese original, the original shall prevail.

Securities identification code: 6498
March 10, 2022

To our shareholders:

Makoto Kohno
President and Chief Executive Officer
KITZ Corporation
1-10-1 Nakase, Mihama-ku, Chiba-shi, Chiba

NOTICE OF THE 108TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We are pleased to announce the 108th Ordinary General Meeting of Shareholders of KITZ Corporation (the “Company”), which will be held as described below.

From the viewpoint of preventing the spread of the novel coronavirus disease (COVID-19), please consider exercising your voting rights in advance in writing (by mail) or via the internet, as if at all possible, and please do not take any unnecessary risks about attending the meeting in person.

1. Date and Time: Tuesday, March 29, 2022 at 10:00 a.m. (Japan Standard Time)
(Reception start time: 9:00 a.m.)

2. Venue: Hotel New Otani Makuhari, 2F, Sho Room
2-120-3 Hibino, Mihama-ku, Chiba-shi, Chiba

3. Purposes:

Items to be reported:

1. Business Report and Consolidated Financial Statements for the 108th Term (from January 1, 2021 to December 31, 2021), as well as the results of audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
2. Non-consolidated Financial Statements for the 108th Term (from January 1, 2021 to December 31, 2021)

Items to be resolved:

- Proposal 1:** Partial amendments to the Articles of Incorporation
- Proposal 2:** Election of seven (7) Directors
- Proposal 3:** Determination of remuneration for granting restricted stock compensation and post-hoc performance-based stock compensation to Directors (excluding Outside Directors)

Reference Documents for the General Meeting of Shareholders

Proposal 1: Partial amendments to the Articles of Incorporation

1. Reason for proposal

Since the revised provisions provided for in a proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022, the Company proposes to make the following changes to its Articles of Incorporation in preparation for the introduction of the system for providing informational materials for the general meeting of shareholders in electronic format.

- (1) Article 14, paragraph 1 of the proposed amendment stipulates that the Company will take measures to provide information contained in the reference documents for the general meeting of shareholders, etc. in electronic format.
- (2) Article 14, paragraph 2 of the proposed amendment stipulates to limit the scope of matters to be included in the paper-based documents delivered to shareholders who have requested the delivery of paper-based documents to the extent specified by the Ministry of Justice Order.
- (3) Accompanying the introduction of the system for providing informational materials for the general meeting of shareholders in electronic format, provisions for Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc. (Article 14 of the current Articles of Incorporation) will no longer be required and thus be deleted.
- (4) Accompanying the above establishment and deletion, supplementary provisions regarding the effective date, etc. will be established.

2. Details of the amendments

Details of the amendments are as follows:

(Current Articles of Incorporation)	(Proposed Amendments)
<p style="text-align: right;">(The amended parts are underlined.)</p> <p><u>(Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.)</u> <u>Article 14.</u> <u>The Company may, when convening a general meeting of shareholders, deem that it has provided information pertaining to matters to be stated or indicated in the reference documents for the general meeting of shareholders, business report, non-consolidated financial statements and consolidated financial statements to the shareholders by disclosing such information through the internet in accordance with the applicable Ministry of Justice Order.</u></p> <p style="text-align: center;"><Newly established></p>	<p style="text-align: center;"><Deleted></p> <p><u>(Measures for Providing Information in Electronic Format, Etc.)</u> Article 14.</p> <ol style="list-style-type: none"> 1. <u>In convening a general meeting of shareholders, the Company shall take measures to provide the information contained in the reference documents for the general meeting of shareholders, etc. in electronic format.</u> 2. <u>The Company may, of the matters for which the measures for providing information in electronic format will be taken, not include in the paper-based documents to be delivered to shareholders who have requested the delivery of paper-based documents by the record date for voting rights all or part of the matters specified in the applicable Ministry of Justice Order.</u>

(Current Articles of Incorporation)	(Proposed Amendments)
<p><Newly established></p>	<p><u>Supplementary Provisions</u></p> <p><u>Article 1.</u></p> <p><u>The deletion of Article 14 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) of the Articles of Incorporation before amendment and establishment of the amended Article 14 (Measures for Providing Information in Electronic Format, Etc.) shall become effective as of the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act for Partially Amending the Companies Act (Act No. 70 of 2019) (September 1, 2022; hereinafter referred to as the “Enforcement Date”).</u></p> <p><u>Article 2.</u></p> <p><u>Notwithstanding the provisions of the preceding article, Article 14 of the Articles of Incorporation before amendment shall remain in force with respect to a general meeting of shareholders that is held on a date within six (6) months after the Enforcement Date.</u></p> <p><u>Article 3.</u></p> <p><u>These Supplementary Provisions shall be deleted on the date when six (6) months have elapsed from the Enforcement Date, or three (3) months have elapsed from the date of the general meeting of shareholders set forth in the preceding article.</u></p>

Proposal 2: Election of seven (7) Directors

At the conclusion of this Ordinary General Meeting of Shareholders, the terms of office of all eight (8) existing Directors will expire. Therefore, the Company requests the election of seven (7) Directors.

The candidates for Directors are as follows:

Candidate No.	Name	Current position and responsibilities		Attendance at Board of Directors' meetings
1	Yasuyuki Hotta	Chairman, Chair of the Board of Directors	Reelection Tenure: 14 years and 9 months	100% 16/16 meetings
2	Makoto Kohno	President and Chief Executive Officer	Reelection Tenure: 2 years and 9 months	100% 16/16 meetings
3	Toshiyuki Murasawa	Director, Managing Executive Officer Division Manager, Corporate Planning Division, Supervisor of related businesses (Brass Bar Manufacturing business, service business), ESG, Internal Audit Office and internal controls	Reelection Tenure: 5 years and 9 months	100% 16/16 meetings
4	Kazuyuki Matsumoto	Outside Director	Reelection Outside Independent Tenure: 8 years and 9 months	100% 16/16 meetings
5	Minoru Amoh	Outside Director	Reelection Outside Independent Tenure: 6 years and 9 months	100% 16/16 meetings
6	Yutaka Fujiwara	Outside Director	Reelection Outside Independent Tenure: 4 years and 9 months	100% 16/16 meetings
7	Yukino Kikuma	Outside Director	Reelection Outside Independent Tenure: 1 year and 9 months	100% 16/16 meetings

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
1	<p>Yasuyuki Hotta (June 18, 1955)</p> <p>Reelection</p> <p>Tenure as Director: 14 years and 9 months</p> <p>Attendance at Board of Directors' meetings: 16/16 meetings</p>	<p>Mar. 1978 Joined the Company</p> <p>Jan. 1997 Branch Manager, Chubu Branch, Sales Division of the Company</p> <p>Apr. 2001 Plant Manager, Nagasaka Plant of the Company</p> <p>Oct. 2001 Managing Executive Director, KITZ SCT Corporation</p> <p>June 2004 Representative Director and President, KITZ SCT Corporation</p> <p>Apr. 2006 Managing Executive Officer, General Manager, Flow Control Business Division of the Company</p> <p>Apr. 2007 Senior Executive Officer, General Manager, Flow Control Business Division of the Company</p> <p>June 2007 Director, Senior Executive Officer, General Manager, Flow Control Business Division of the Company</p> <p>June 2008 President and Chief Executive Officer, General Manager, Flow Control Business Division of the Company</p> <p>Apr. 2009 President and Chief Executive Officer of the Company</p> <p>Mar. 2021 Chairman, Chair of the Board of Directors of the Company (present position)</p> <p>June 2021 Chairman of KITAZAWA MUSEUM OF ART (present position)</p> <p>[Significant concurrent positions] Chairman of KITAZAWA MUSEUM OF ART</p>	168,600 shares
<p>[Reasons for nomination as candidate for Director]</p> <p>As President and Chief Executive Officer from FY2008, Yasuyuki Hotta was at the forefront of overall management of the Group and made great efforts to achieve globalization of the Group and to realize sound and highly transparent management. In addition, as Chairman since FY2021, he has focused on the management of the Board of Directors and the strengthening of corporate governance, etc. The Company has judged that the use of his extensive experience and insight will contribute to strengthening the important decision-making and management supervision functions of the Board of Directors, and ultimately to enhancing the corporate value of the Group, and therefore has nominated him as a candidate for Director.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
2	<p>Makoto Kohno (March 10, 1966)</p> <p>Reelection</p> <p>Tenure as Director: 2 years and 9 months</p> <p>Attendance at Board of Directors' meetings: 16/16 meetings</p>	<p>Apr. 1988 Joined the Company</p> <p>Aug. 2008 General Manager, Project Sales Dept., International Sales Division, Flow Control Business Division of the Company</p> <p>Dec. 2011 General Manager, Project Division of the Company</p> <p>Apr. 2013 General Manager, Production Control Dept., Production Division, Flow Control Business Unit of the Company</p> <p>Apr. 2015 General Manager, Business Planning Dept., Flow Control Business Unit of the Company</p> <p>Apr. 2016 Executive Officer, Division Manager, Corporate Planning Division, Supervisor of related businesses (Brass Bar Manufacturing business, service business) of the Company</p> <p>Apr. 2017 CEO & Managing Director, KITZ Corporation of Asia Pacific Pte. Ltd., Managing Director, KITZ Valve & Actuation Singapore Pte. Ltd.</p> <p>Apr. 2019 Director, Managing Executive Officer, Division Manager, Flow Control Business Unit of the Company</p> <p>June 2019 Director, Managing Executive Officer, Division Manager, Flow Control Business Unit of the Company</p> <p>Mar. 2021 President and Chief Executive Officer of the Company (present position)</p>	18,000 shares
<p>[Reasons for nomination as candidate for Director]</p> <p>Makoto Kohno was in charge of sales and production operations in the Valve Manufacturing business, and later served as Executive Officer in charge of corporate planning and CEO & Managing Director of an overseas Group company. From FY2019, he made great efforts for planning and execution of the Valve Manufacturing business strategy as Executive Officer in charge of the Flow Control Business Unit, and since FY2021, he has been at the forefront of overall management of the Group as President and Chief Executive Officer of the Company. The Company has judged that the use of his extensive experience and insight will contribute to strengthening the important decision-making and management supervision functions of the Board of Directors, and ultimately to enhancing the corporate value of the Group, and therefore has nominated him as a candidate for Director.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
3	Toshiyuki Murasawa (February 9, 1959) Reelection Tenure as Director: 5 years and 9 months Attendance at Board of Directors' meetings: 16/16 meetings	<p>Mar. 1981 Joined the Company</p> <p>Apr. 2001 General Manager, Corporate Planning Dept. of the Company</p> <p>Apr. 2009 Executive Officer, General Manager, Corporate Planning Dept., Supervisor of Publicity and IR Promotion Office and related businesses of the Company</p> <p>Oct. 2011 Executive Officer, Division Manager, Corporate Planning Division of the Company</p> <p>Apr. 2014 Executive Officer, Division Manager, Corporate Planning Division, Supervisor of related businesses (Brass Bar Manufacturing business, service business) of the Company</p> <p>Apr. 2016 Executive Officer, Division Manager, Corporate Administration Division, Supervisor of Internal Audit Office and Group's risk management of the Company</p> <p>June 2016 Director, Executive Officer, Division Manager, Corporate Administration Division, Supervisor of Internal Audit Office and Group's risk management of the Company</p> <p>June 2017 Director, Executive Officer, Division Manager, Corporate Administration Division, Supervisor of Internal Audit Office, internal controls, and Group's risk management of the Company</p> <p>Apr. 2019 Director, Managing Executive Officer, Division Manager, Corporate Administration Division, Supervisor of Internal Audit Office, internal controls, ESG and Group's risk management of the Company</p> <p>Jan. 2021 Director, Managing Executive Officer, Division Manager, Corporate Administration Division, Supervisor of Internal Audit Office and internal controls of the Company</p> <p>Jan. 2022 Director, Managing Executive Officer, Division Manager, Corporate Planning Division, Supervisor of related businesses (Brass Bar Manufacturing business, service business), ESG, Internal Audit Office and internal controls of the Company (present position)</p>	67,500 shares
<p>[Reasons for nomination as candidate for Director] Toshiyuki Murasawa was in charge of the Group companies' business administration division, and served as Executive Officer in charge of the corporate planning and administration divisions, as well as director of a domestic Group company. In addition to planning and executing the Group business and human resource strategies for globalization, he made great efforts to strengthen corporate governance and promote sustainability management. The Company has judged that the use of his extensive experience and insight will contribute to strengthening the important decision-making and management supervision functions of the Board of Directors, and ultimately to enhancing the corporate value of the Group, and therefore has nominated him as a candidate for Director.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
4	<p>Kazuyuki Matsumoto (September 21, 1945)</p> <p>Reelection Outside Independent</p> <p>Tenure as Outside Director: 8 years and 9 months</p> <p>Attendance at Board of Directors' meetings: 16/16 meetings</p>	<p>Apr. 1970 Joined Teijin Seiki Co., Ltd. (currently Nabtesco Corporation)</p> <p>June 2001 Director, Teijin Seiki Co., Ltd.</p> <p>Sept. 2003 Executive Officer, Nabtesco Corporation</p> <p>June 2004 Director, Nabtesco Corporation</p> <p>June 2005 Representative Director and President, Nabtesco Corporation</p> <p>June 2011 Chairman, Nabtesco Corporation (retired in June 2013)</p> <p>June 2013 Outside Director, TOPCON CORPORATION (present position)</p> <p>Outside Director of the Company (present position)</p> <p>[Significant concurrent positions] Outside Director, TOPCON CORPORATION</p>	7,600 shares
<p>[Reasons for nomination as candidate for Outside Director and overview of expected roles] Kazuyuki Matsumoto was long active as a manager of Nabtesco Corporation and, in addition to rich experience as a corporate manager, he has broad and high level of insight into technological development and manufacturing, etc. The Company has judged that he will be able to fulfill the role of supervising and providing appropriate advice from an objective and fair standpoint by utilizing his expertise, and therefore has nominated him as a candidate for Outside Director.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
5	<p>Minoru Amoh (December 9, 1951)</p> <p>Reelection Outside Independent</p> <p>Tenure as Outside Director: 6 years and 9 months</p> <p>Attendance at Board of Directors' meetings: 16/16 meetings</p>	<p>Apr. 1979 Joined Du Pont Far East, Inc. Japan Representative Office (currently DuPont Kabushiki Kaisha)</p> <p>Mar. 2000 Director, DuPont Kabushiki Kaisha</p> <p>Mar. 2002 Managing Executive Director, DuPont Kabushiki Kaisha</p> <p>Mar. 2004 Senior Executive Director, Regional Director, Asia-Pacific Region, Engineering Polymer Business Division, DuPont Kabushiki Kaisha</p> <p>July 2005 Director, Vice President, DuPont Kabushiki Kaisha</p> <p>Sept. 2006 Representative Director and President, DuPont Kabushiki Kaisha</p> <p>Jan. 2013 Representative Director, Chairman, DuPont Kabushiki Kaisha, President, DuPont Asia Pacific Limited</p> <p>Sept. 2014 Honorary Chairman, DuPont Kabushiki Kaisha (retired in Mar. 2016)</p> <p>June 2015 Outside Director of the Company (present position)</p> <p>Mar. 2016 Outside Statutory Auditor, Otsuka Chemical Co., Ltd.</p> <p>Mar. 2019 Retired as Outside Statutory Auditor, Otsuka Chemical Co., Ltd. Outside Director, Otsuka Chemical Co., Ltd. (present position)</p> <p>Dec. 2020 External Director, HEXEL Works Inc. (present position)</p> <p>June 2021 Outside Director, Enplas Corporation (present position)</p> <p>[Significant concurrent positions] Outside Director, Otsuka Chemical Co., Ltd. External Director, HEXEL Works Inc. Outside Director, Enplas Corporation</p>	5,300 shares
<p>[Reasons for nomination as candidate for Outside Director and overview of expected roles] Minoru Amoh was long active as a manager of Du Pont Kabushiki Kaisha and has broad and high level of insight into corporate management, global business development and technology development, etc. The Company has judged that he will be able to fulfill the role of supervising and providing appropriate advice from an objective and fair standpoint by utilizing his expertise, and therefore has nominated him as a candidate for Outside Director.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
6	Yutaka Fujiwara (April 20, 1951) Reelection Outside Independent Tenure as Outside Director: 4 years and 9 months Attendance at Board of Directors' meetings: 16/16 meetings	<p>Apr. 1974 Joined MODEC, Inc. (retired in Oct. 1987)</p> <p>Nov. 1987 Joined The Yasuda Trust & Banking Co., Ltd. (currently Mizuho Trust & Banking Co., Ltd.)</p> <p>Aug. 1994 Deputy General Manager, New York Branch, Yasuda Trust & Banking Co., Ltd.</p> <p>June 1996 General Manager, Chicago Branch, Yasuda Trust & Banking Co., Ltd. (retired in July 1998)</p> <p>Aug. 1998 Joined OMRON Corporation</p> <p>June 2005 Executive Officer, General Manager, Financial IR Department, OMRON Corporation</p> <p>Mar. 2007 Executive Officer, General Manager, Group Strategy Department, OMRON Corporation</p> <p>June 2008 Managing Executive Officer, General Manager, Group Strategy Department, OMRON Corporation</p> <p>Dec. 2008 Managing Executive Officer, General Manager, IR & Corporate Information Department, OMRON Corporation (retired in June 2011)</p> <p>June 2013 Outside Director, Nabtesco Corporation (retired in March 2021)</p> <p>June 2017 Outside Director of the Company (present position)</p> <p>July 2020 External Audit & Supervisory Board Member, Konoike Transport Co., Ltd. (present position)</p> <p>[Significant concurrent positions] External Audit & Supervisory Board Member, Konoike Transport Co., Ltd.</p>	6,700 shares
<p>[Reasons for nomination as candidate for Outside Director and overview of expected roles] Having held branch general manager's positions at overseas branches of a financial institution, Yutaka Fujiwara was active as Executive Officer in charge of finance, IR, and group strategy at OMRON Corporation and has broad and high level of insight into business administration from a global perspective, financial strategy, and governance, etc. The Company has judged that he will be able to fulfill the role of supervising and providing appropriate advice from an objective and fair standpoint by utilizing his expertise, and therefore has nominated him as a candidate for Outside Director.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
7	Yukino Kikuma (March 5, 1972) Reelection Outside Independent Tenure as Outside Director: 1 year and 9 months Attendance at Board of Directors' meetings: 16/16 meetings	Apr. 1995 Joined Fuji Television Network, Inc. (retired in Dec. 2007) Dec. 2011 Registered as an attorney at law Jan. 2012 Joined MATSUO & KOSUGI Dec. 2014 Outside Director, Noevir Holdings Co., Ltd. (retired in Dec. 2017) June 2018 External Director, KOSÉ Corporation (present position) May 2020 Outside Director, Takihyo Co., Ltd. (present position) June 2020 Outside Director, ALCONIX CORPORATION (present position) June 2020 Outside Director of the Company (present position) Jan. 2022 Managing Partner, MATSUO & KOSUGI (present position) [Significant concurrent positions] Managing Partner, MATSUO & KOSUGI External Director, KOSÉ Corporation Outside Director, Takihyo Co., Ltd. Outside Director, ALCONIX CORPORATION	1,100 shares
[Reasons for nomination as candidate for Outside Director and overview of expected roles] Yukino Kikuma has been active as a Managing Partner of a legal professional corporation and has broad and high level of insight into corporate legal affairs, including dispute resolution in various types of litigation, labor, compliance, risk management, and governance as well as other specialized fields. The Company has judged that she will be able to fulfill the role of supervising and providing appropriate advice from an objective and fair standpoint by utilizing her expertise, and therefore has nominated her as a candidate for Outside Director.			

- Notes: 1. There is no special interest between the candidates Yasuyuki Hotta, Makoto Kohno, Toshiyuki Murasawa, Kazuyuki Matsumoto, Minoru Amoh, Yutaka Fujiwara and Yukino Kikuma and the Company.
2. Kazuyuki Matsumoto, Minoru Amoh, Yutaka Fujiwara, and Yukino Kikuma are candidates for Outside Director.
3. Kazuyuki Matsumoto, Minoru Amoh, Yutaka Fujiwara and Yukino Kikuma satisfy the “Independence Criteria for Outside Officers” stipulated by the Tokyo Stock Exchange and the Company’s “Standards for Judging the Independence of Outside Directors and Outside Audit & Supervisory Board Members” (page 15), and all of these candidates will be independent officers if they are elected as Directors.
Yukino Kikuma concurrently serves as a Managing Partner of MATSUO & KOSUGI (legal professional corporation), which has entered into a legal advisory agreement with the Company. The total amount of advisory fees, legal consultation fees, etc. paid by the Group to the law firm is less than 2% of the average annual net sales of the law firm for the past three fiscal years and less than 1% of the annual consolidated net sales of the Company for the fiscal year under review.
4. The Company has, according to the stipulations of Article 427, paragraph (1) of the Companies Act, provisions in the Articles of Incorporation stating that an agreement can be concluded with Directors (excluding persons who are Executive Directors) limiting their liability under Article 423, paragraph (1) of the same Act if that Director has undertaken his/her duties in good faith and does not commit any gross errors. Based on the concerned agreements, the amount of liability is limited to ¥5 million or the amount prescribed by laws and regulations, whichever is higher. The Company has concluded this agreement with Kazuyuki Matsumoto, Minoru Amoh, Yutaka Fujiwara and Yukino Kikuma and if each of them is elected as Directors, the Company intends to continue this agreement with them.
5. The Company has concluded a Directors and Officers liability insurance contract with an insurance company, as stipulated in Article 430-3, paragraph (1) of the Companies Act. A Director shall take responsibility for the exercise of his/her duties and the contract shall cover damages which may arise from a claim in relation to pursuing the responsibility. However, there are some exemptions applied to such deeds as when the Director acts while knowing that his/her conduct violates laws and regulations. The Company plans to renew the said contract in July 2022, under which each of the candidates is

insured if they are elected.

6. Yukino Kikuma concurrently holds the position of Outside Director of ALCONIX CORPORATION. ALCONIX CORPORATION has formulated and been working on measures centered on strengthening its internal control system in response to the improper accounting procedure at its consolidated subsidiary that was detected in November 2020. Although Yukino Kikuma had not recognized the fact before the improper accounting procedure was revealed, she had made comments about the importance of compliance at Board of Directors meetings of ALCONIX CORPORATION even before the incident. After the fact was disclosed, she made proposals about investigating the fact, looking into the cause, and preventing the recurrence.
7. Yukino Kikuma's name on her family register is Yukino Yoshida.

(Reference)

1. Policy on Composition of the Board of Directors

The Company's "policies on the selection/removal of officers" shall be as follows:

- (1) The number of Directors shall be nine (9) or fewer as stipulated in the Articles of Incorporation.
- (2) At least one-third of the Board of Directors shall be independent Outside Directors.
- (3) The composition of the Board of Directors shall maintain a balance of knowledge, experience, ability, and expertise as a whole to effectively fulfill its roles and responsibilities, and a balance of appropriate size and diversity, including aspects such as gender, internationality, work experience, and age.

2. Director Candidates' Skill Matrix

Based on each Director candidate's past experience, up to three major areas of expertise they are expected to have are shown (they do not represent all of their expertise and experience).

Main expertise and area	1	2	3	4	5	6	7
	Yasuyuki Hotta	Makoto Kohno	Toshiyuki Murasawa	Kazuyuki Matsumoto	Minoru Amoh	Yutaka Fujiwara	Yukino Kikuma
Corporate management	○	○		○	○		
Global experience	○	○			○	○	
Legal matters /risk management							○
Sustainability (ESG)			○			○	○
Capital efficiency management/financial strategy			○			○	
Manufacturing/quality				○			
Innovation/DX/ technological development				○	○		
Sales/marketing	○	○					
Personnel affairs/ human resource development			○				○

3. Standards for Judging the Independence of Outside Directors and Outside Audit & Supervisory Board Members

The Company judges outside members of the Board of Directors and Outside Audit & Supervisory Board Members or their candidates to be independent if they satisfy the requirements for independence under the Companies Act and do not meet any of the descriptions under (i) through (xii) below.

- (i) Persons involved in business execution (Note 1) of the Company and its subsidiaries (“Group” hereinafter) or persons who were involved in business execution of the Group within the past ten years (Note 2)

(Note 1) “Persons involved in business execution” refer to those as stipulated in Article 2, paragraph (3), item (vi) of the Regulations for Enforcement of the Companies Act, including executive directors and other employees, as well as executive officers, corporate advisors, senior corporate advisors, and others in positions equivalent to those of executives. However, in the standards for judging the independence of an Outside Audit & Supervisory Board Member under (i) and (xii), non-executive directors are added to “persons involved in business execution.”

(Note 2) As used here, the “past ten years” refers to the period of ten years prior to appointment as an Outside Director or Audit & Supervisory Board Member. However, if the relevant individual had served as a non-executive director or audit & supervisory board member of the Group at any time during that ten-year period, then it refers to the period of ten years prior to appointment to that position.

- (ii) A main supplier (Note 3) of the Group or a person involved in business execution of such a party

(Note 3) “A main supplier of the Group” refers to a supplier of products or services to the Group for which the transaction amount in the most recent fiscal year (i.e., the amount paid by the Group to that party) accounted for 2% or more of the party’s consolidated annual total net sales.

- (iii) A party to which the Group is a main supplier (Note 4) or a person involved in business execution of such a party

(Note 4) “A party to which the Group is a main supplier” refers to a party to which the Group is a supplier of products or services and for which the transaction amount in the most recent fiscal year (i.e., the amount paid by that party to the Group) accounted for 2% or more of the Group’s consolidated annual total net sales.

- (iv) A major financial institution from which the Group borrows funds (Note 5) or a person involved in business execution of such a party

(Note 5) “A major financial institution” refers to a financial institution lending an amount equal to or more than 2% of the Group’s consolidated total assets to the Group at the end of the most recent fiscal year or its parent company or subsidiary.

- (v) An attorney or other legal professional, certified public accountant, licensed tax accountant, or other accounting professional, or consultant receiving from the Group a large amount of money or other assets (Note 6) in addition to Director’s or Audit & Supervisory Board Member’s remuneration (or a director or other person involved in business execution of a corporation, association, or other organization receiving such financial gains)

(Note 6) “A large amount of money or other assets” refers to money or other financial gains of more than 10 million yen in the most recent fiscal year if the recipient of such assets is an individual or money or other financial gains equal to at least 2% of the organization’s consolidated net sales or total income, on average, over the past three fiscal years if the recipient is a corporation, association, or other organization.

- (vi) A party affiliated with the audit firm that carries out the Group’s statutory auditing

- (vii) A party receiving donations or subsidies in large amounts (Note 7) from the Group (or a director or other person involved in business execution of a corporation, association, or other organization receiving such donations or subsidies)

(Note 7) “Donations or subsidies in large amounts” refer to donations or subsidies of money or other assets of more than 10 million yen in the most recent fiscal year.

(viii) A major shareholder in the Company (Note 8), or a person involved in business execution of a corporation that is a major shareholder in the Company

(Note 8) “A major shareholder in the Company” refers to a shareholder who held at least 5% of voting rights, whether directly or indirectly, at the end of the most recent fiscal year.

(ix) A party for whom the Group is a major investor (Note 9) or a person involved in business execution of the party

(Note 9) “A major investor” refers to a party in which the Group held at least 5% of voting rights at the end of the most recent fiscal year.

(x) A party involved in business execution of a company to which the Group has dispatched a director (full-time or part-time), or its parent company or subsidiary

(xi) A party that met any of the descriptions under (ii) through (x) above in the past three years

(xii) A close relative (Note 11) of a party meeting any of the descriptions below (only those in important positions (Note 10))

(1) A current person involved in business execution or non-executive director of the Group

(2) A party who was a person involved in business execution of the Group within the past three years

(3) A party meeting any of the descriptions under (ii) through (xi) above

(Note 10) “Those in important positions” refer to directors, executive officers, advisors, consultants, and others in positions equivalent to those of executives, as well as employees in upper management positions of ranks equivalent to division general manager or above. However, outside directors are not included under (3) above.

(Note 11) “A close relative” refers to a spouse or a relative within two degrees of consanguinity.

<Revised in November 2021>

Based on the Corporate Governance Code, which was revised in June 2021, we have revised the criteria to be more suitable for improving the governance of the Company in order to achieve sustainable growth and enhance corporate value over the medium to long term, and have also more clarified the definition of the criteria items.

Proposal 3: Determination of remuneration for granting restricted stock compensation and post-hoc performance-based stock compensation to Directors (excluding Outside Directors)

The amount of remuneration for Directors of the Company has been approved at the 105th Ordinary General Meeting of Shareholders held on June 25, 2019 as an annual amount not exceeding ¥400 million (of which, Outside Directors' remuneration is limited to ¥70 million; this shall not include employees' salaries and bonuses for Directors who concurrently serve as employees). In addition, at the 102nd Ordinary General Meeting of Shareholders held on June 29, 2016, the Company introduced a stock-based compensation system for Directors (excluding Outside Directors) and Executive Officers using a trust. Aiming to provide incentives to Directors, including those who will be appointed in the future, to continuously enhance the corporate value of the Group and to promote further value-sharing between Directors and shareholders, in lieu of the stock-based compensation system using the trust mentioned above, the Company newly requests approval of remuneration for the granting of restricted stock (the system that provides the relevant remuneration shall be referred to as "Plan I" hereinafter) and for the post-hoc granting of performance-based stock (the system that provides the relevant remuneration shall be referred to as "Plan II" hereinafter. "Plan I" and "Plan II" shall be collectively referred to as the "Plans") to the Directors of the Company (excluding Outside Directors; "Eligible Directors" hereinafter) in an amount set separately from the above-mentioned remuneration limit. Subject to approval and adoption of the proposal concerning the Plans at this General Meeting of Shareholders, no additional contributions will be made to the trust in the future.

The total amount of monetary remuneration claims to be paid to Eligible Directors for the granting of restricted stock under this proposal shall be not more than ¥30 million per year, an amount considered reasonable in light of the above purposes, and the total amount of monetary remuneration claims to be paid for the post-hoc granting of performance-based stock shall be not more than ¥20 million per year (excluding employees' salaries and bonuses for Directors who concurrently serve as employees). In addition, the specific allocation to each Eligible Director shall be determined by the Board of Directors. Whereas the Company currently has eight (8) Directors, including four (4) Outside Directors, if Proposal 2 is approved as proposed, the number of Directors will be seven (7), including four (4) Outside Directors.

1. Overview of Plan I

Eligible Directors shall, in accordance with the resolution of the Board of Directors of the Company, transfer the entire amount of monetary remuneration claims arising from the proposal as property contributed in kind and receive the common shares of the Company issued or disposed of. The total number of shares of the Company's common stock to be issued or disposed of as such shall not exceed 60,000 shares per year; provided, however, that if, after the date on which the proposal is approved and adopted, a share split of the Company's common stock (including gratis allotment of the Company's common stock) or share consolidation is performed or any other event occurs that requires an adjustment to the total number of shares of the Company's common stock to be issued or disposed of as restricted stock, such total number shall be adjusted to a reasonable extent. The amount to be paid in per share shall be based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of relevant resolution of the Board of Directors (if no transactions are made on the same day, the closing price of the most recent trading day) and determined by the Board of Directors within the extent that the amount will not be particularly advantageous to Eligible Directors. In addition, in issuing or disposing of shares of common stock of the Company in this manner, the Company shall enter into a restricted stock allotment agreement ("Allotment Agreement I" hereinafter) with each Eligible Director that includes the contents outlined below.

- 1) An Eligible Director shall not transfer, create a security interest on, or otherwise dispose of ("Transfer Restriction I" hereinafter) the shares of common stock of the Company allotted pursuant to Allotment Agreement I ("Allotted Shares I" hereinafter) during the period from the delivery date of restricted stock to the date when the Eligible Director loses position as Director of the Company or other such position specified by the Board of Directors of the Company ("Restriction Period I" hereinafter). However, in the case of loss of such position before the lapse of three months after the lapse of the fiscal year to which the delivery date belongs, if there is a date separately specified by the Board of Directors of the Company within six months after the lapse of the said fiscal year, the period shall last to the said date.

- 2) If an Eligible Director loses any of the positions in 1) above before the expiration of a period separately specified by the Board of Directors of the Company (“Service Period I” hereinafter), the Company shall acquire, by rights, without contribution, Allotted Shares I unless there is a reason that the Board of Directors of the Company deems justifiable.
- 3) The Company shall lift Transfer Restriction I with respect to all of Allotted Shares I upon the expiration of Restriction Period I on condition that the Eligible Director has continuously held the position of Director of the Company or other such position specified by the Board of Directors of the Company during Service Period I; provided, however, that if the Eligible Director loses any of the positions set forth in 1) above prior to the expiration of Service Period I for reasons deemed justifiable by the Board of Directors of the Company as set forth in 2) above, the number of Allotted Shares I and the timing of lifting Transfer Restriction I shall be reasonably adjusted as necessary.
- 4) The Company shall acquire, by rights, without contribution, all Allotted Shares I for which Transfer Restriction I has not been lifted pursuant to the provisions of 3) above at the time Restriction Period I expires.
- 5) If, during Restriction Period I, a merger agreement in which the Company is the disappearing company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or any other matter relating to organizational restructuring, etc. is approved at a General Meeting of Shareholders of the Company (if such reorganization, etc. does not require approval by the General Meeting of Shareholders of the Company, by the Board of Directors of the Company), the Company shall, by resolution of the Board of Directors of the Company, lift Transfer Restriction I with respect to a reasonably determined number of Allotted Shares prior to the effective date of such reorganization, etc.
- 6) In the case provided for in 5) above, the Company shall acquire, by rights, without contribution, Allotted Shares I for which Transfer Restriction I has not been lifted as of the time immediately after the lifting of Transfer Restriction I in accordance with the provisions of 5) above.
- 7) Allotment Agreement I shall set forth the method for expressing intentions and providing notifications in Allotment Agreement I, the method for amending Allotment Agreement I, and other matters to be determined by the Board of Directors.

In addition, as stated above, the amount to be paid in for Allotted Shares I is not particularly advantageous, and the dilution ratio is insignificant, so the Company believes that the granting of Allotted Shares I is reasonable.

2. Overview of Plan II

Plan II is a performance-linked remuneration system that aims to grant Eligible Directors stock compensation calculated based on performance indicators separately specified by the Board of Directors of the Company (“Performance Indicators” hereinafter) for the period determined by the Board of Directors (“Evaluation Period” hereinafter; the initial Evaluation Period shall be one fiscal year from January 1, 2022 to December 31, 2022). Specifically, this is a performance-linked remuneration system in which the number of shares of the Company’s common stock to be granted to Eligible Directors as compensation, etc. is calculated by a formula separately determined by the Board of Directors of the Company based on Performance Indicators during the Evaluation Period. Therefore, at the time of the introduction of Plan II, whether or not these shares will be granted to each Eligible Director and the amount of the number of shares to be granted will not be determined.

In addition, in issuing or disposing of shares of common stock of the Company under Plan II, the Company shall enter into a restricted stock allotment agreement (“Allotment Agreement II” hereinafter) with each Eligible Director that includes the contents outlined below.

- 1) An Eligible Director shall not transfer, create a security interest on, or otherwise dispose of (“Transfer Restriction II” hereinafter) the shares of common stock of the Company allotted pursuant to Allotment Agreement II (“Allotted Shares II” hereinafter) during the period from the delivery date of restricted stock to the date when the Eligible Director loses position as Director of the Company or other such position specified by the Board of Directors of the Company (“Restriction Period II” hereinafter). However, in the case of loss of such position before the lapse of three months after the lapse of the fiscal year to which the delivery date belongs, if there is a date separately specified by the Board of Directors of the Company within six months after the lapse of the said fiscal year, the period shall last to the said date.

- 2) If any event occurs where it is specified by the Board of Directors of the Company that it is appropriate for the Company to acquire Allotted Shares II without contribution due to a violation of laws, regulations, internal rules or Allotment Agreement II by the Eligible Director or for any other reason, the Company shall acquire Allotted Shares II without contribution.
- 3) If, during Restriction Period II, a merger agreement in which the Company is the disappearing company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or any other matter relating to organizational restructuring, etc. is approved at a General Meeting of Shareholders of the Company (if such reorganization, etc. does not require approval by the General Meeting of Shareholders of the Company, by the Board of Directors of the Company), the Company shall, by a resolution of the Board of Directors of the Company, lift Transfer Restriction II with respect to all Allotted Shares II prior to the effective date of such reorganization, etc.

(1) Calculation method of remuneration, etc. under Plan II

Under Plan II, the Company will determine the base amount of monetary remuneration claims to be paid to each Eligible Director (“Base Remuneration Amount” hereinafter) by multiplying (i) an amount calculated based on Performance Indicators for the Evaluation Period (“Total Base Remuneration Amount” hereinafter), (ii) the ratio for each Eligible Director separately determined by the Board of Directors of the Company, and (iii) a ratio based on the Eligible Director’s period of service.

The Company will provide Eligible Director with a monetary remuneration claim in an amount calculated by multiplying the number of shares of common stock of the Company to be allotted to an Eligible Director (“Final Number of Shares Allotted” hereinafter) by the amount to be paid in, and allot shares of common stock of the Company to each Eligible Director in exchange for such contribution in kind. The amount to be paid in for the allotted shares of common stock of the Company shall be based on the closing price of the common stock of the Company in regular trading on Tokyo Stock Exchange on the business day immediately preceding the date of resolution by the Board of Directors regarding the allotment (if no transactions are made on the same day, the closing price of the most recent trading day) and determined by the Board of Directors of the Company within the extent that the amount will not be particularly advantageous to Eligible Directors (“Market Price of Company’s Stock” hereinafter).

The above Base Remuneration Amount, Final Number of Shares Allotted and the amount of monetary remuneration claim to be granted to each Eligible Director will be calculated within the range of the following maximum numbers in accordance with the following formula; provided, however, that upon retirement or organizational restructuring, etc. during the Evaluation Period, reasonable adjustments shall be made accordingly, and that any fraction of less than ¥100 or one unit of shares resulting from the calculation shall be rounded down.

Calculation Formula

- Base Remuneration Amount = Total Base Remuneration Amount (i) × Base ratio (ii) × Service period ratio (iii)
- Final Number of Shares Allotted = Base Remuneration Amount ÷ Market Price of Company’s Stock
- Amount of monetary remuneration claim = Final Number of Shares Allotted × Market Price of Company’s Stock

- (i) “Total Base Remuneration Amount” is calculated based on Performance Indicators and is the standard amount of total remuneration to be granted under Plan II.
- (ii) “Base ratio” is a ratio obtained by dividing the coefficients set for each Eligible Director according to their position by the total of coefficients for all Directors.
- (iii) “Service period ratio” is a ratio obtained by dividing the number of months in office during the Evaluation Period by the number of months in the Evaluation Period.

(2) Upper limit of remuneration, etc. under Plan II

The total number of shares to be allotted to Eligible Directors by the Company under Plan II shall be not more than 40,000 shares per year, and the total amount of monetary remuneration claims to

be paid shall be not more than ¥20 million per year (excluding employees' salaries and bonuses for Directors who concurrently serve as employees).

- (3) Reasons for loss of right to receive remuneration, etc. under Plan II
Eligible Directors shall lose the right to receive remuneration, etc. under this plan in the event of misconduct or resignation for reasons separately specified by the Board of Directors of the Company.
- (4) Adjustment due to reverse stock split, stock split, etc.
If the total number of issued shares of the Company increases or decreases due to a share consolidation or share split (including gratis allotment of shares; the same shall apply hereinafter) before the allotment of shares or the payment of cash pursuant to Plan II, the number of shares for the calculation of this plan shall be adjusted by multiplying the number of shares by the ratio of reverse stock split or stock split.

In addition, as stated above, the amount to be paid in for Allotted Shares II is not particularly advantageous, and the dilution ratio is insignificant, so the Company believes that the granting of Allotted Shares II is reasonable.

Furthermore, the Company has established a policy regarding the determination of individual Directors' remuneration, etc. at the Board of Directors meeting held on February 25, 2021, and a summary of the details is shown on page 38 of the Business Report. If this proposal is approved, we plan to make changes to the Policy in accordance with the introduction of the Plans.

(Reference)

The Company intends to introduce a plan similar to the above for the Company's executive officers, subject to approval and adoption of this proposal.

(Document for submission)

Business Report for the 108th Term
(from January 1, 2021 to December 31, 2021)

Effective from the previous fiscal year (FY2020), the Company Group changed its fiscal year end from March 31 to December 31. Due to the change in fiscal year, the previous fiscal year was a nine-month period from April 1, 2020 to December 31, 2020.

Accompanying this, comparisons with the previous fiscal year are made with reference figures (unaudited) calculated using the 12-month period from January 1, 2020 to December 31, 2020 as the “same period of the previous fiscal year.”

1. Status of the corporate group

(1) Progress and results of operations

(i) Progress and outcomes of business activities

During the fiscal year under review, the global economy continued to face restrictions on economic activities in many countries due to the impact of the COVID-19 pandemic. While there were expectations of economic recovery due to expansion of vaccination, the outlook remained uncertain as the spread of infectious diseases caused by mutated strains became a new cause for concern. In the domestic economy, while vaccination progressed, the severe situation continued as economic activities were restricted due to a reissuance of the state of emergency declaration and the extension of semi-emergency coronavirus measures.

Under these circumstances, during the fiscal year under review, sales in the Valve Manufacturing business increased due to strong sales of products for semiconductor manufacturing equipment, as well as the effect of price revisions in response to soaring raw material prices and the resulting rush demand. Sales in the Brass Bar Manufacturing business also increased due to an increase in sales volume as well as higher sales prices in response to soaring raw material market prices. As a result, total net sales increased 17.9% year on year to ¥135,790 million.

In terms of profit and loss, operating income increased 68.7% year on year to ¥8,990 million due to higher profit and sales in the Valve Manufacturing business, and increased sales and profit due to improved productivity in the Brass Bar Manufacturing business. Ordinary income increased 67.1% year on year to ¥8,975 million, and net income attributable to owners of the parent was up 47.2% year on year to ¥4,954 million. The result of each business segment is as follows.

Valve Manufacturing (Composition ratio 79%)

In the domestic market, sales to external customers of the Valve Manufacturing business increased due to strong sales of products for semiconductor manufacturing equipment, the effect of price revisions following a sharp rise in raw material prices, and the resulting rush demand. In overseas markets, sales to China and the Americas, mainly products for semiconductor manufacturing equipment, increased, despite a decline in sales in Europe. As a result, sales to external customers were up 12.0% year on year to ¥106,754 million.

Operating income increased 29.9% year on year to ¥12,088 million, mainly due to greater profit from increased sales of products for semiconductor manufacturing equipment and reduction of cost.

Brass Bar Manufacturing (Composition ratio 20%)

Sales to external customers of the Brass Bar Manufacturing business grew 51.2% year on year to ¥27,366 million, due to an increase in sales volume as well as higher sales prices resulting from rising raw material prices that affected selling prices.

Operating income was ¥665 million (compared with an operating loss of ¥184 million in the same period of the previous fiscal year) due to increased sales and profit due to improved productivity.

Other (Composition ratio 1%)

Sales to external customers of Other businesses fell 1.8% year on year to ¥1,668 million due to a decline in the number of guests in the hotel business caused by the reissuance of the state of emergency declaration under the spread of COVID-19, and operating loss was ¥243 million (compared with an operating loss of ¥344 million for the same period of the previous fiscal year).

Net sales by business segment of the corporate group

(Units: Millions of yen)

Business Segment	(Reference) Corresponding period of the Previous period		108th term (FYE December 2021)		Year-on-year	
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount	Rate of change (%)
Valve Manufacturing	95,335	82.8	106,754	78.6	11,419	12.0
Brass Bar Manufacturing	18,102	15.7	27,366	20.2	9,263	51.2
Other	1,699	1.5	1,668	1.2	(30)	(1.8)
Total	115,138	100	135,790	100	20,651	17.9

Note: The previous fiscal year (fiscal year ended December 2020) was nine months, April 1, 2020 to December 31, 2020, due to a change in when books are closed. For reference, we presented the comparison with the results in the same period of the previous fiscal year (from January 1, 2020 to December 31, 2020).

Operating income or loss by business segment of the corporate group

(Units: Millions of yen)

Business Segment	(Reference) Corresponding period of the Previous period		108th term (FYE December 2021)		Year-on-year	
	Amount		Amount		Amount	Rate of change (%)
Valve Manufacturing	9,306		12,088		2,781	29.9
Brass Bar Manufacturing	(184)		665		850	–
Other	(344)		(243)		101	–
Adjustments	(3,449)		(3,519)		(70)	–
Total	5,328		8,990		3,662	68.7

Note: The previous fiscal year (fiscal year ended December 2020) was nine months, April 1, 2020 to December 31, 2020, due to a change in when books are closed. For reference, we presented the comparison with the results in the same period of the previous fiscal year (from January 1, 2020 to December 31, 2020).

(ii) Capital expenditures

In addition to capital investments in new and upgraded production facilities, mainly in the Valve Manufacturing business, the Company invested in the construction of KITZ Innovation Center (Chino-shi, Nagano Pref.). However, as in the 107th term, we continued to prioritize capital expenditures, and restrained investment to a level below depreciation and amortization, resulting in a total capital investment of ¥4,949 million, which includes intangible assets.

(iii) Financing activities

The balance of interest-bearing debt (including lease obligations) decreased by ¥9,642 million year on year to ¥39,710 million, due to repay ¥6,000 million in short-term borrowings raised in the 106th term in order to ensure cash on hand to respond to the spread of COVID-19 and to repay long-term borrowings.

(2) Assets and profit and loss in the last three fiscal years preceding the fiscal year under review

(i) Assets and profit and loss of the corporate group

(Units: Millions of yen)

Category	105th term (FYE March 2019)	106th term (FYE March 2020)	107th term (FYE December 2020)	108th term (FYE December 2021)
Net sales	136,637	127,090	84,245	135,790
Ordinary income	11,883	7,241	3,169	8,975
Net income attributable to owners of the parent	5,625	4,937	2,113	4,954
Net income per share (yen)	58.50	53.06	23.38	55.26
Total assets	131,657	135,063	140,681	143,419
Net assets	76,829	76,879	75,167	81,253
Net assets per share (yen)	793.74	819.49	828.76	896.55

Notes:

1. The 107th term (fiscal year ended December 2020) was nine months, from April 1, 2020 to December 31, 2020, due to a change in when books are closed.
2. Net income per share is calculated based on the average number of shares outstanding during the term. Net assets per share is calculated based on total number of shares outstanding at the end of the term. The number of shares outstanding as aforementioned does not include treasury stock.
3. The Company adopted a Board Incentive Plan (BIP) trust, and the number of the Company's shares held in the trust is recorded as treasury stock in the consolidated financial statements. Therefore, for the calculation of net income per share, the said number is included in the treasury stock deducted in the calculation of the average number of outstanding shares for the term, and for the calculation of the net assets per share, the said number is included in the treasury stock deducted in the calculation of the number of shares outstanding at the end of the term.

(ii) Assets and profit and loss of the Company

(Units: Millions of yen)

Category	105th term (FYE March 2019)	106th term (FYE March 2020)	107th term (FYE December 2020)	108th term (FYE December 2021)
Net sales	72,262	64,137	41,786	60,041
Ordinary income	7,609	4,681	1,868	5,015
Net income	2,985	3,645	1,436	2,662
Net income per share (yen)	31.05	39.17	15.89	29.70
Total assets	99,045	102,569	110,478	110,065
Net assets	54,079	52,962	51,878	53,584
Net assets per share (yen)	567.81	574.29	578.72	597.75

Notes:

1. The 107th term (fiscal year ended December 2020) was nine months, from April 1, 2020 to December 31, 2020, due to a change in when books are closed.
2. For notes of assets and profit and loss of the Company, please refer to notes of (i) Assets and profit and loss of the corporate group.

(3) Ongoing challenges for the corporate group

■ **Realization of Long-term Management Vision**

In April 2021, the Company celebrated the 70th anniversary of its founding. We took this opportunity to re-examine the significance of our existence as a company and our contribution to society, and revised our corporate mission, “KITZ’ Statement of Corporate Mission.” Going forward, we will work as one corporate group to increase corporate value and achieve sustainable growth by realizing the Long-term Management Vision that was formulated at the same time.



Long-term Management Vision: Beyond New Heights 2030 — Change the ‘Flow’

(i) 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.

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.

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.

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.

(ii) Financial targets and target management structure

a. Consolidated financial targets

- Average sales growth rate: 4 % or more (Net sales of ¥200 billion for the FY 2030)
- ROE: 10% or more (Net income of ¥10 billion for the FY 2030)

b. Management structure

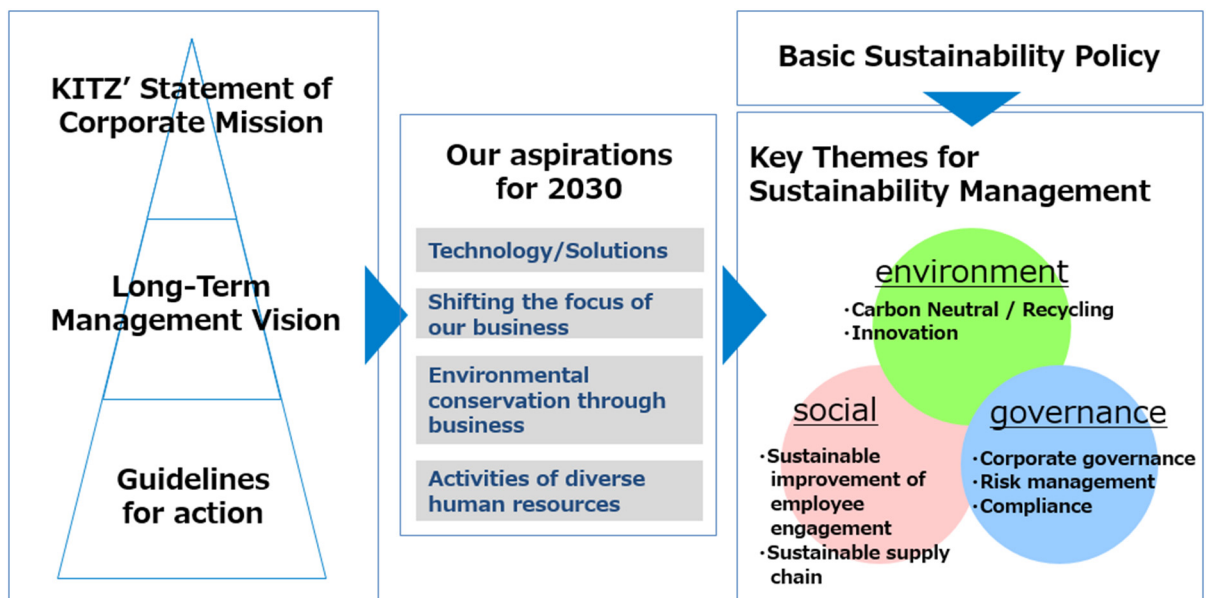
- Aim for management that can generate profits in both core businesses and growth fields.
- Proactively allocate resources to growth fields and regions against the backdrop of digitalization and de-carbonization
- Develop businesses with emphasis on return on investment capital (ROIC)

(iii) Long-term strategic target areas

Against the backdrop of explosive growth in demand for semiconductors and telecommunications infrastructure, and new energy conversions such as hydrogen, the Company aims to expand into growth areas in addition to its existing business areas (building facilities, petrochemicals and general chemicals).

<Growth areas>

Urban/information infrastructure, Semiconductor manufacturing equipment, Fine chemicals, Pure water/ultrapure water plants/equipment, etc., Next generation energy/low carbon, hydrogen supply chain



■ Commitment to Sustainability Management

In our Long-term Management Vision, we have placed sustainability management at the core of our management strategy. In December 2021, we established the Company-wide Sustainability Promotion Committee resolved by the Board of Directors. We will share the Key Themes for Sustainability Management and KPIs (Key Performance Indicators) with the entire Group, and manage progress toward achieving the targets, and all Group employees will work together to solve social issues through business, while striving to improve the performance of non-financial information and proactively disclose information as a company.

Basic Policy on Sustainability and Slogan on Sustainability

We have newly formulated our Basic Policy on Sustainability, which serves as the basis for our sustainability management, resolved at the Board of Directors meeting held in December 2021. The Slogan on Sustainability is a guide for employees to be aware of and practice the meaning of change and preserving in a rapidly changing world.

(i) 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

(ii) Slogan on Sustainability

Create the Future/Preserve the Future

Create the Future








The KITZ Group will act and take on challenges without fear of change and create a new future aimed at realizing a recycling-based society which is friendly to the earth and people.





Preserve the Future

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 next generation.

(iii) Key Themes for Sustainability Management

In order to realize KITZ' Statement of Corporate Mission and the Long-term Management Vision, we have identified priority ESG issues to be addressed as key themes for sustainability management (see the following table).

	Key Themes for Sustainability Management	Social Issue	Specific Action	FY2030 Quantitative Target	SDGs
Environment (E)	Carbon-neutral Resource recycling	<ul style="list-style-type: none"> Transition to a decarbonized society Depletion of resources Increase in waste 	<p>Initiatives for realization of Long-Term Environmental Vision “Triple Zero”</p> <p>(1) Zero CO₂ emissions (2) Zero environmental impact</p> <ul style="list-style-type: none"> Water neutrality (promotion of water saving, circulation, and recharge) Zero emissions (promotion of 3Rs, recycling of casting sand, etc.) <p>(3) Zero risks</p> <ul style="list-style-type: none"> Zero environmental accidents (environmental pollution) Zero occupational accidents (serious accidents, lost time frequency rate) Zero fire accidents (fires, explosions) 	<p>CO₂ reduction rate: -90%</p> <p>Waste landfill disposal rate: Less than 1.0%</p> <p>Water resource discharge (Compared with FY2013): -100%*</p> <p>*Scope: Process water used in the manufacture of valves, etc.</p>	      
	Innovation	<ul style="list-style-type: none"> Economic growth through innovation Transition to a decarbonized society Depletion of water resources 	<p>Development of fluid control technology to support a decarbonized/hydrogen society</p> <p>Development of materials and products that contribute to reducing environmental impact</p> <p>Initiatives to solve social issues related to limited water and fluids</p>		

	Key Themes for Sustainability Management	Social Issue	Specific Action	FY2030 Quantitative Target	SDGs
Social (S)	Sustained improvement in employee engagement	<ul style="list-style-type: none"> Decline in the working-age population Respect for human rights Active role played by diverse human resources System and environment for better workplace A rewarding work culture 	Penetration of Corporate Philosophy and Long-Term Vision Promote D&I and foster a culture of collaboration Human resource development and system reforms to support global management Realizing workplace environments in which employees can work with vitality	Employee engagement score*1: “Rewarding work culture” 56 pt “Better work environment” 55 pt Percentage of women managers: 20%*2 Total working hours: 1,870 hours Percentage of men taking childcare leave: 100% *1 FY2024 target *2 Employees of the department manager	  
	Building a sustainable supply chain	<ul style="list-style-type: none"> Responsibilities in the supply chain surrounding the Company 	Emphasis on CSR procurement Establishment of a structure for stable procurement of raw materials and parts		
Governance (G)	Corporate governance Risk management Compliance	<ul style="list-style-type: none"> Sustainable corporate management Corporate fraud and scandals 	Further enhancement of transparency in management decision-making Risk management that focuses on both risk reduction and opportunity creation Global compliance conducive to sustainable management		

(4) Status of major subsidiaries (as of December 31, 2021)

Name	Capital stock	Investment ratio (%)	Major business
Toyo Valve Co., Ltd.	100 million JPY	100	Sales, marketing and distribution of valves
Shimizu Alloy Mfg. Co., Ltd.	90 million JPY	100	Manufacturing and sales of valves
KITZ SCT Corporation	300 million JPY	100	Manufacturing and sales of fittings for semiconductor manufacturing equipment
KITZ Micro Filter Corporation	90 million JPY	100	Manufacturing and sales of fluid separation products for filters and related products
KITZ (Thailand) Ltd.	503 million THB	92	Manufacturing and sales of valves
KITZ Corporation of Taiwan	200 million TWD	100	Manufacturing and sales of valves
KITZ Corporation of Jiangsu Kunshan	49 million CNY	100	Manufacturing and sales of valves
KITZ Corporation of Kunshan	62 million CNY	100 (100)	Manufacturing and sales of valves
KITZ SCT Corporation of Kunshan	22 million CNY	100 (100)	Manufacturing and sales of fittings for semiconductor manufacturing equipment
KITZ Corporation of Lianyungang	42 million CNY	100	Manufacturing and sales of valves
KITZ Corporation of Shanghai	10 million CNY	100	Sales, marketing and distribution of valves
KITZ Corporation of America	3,000 thousand USD	100	Sales, marketing and distribution of valves
Metalúrgica Golden Art's Ltda.	64,000 thousand BRL	100	Manufacturing and sales of valves
KITZ Corporation of Europe, S.A.	421 thousand EUR	100	Manufacturing and sales of valves
KITZ Europe GmbH	500 thousand EUR	100	Sales, marketing and distribution of valves
Perrin GmbH	1,538 thousand EUR	100 (100)	Manufacturing and sales of valves
KITZ Corporation of Asia Pacific Pte. Ltd.	11,142 thousand USD	100	Sales, marketing and distribution of valves
Cephas Pipelines Corp.	2,554 million KRW	100	Manufacturing and sales of valves
KITZ Metal Works Corporation	490 million JPY	100	Manufacturing and sales of brass bar products
Hotel Beniya Co., Ltd.	50 million JPY	100	Operation of hotel and restaurants

Notes:

1. The parenthesized figures indicate the investment ratio of the subsidiary concerned.
2. As of the end of the fiscal year under review, there are no specified wholly owned subsidiaries.
3. Cephas Pipelines Corp. conducted a capital increase on December 13, 2021.

(5) Major businesses (as of December 31, 2021)

Major products and businesses of the Company Group

Business segment	Major products and businesses
Valve Manufacturing business	Manufacturing and sales of bronze valves, steel valves, and other valve-related products, filtering-related products and accessories
Brass Bar Manufacturing business	Manufacturing and sales of brass bar products and processed brass bar products
Other	Operation of hotel and restaurants

(6) Major sales offices and plants (as of December 31, 2021)

(i) Major sales offices and plants of the Company

Name	Location	Name	Location
Head Office	Chiba-shi	Niigata Sales Office	Niigata-shi
Nagasaka Plant	Hokuto-shi, Yamanashi Pref.	Hokuriku Sales Office	Toyama-shi
Ina Plant	Ina-shi, Nagano Pref.	Koshin Sales Office	Chino-shi, Nagano Pref.
Chino Plant	Chino-shi, Nagano Pref.	Tokai Sales Office	Shizuoka-shi
Hokkaido Sales Office	Sapporo-shi	Nagoya Sales Office	Nagoya-shi
Tohoku Sales Office	Sendai-shi	Osaka Sales Office	Osaka-shi
Kita-Kanto Sales Office	Saitama-shi	Okayama Sales Office	Okayama-shi
Tokyo Sales Office	Chuo-ku, Tokyo	Hiroshima Sales Office	Hiroshima-shi
Yokohama Sales Office	Yokohama-shi	Kyushu Sales Office	Fukuoka-shi

(ii) Major sales offices and plants of subsidiaries

Name	Location
Toyo Valve Co., Ltd.	Chuo-ku, Tokyo
Shimizu Alloy Mfg. Co., Ltd.	Hikone-shi, Shiga Pref.
KITZ SCT Corporation	Ota-shi, Gunma Pref.
KITZ Micro Filter Corporation	Chino-shi, Nagano Pref.
KITZ (Thailand) Ltd.	Samutprakarn, Thailand
KITZ Corporation of Taiwan	Kaohsiung, Taiwan
KITZ Corporation of Jiangsu Kunshan	Jiangsu, P.R. China
KITZ Corporation of Kunshan	Jiangsu, P.R. China
KITZ SCT Corporation of Kunshan	Jiangsu, P.R. China
KITZ Corporation of Lianyungang	Jiangsu, P.R. China
KITZ Corporation of Shanghai	Shanghai, P.R. China
KITZ Corporation of America	Texas, U.S.A.
Metalúrgica Golden Art's Ltda.	Rio Grande do Sul, Brazil
KITZ Corporation of Europe, S.A.	Barcelona, Spain
KITZ Europe GmbH	Hessen, Germany
Perrin GmbH	Hessen, Germany
KITZ Corporation of Asia Pacific Pte. Ltd.	Singapore
Cephas Pipelines Corp.	Korea (Busan Metropolitan City)
KITZ Metal Works Corporation	Chino-shi, Nagano Pref.
Hotel Beniya Co., Ltd.	Suwa-shi, Nagano Pref.

Note: The "location" for KITZ SCT Corporation indicates the location of its plant.

(7) Status of employees (as of December 31, 2021)

(i) Employees of the corporate group

Business segment	Number of employees	Year-on-year change
Valve Manufacturing business	4,724	+58
Brass Bar Manufacturing business	243	+10
Other	79	-3
Corporate (common)	107	-2
Total	5,153	+63

Notes:

1. The above figures do not include employees seconded from the Company Group to an external company or employees hired on a temporary/contractual basis.
2. "Corporate (common)" indicates the number of employees serving in administrative divisions which do not belong to a specific segment.

(ii) Employees of the Company

Number of employees	Year-on-year change	Average age	Average number of years of service
1,396	+13	40.5	14.4

Note: The above figures do not include employees seconded or employees hired on a temporary/contractual basis.

(8) Major lenders of the corporate group and amount of debt (as of December 31, 2021)

(Units: Millions of yen)

Name	Outstanding debt
Sumitomo Mitsui Banking Corporation	2,538
MUFG Bank, Ltd.	1,537
Mizuho Bank, Ltd.	1,118
The Hachijuni Bank, Ltd.	709
The Yamanashi Chuo Bank, Ltd.	688

2. Status of the Company

(1) Status of shares (as of December 31, 2021)

- (i) Total number of authorized shares: 400,000,000 shares
(ii) Total number of issued shares: 90,120,070 shares

Note: Total number of issued shares shown above does not include 276,441 shares of treasury stock that were held as of the end of the fiscal year under review.

- (iii) Number of shareholders: 12,599

Note: The number of shareholders does not include the Company.

(iv) Major shareholders (top 10 shareholders)

Name	Investment	
	Shareholdings (thousands)	Holding ratio (%)
The Master Trust Bank of Japan, Ltd.	8,726	9.68
Kitazawa-kai Stock Ownership Plan	4,710	5.23
Nippon Life Insurance Company	4,303	4.78
Custody Bank of Japan, Ltd.	3,530	3.92
Sumitomo Life Insurance Company	3,416	3.79
Kitazawa Ikueikai Foundation	3,411	3.79
KITZ Corporation Trading Partner Stock Ownership Plan	3,204	3.56
Sumitomo Mitsui Banking Corporation	2,553	2.83
KITZ Corporation Employee Stock Ownership Plan	2,069	2.30
SECOM General Insurance Co., Ltd.	1,702	1.89

Notes:

- The Company held 276 thousand shares of treasury stock as of December 31, 2021.
The total number of issued shares used to calculate the holding ratio does not include treasury stock.
The Company has adopted a BIP trust, and The Master Trust Bank of Japan, Ltd. holds 477 thousand shares of the Company in the trust. These 477 thousand shares are not included in the concerned treasury stock.
- The above number of shares held includes shares associated with trust operations as follows:
The Master Trust Bank of Japan, Ltd. 8,726 thousand shares
Custody Bank of Japan, Ltd. 3,530 thousand shares
- The number of shares held by Sumitomo Life Insurance Company includes 1 thousand shares in the variable insurance account and 6 thousand shares in the separate account.

(2) Matters regarding subscription rights to shares (as of December 31, 2021)

Not applicable.

(3) Officers of the Company (as of December 31, 2021)

(i) Status of Directors and Audit & Supervisory Board Members

Name	Position and area of responsibility in the Company	
Yasuyuki Hotta	Chairman	(Chair of the Board of Directors)
Makoto Kohno	President and Chief Executive Officer	(President, Chief Executive Officer)
Toshiaki Natori	Director	(Vice-President and Senior Executive Officer, Division Manager, Corporate Planning Division, Supervisor of related businesses (Brass Bar Manufacturing business, service business) and ESG)
Toshiyuki Murasawa	Director	(Managing Executive Officer, Division Manager, Corporate Administration Division, Supervisor of Internal Audit Office and internal controls)
Kazuyuki Matsumoto	Outside Director	
Minoru Amoh	Outside Director	
Yutaka Fujiwara	Outside Director	
Yukino Kikuma	Outside Director	
Masahiko Kondo	Standing Audit & Supervisory Board Member	
Taro Kimura	Standing Audit & Supervisory Board Member	
Tatsuhiko Takai	Outside Audit & Supervisory Board Member	
Shuhei Sakuno	Outside Audit & Supervisory Board Member	
Ayako Kobayashi	Outside Audit & Supervisory Board Member	

Notes:

- The Company has registered Outside Directors Kazuyuki Matsumoto, Minoru Amoh, Yutaka Fujiwara and Yukino Kikuma as independent officers with the Tokyo Stock Exchange as prescribed by the Securities Listing Regulations of the same Exchange.
- The Company has registered Outside Audit & Supervisory Board Members Tatsuhiko Takai, Shuhei Sakuno, and Ayako Kobayashi as independent officers with the Tokyo Stock Exchange as prescribed by the Securities Listing Regulations of the same Exchange.
- The changes in Representative Directors and their areas of responsibility during the fiscal year under review are as follows:

Name	Areas of responsibility after change	Areas of responsibility before change	Date of change
Yasuyuki Hotta	Chairman Chair of the Board of Directors	President and Chief Executive Officer President, Chief Executive Officer	March 30, 2021
Makoto Kohno	President and Chief Executive Officer President, Chief Executive Officer	Director, Managing Executive Officer, Division Manager, Flow Control Business Unit	

4. The major changes in Directors' areas of responsibility after the end of the fiscal year under review are as follows:

Name	Areas of responsibility after change	Areas of responsibility before change	Date of change
Toshiaki Natori	Director	Director, Vice-President and Senior Executive Officer, Division Manager, Corporate Planning Division, Supervisor of related businesses (Brass Bar Manufacturing business, service business) and ESG	January 1, 2022
Toshiyuki Murasawa	Director, Managing Executive Officer, Division Manager, Corporate Planning Division, Supervisor of related businesses (Brass Bar Manufacturing business, service business), ESG, Internal Audit Office and internal controls	Director, Managing Executive Officer, Division Manager, Corporate Administration Division, Supervisor of Internal Audit Office and internal controls	

5. Audit & Supervisory Board Member, Masahiko Kondo has accumulated extensive knowledge and experience in business management as well as in labor. Specifically, he has engaged in the management of the Company in his capacity as a director in charge of supervising the administrative divisions of the group businesses, and has also contributed to enhancing the Company's management foundation and developing and strengthening the Group's risk management systems. Therefore, the Company believes that he has sufficient insight to duly perform the duties of an Audit & Supervisory Board Member.
6. Audit & Supervisory Board Member, Taro Kimura has many years of experience in managing the Company's accounting and financial operations. As an executive officer in charge of the administrative divisions of the group companies, he has developed the Company's internal control systems, strengthened its internal audit function, and promoted its risk management systems. Therefore, the Company believes that he has sufficient insight related to the internal control, risk management, finance, and accounting to duly perform the duties of an Audit & Supervisory Board Member.
7. After being in charge of accounting, finance, corporate administration, corporate planning, and other functions at Mitsui Mining & Smelting Co., Ltd. for many years, Outside Audit & Supervisory Board Member Tatsuhiko Takai served as the Chief Financial Officer (CFO) and Senior Executive Officer and Standing Audit & Supervisory Board Member at the company. As such, he has considerable knowledge of finance, accounting, and duties of Audit & Supervisory Board Members.
8. Outside Audit & Supervisory Board Member, Shuhei Sakuno has broad experience in corporate administration, supervising Yokogawa Electric Corporation group companies, and sufficient insight into financial and accounting operations, as well as experience in developing internal controls, risk management, and internal audit systems. Therefore, the Company believes that he has sufficient insight related to corporate governance to duly perform the duties of an Audit & Supervisory Board member.
9. Outside Audit & Supervisory Board Member, Ayako Kobayashi is an attorney with advanced technical knowledge in a broad range of fields including corporate legal affairs, compliance, M&A and risk management, and has sufficient insight related to corporate governance as well as supervision of the Board of Directors' decision making and Directors' execution of duties and the supervision/verification of the Accounting Auditor's execution of duties to duly perform the duties of an Audit & Supervisory Board Member.
10. Yukino Kikuma's name on her family register is Yukino Yoshida.
11. Ayako Kobayashi's name on her family register is Ayako Nakajima.

(ii) Summary of liability limitation agreements

In order to limit the liability of directors (excluding persons who are executive directors; likewise, hereinafter in this paragraph) and Audit & Supervisory Board members to a reasonable extent and ensure that they fully perform the roles expected of them, the Company has, pursuant to the stipulations of Article 427, paragraph (1) of the Companies Act, included provisions in its Articles of Incorporation to the effect that the Company can conclude agreements with its directors and Audit & Supervisory Board members limiting their liability under Article 423, paragraph (1) of the same Act provided that the director or Audit & Supervisory Board member concerned has undertaken his or her duties in good faith and has not committed any gross errors. Based on these provisions, the Company has concluded agreements with each of its directors and Audit & Supervisory Board members.

Based on the concerned agreements, the amount of liability is limited to ¥5 million or the amount prescribed by laws and regulations, whichever is higher.

(iii) Major concurrent positions of Directors and Audit & Supervisory Board Members

Position	Name	Name of organization in which concurrent position is held	Concurrent position
Director	Yasuyuki Hotta	KITAZAWA MUSEUM OF ART	Chairman
	Makoto Kohno	KITZ SCT Corporation	Director
	Toshiaki Natori	KITZ Micro Filter Corporation	Director
		KITZ Metal Works Corporation	Director
Hotel Beniya Co., Ltd.		Director	
Standing Audit & Supervisory Board Member	Masahiko Kondo	Toyo Valve Co., Ltd.	Audit & Supervisory Board Member
		KITZ SCT Corporation	Audit & Supervisory Board Member
		KITZ Micro Filter Corporation	Audit & Supervisory Board Member
		Hotel Beniya Co., Ltd.	Audit & Supervisory Board Member
		KITZ Corporation of Taiwan	Audit & Supervisory Board Member
		KITZ Corporation of Kunshan	Audit & Supervisory Board Member
		KITZ SCT Corporation of Kunshan	Audit & Supervisory Board Member
	Taro Kimura	KITAZAWA MUSEUM OF ART	Auditor
		Shimizu Alloy Mfg. Co., Ltd.	Audit & Supervisory Board Member
		KITZ Metal Works Corporation	Audit & Supervisory Board Member
		KITZ Corporation of Jiangsu Kunshan	Audit & Supervisory Board Member
		KITZ Corporation of Lianyungang	Audit & Supervisory Board Member
		KITZ Corporation of Shanghai	Audit & Supervisory Board Member

Notes:

- The organizations in which a concurrent position is held and which belong in the same business categories as the Company are as follows:

(Name)	(Business)
Toyo Valve Co., Ltd.	Sales, marketing and distribution of valves
Shimizu Alloy Mfg. Co., Ltd.	Manufacturing and sales of valves
KITZ SCT Corporation	Manufacturing and sales of valves and fittings for semiconductor production equipment
KITZ Corporation of Taiwan	Manufacturing and sales of valves
KITZ Corporation of Jiangsu Kunshan	Manufacturing and sales of valves
KITZ Corporation of Kunshan	Manufacturing and sales of valves
KITZ SCT Corporation of Kunshan	Manufacturing and sales of valves and fittings for semiconductor production equipment
KITZ Corporation of Lianyungang	Manufacturing and sales of valves
KITZ Corporation of Shanghai	Sales, marketing and distribution of valves
- Of the major concurrent position held by Director Yasuyuki Hotta, the concurrent position of Chairman of KITAZAWA MUSEUM OF ART is a significant concurrent position.
- Of the major concurrent positions held by Audit & Supervisory Board Member Masahiko Kondo, the concurrent position of Auditor of KITAZAWA MUSEUM OF ART is a significant concurrent position.

(iv) Outline of Directors and Officers Liability Insurance contract

The Company has entered into a Directors and Officers Liability Insurance contract with an insurance company, as stipulated in Article 430-3, paragraph (1) of the Companies Act. The scope of the insured under the insurance contract is directors and audit & supervisory board members of the Company and its subsidiaries (including their retirees), and the insured does not bear any insurance premium. The insurance contract covers the insured's losses and such costs as related litigation expenses incurred from shareholders' or a third party's claims for damages arising from the insured's acts (including nonfeasance) as an officer of the Company; provided, however, that in order to ensure that the proper performance of duties of the insureds is not impaired, the contract shall not cover the officer's damages resulting from his or her criminal acts or intentionally illegal acts.

(v) Remuneration, Etc. for Directors and Audit & Supervisory Board Members

a. Total Remuneration paid to Directors and Audit & Supervisory Board Members in the fiscal year under review

Position	Total amount of remuneration, etc. (millions of yen)	Total amount of remuneration, etc. by type (millions of yen)			Number of eligible officers (persons)
		Base compensation	Performance-linked compensation		
			Bonuses	Stock-based compensation (non-monetary remuneration, etc.)	
Director (of which Outside Director)	233 (43)	159 (43)	45 (-)	28 (-)	8 (4)
Audit & Supervisory Board Member (of which Outside Audit & Supervisory Board Member)	71 (28)	71 (28)	- (-)	- (-)	5 (3)
Total (of which outside officers)	305 (72)	231 (72)	45 (-)	28 (-)	13 (7)

Notes:

- As remuneration, etc. to Directors (excluding Outside Directors), monetary remuneration, etc. and non-monetary remuneration, etc. are paid.
- Monetary remuneration, etc. consists of base compensation and performance-linked compensation (bonuses). Amounts shown in the above table do not include employee salaries and bonuses for Directors who concurrently serve as employees. The amount of salary as employee is ¥26 million, and the amount of bonuses is ¥23 million.
- Non-monetary remuneration, etc. are shares of the Company based on a performance-based stock compensation plan. Amounts shown in the above table do not include the portion of stock compensation as employee for Directors who concurrently serve as employees. The amount of stock compensation as employee is ¥2 million. The conditions, etc. for the allotment are as described in "b. Policy on Determining Directors' Individual Remuneration, Etc."
- Outside Directors are paid only base compensation.
- The amount of monetary compensation for Directors has been resolved at the 105th Ordinary General Meeting of Shareholders held on June 25, 2019 as an annual amount not exceeding ¥400 million (of which, Outside Directors' compensation is limited to ¥70 million; excluding salaries and bonuses as employees for Directors who concurrently serve as employees). The number of Directors as of the close of said Ordinary General Meeting of Shareholders was seven (7), including three (3) Outside Directors.
Apart from monetary compensation, at the 102nd Ordinary General Meeting of Shareholders held on June 29, 2016, a resolution was made to introduce a performance-based stock compensation plan for Directors (excluding Outside Directors) as non-monetary remuneration. There were four (4) Directors eligible for stock compensation as of the close of said Ordinary General Meeting of Shareholders. The Board of Directors meeting held on May 29, 2019 resolved to continue this plan until August 31, 2022.
- The amount of monetary compensation for Audit & Supervisory Board Members was resolved at the 105th Ordinary General Meeting of Shareholders held on June 25, 2019 as an annual amount not exceeding ¥100 million. The number of Audit & Supervisory Board Members as of the close of said Ordinary General Meeting of Shareholders was five (5).

7. The amount of remuneration, etc. includes ¥45 million in officer bonuses recorded as accrued bonuses to directors, and ¥28 million in stock compensation recorded as allowance for stock benefit for directors and operating officers in the fiscal year.

b. Policy on Determining Directors' Individual Remuneration, Etc.

The Company's Board of Directors has established the "Policy on Decisions on the Details of Remuneration for Individual Directors" (the "Policy" hereinafter).

Under the Policy, the remuneration, etc. of Directors is intended to serve as an incentive to achieve the Long-term Management Vision and medium-term management plan and to increase the corporate value of the Group, and consists of base compensation, performance-linked compensation (bonuses), and performance-based stock compensation.

Details of remuneration, etc. is examined every year utilizing objective remuneration survey data from external organizations and referring to the level of remuneration for officers of companies in the same industry and of a comparable size, as well as in other industries, and determined by the Board of Directors based on report from the Remuneration Committee.

An outline of the Policy shall be as follows:

(a) Remuneration System

Director's compensation consists of "base compensation" as fixed remuneration, "performance-linked compensation (bonuses)" as short-term incentive, and "performance-based stock compensation" as long-term incentive. Outside Directors receive only the "base compensation" and are not entitled to "performance-linked compensation (bonuses)" or "performance-based stock compensation."

The composition of remuneration, etc. for each Director position is as follows:

Position	Composition of remuneration, etc. paid to Directors			Total
	Base compensation	Performance-linked compensation		
		Bonuses (short-term)	Stock compensation (long-term)	
Chairman	57%	29%	14%	100%
President and Chief Executive Officer	51%	35%	14%	100%
Director, Vice-President and Senior Executive Officer	58%	30%	12%	100%
Director, Managing Executive Officer	62%	27%	11%	100%

i) Base compensation

"Base compensation" is set for each position based on the Company's business conditions, the role of the eligible officer, and trends at other companies.

ii) Performance-linked compensation (bonuses)

Based on the idea that, as an incentive to improve performance, it is desirable to link compensation to the single-year performance evaluation of the business an individual is responsible for, net income attributable to owners of the parent is used as the basis for determining "performance-linked compensation (bonuses)," and an amount equivalent to 1% of net income attributable to owners of the parent is paid (total amount of bonuses) when the following conditions are met:

- Annual dividends to shareholders (12 months) of at least ¥10 can be paid out.
- Net income attributable to owners of the parent has not been secured by a large amount of extraordinary income.
- Consolidated and non-consolidated operating income, ordinary income, and net income (net income attributable to owners of the parent) are properly generated, and an appropriate dividend payout ratio is maintained.

The amount to be paid to each Director is calculated based on the total amount of bonuses, using the following coefficients for each position in addition to coefficients based on evaluation results of individual performance target achievements.

Position	Chairman President and Chief Executive Officer	Director, Vice-President and Senior Executive Officer	Director, Managing Executive Officer
Coefficient	1	0.5	0.2

The target and actual results of indicators used to calculate the performance-linked compensation (bonuses) are as follows:

Key indicators for performance-linked compensation	Target for FYE December 2021 (Announced February 2021)	Actual results for FYE December 2021
Net income attributable to owners of the parent	¥3,400 million	¥4,900 million

iii) Performance-based stock compensation

“Performance-based stock compensation” is a long-term incentive that aims to further clarify the linkage between the Director’s remuneration and the Company’s stock value and to raise awareness of a Director’s contribution to improving the Company’s performance and corporate value over the medium to long term. “Performance-based stock compensation” is a stock compensation for Directors (excluding Outside Directors) set separately from the maximum amount of monetary compensation for Directors. The Company will contribute ¥200 million to establish a trust, pertaining to a target period of three consecutive fiscal years, and the Company’s shares will be acquired through the trust. Points will be granted according to a Director’s position and achievement of performance targets, up to 140,000 points per year, and at the time of retirement, the Director will receive shares of the Company and a cash payment equivalent to the value of the Company’s shares in accordance with the accumulated number of points granted.

(b) Determination of Remuneration

For each fiscal year, the Remuneration Committee confirms whether the remuneration, etc. for each Director is in line with the Policy, and reports the results of deliberations on the appropriateness to the Board of Directors. Based on the report from the Remuneration Committee, the Board of Directors confirms that the remuneration, etc. for each Director is in line with the Policy and determines the remuneration, etc.

Confirming that the remuneration, etc. for each Director is in line with the Policy based on the report from the Remuneration Committee, the Board of Directors has determined the remuneration, etc. of each Director for the fiscal year under review.

c. Remuneration of Audit & Supervisory Board Members

The total amount of remuneration for all Audit & Supervisory Board Members is determined within the scope of remuneration limit resolved by the General Meeting of Shareholders, and the details of remuneration, etc. for each Audit & Supervisory Board Member are decided by deliberation among the Audit & Supervisory Board Members. Audit & Supervisory Board Members receive only base compensation and are not entitled to “performance-linked compensation (bonuses)” or “performance-based stock compensation.”

(vi) Matters regarding outside officers

a. Significant concurrent positions in or relationships with other companies

(a) Outside Director Kazuyuki Matsumoto concurrently holds the position of Outside Director of TOPCON CORPORATION. There is no special relationship between TOPCON CORPORATION and the Company.

(b) Outside Director Minoru Amoh concurrently holds the positions of Outside Director of Otsuka Chemical Co., Ltd., External Director of HEXEL Works, Inc. and Outside Director of Enplas Corporation. There is no special relationship between these companies and the Company.

- (c) Outside Director Yutaka Fujiwara concurrently holds the position of outside Audit & Supervisory Board Member at Konoike Transport Co., Ltd. There is no special relationship between Konoike Transport Co., Ltd. and the Company.
- (d) Outside Director Yukino Kikuma is concurrently a Managing Partner at MATSUO & KOSUGI (legal professional corporation) that has concluded a legal counsel agreement with the Company. The total amount of fees (consulting fees, legal advising fees, etc.) that the Company pays to the law office is less than 2% of the average annual sales of the law office for the past three fiscal years and less than 1% of the Company's annual consolidated net sales for the fiscal year under review.

Outside Director Yukino Kikuma concurrently holds the position of Outside Director of ALCONIX CORPORATION. The ALCONIX group conducts business with the Group. The amount of transactions of castings and materials that the Group purchases from the ALCONIX group is less than 2% of the Company's annual consolidated net sales for the fiscal year under review. The amount of transactions of products that the Group sells to the ALCONIX group is less than 1% of the Company's annual consolidated net sales for the fiscal year under review.

Also, Outside Director Yukino Kikuma concurrently holds the positions of External Director of KOSÉ Corporation and Outside Director of Takihyo Co., Ltd. There is no special relationship between these companies and the Company.

- (e) Outside Audit & Supervisory Board Member Shuhei Sakuno concurrently holds the position of Outside Audit & Supervisory Board Member at JAPANACE Co., Ltd. There is no special relationship between JAPANACE Co., Ltd. and the Company.
- (f) Outside Audit & Supervisory Board Member Ayako Kobayashi is concurrently an attorney (partner) at KATAOKA & KOBAYASHI LPC and holds the position of Outside Director of The Musashino Bank, Ltd. There is no special relationship between KATAOKA & KOBAYASHI LPC, The Musashino Bank, Ltd. and the Company.

b. Significant activities during the fiscal year under review

Position	Name	Attendance at meetings	Main Activities and Outline of Duties Performed Regarding Roles Expected of Outside Directors
Outside Director	Kazuyuki Matsumoto	Board of Directors' meetings 16/16 (100%)	Fulfilled the role appropriately by making active and useful statements at meetings of the Board of Directors, leveraging his extensive experience as a corporate manager in the manufacturing industry and high level of insight into technological development, manufacturing, etc. In addition, chaired the Nominating and Remuneration Committees.
Outside Director	Minoru Amoh	Board of Directors' meetings 16/16 (100%)	Fulfilled the role appropriately by making active and useful statements at meetings of the Board of Directors, leveraging his extensive experience as a corporate manager in the manufacturing industry and high level of insight into global business development, technology development, etc. In addition, served as a member of the Nominating and Remuneration Committees.
Outside Director	Yutaka Fujiwara	Board of Directors' meetings 16/16 (100%)	Fulfilled the role appropriately by making active and useful statements at the meetings of the Board of Directors, leveraging his extensive experience as a manager of overseas operations and a financial officer in manufacturing industry at a financial institution, and high level of insight into business management, financial strategy, governance, etc. In addition, served as a member of the Nominating and Remuneration Committees.
Outside Director	Yukino Kikuma	Board of Directors' meetings 16/16 (100%)	Fulfilled the role appropriately by making active and useful statements at meetings of the Board of Directors, utilizing her extensive experience as an attorney at law and high level of insight into corporate legal affairs, including compliance and risk management, etc. In addition, served as a member of the Nominating and Remuneration Committees.

Position	Name	Attendance at meetings	Main Activities
Outside Audit & Supervisory Board Member	Tatsuhiko Takai	Board of Directors' meetings 16/16 (100%) Audit & Supervisory Board meetings 15/15 (100%)	Fulfilled the role appropriately by making active and useful statements at the meetings of the Board of Directors and Audit & Supervisory Board, leveraging his abundant experience as CFO and Audit & Supervisory Board Member in the manufacturing industry and high level of insight into financial accounting and corporate planning, etc.
Outside Audit & Supervisory Board Member	Shuhei Sakuno	Board of Directors' meetings 16/16 (100%) Audit & Supervisory Board meetings 15/15 (100%)	Fulfilled the role appropriately by making active and useful statements at the meetings of the Board of Directors and Audit & Supervisory Board, leveraging his abundant experience as a corporate management officer and Audit & Supervisory Board Member in the manufacturing industry and high level of insight into financial accounting, internal controls, risk management and development of internal audit structure, etc.
Outside Audit & Supervisory Board Member	Ayako Kobayashi	Board of Directors' meetings 16/16 (100%) Audit & Supervisory Board meetings 14/15 (93%)	Fulfilled the role appropriately by making active and useful statements at meetings of the Board of Directors and Audit & Supervisory Board, utilizing her extensive experience as an attorney at law and high level of insight into corporate legal affairs, including compliance and risk management.

(4) Status of Accounting Auditor

(i) Name

Ernst & Young ShinNihon LLC

(ii) Amount of remuneration

Amount of remuneration to be paid by the Company for services with respect to the current fiscal year	
a. Amount of remuneration to be paid for services stipulated in Article 2, paragraph (1) of the Certified Public Accountants Act	¥75 million
b. Amount of remuneration to be paid for services (non-auditing services) other than those stipulated in Article 2, paragraph (1) of the Certified Public Accountants Act	¥- million
Total amount of money and other financial benefits to be paid to Accounting Auditor by the Company and its subsidiaries	¥102 million

Notes:

1. In the audit contract between the Company and Accounting Auditor, remuneration paid for audits under the Companies Act and audits under the Financial Instruments and Exchange Act are not distinguished and cannot be practically separated. Therefore, the amount of payment for both is shown in Amount of remuneration above.
2. Significant overseas subsidiaries of the Company receive audits from auditors other than the Company's Accounting Auditor.

(iii) Reason for Audit & Supervisory Board's consent toward the remuneration of the Accounting Auditor

In accordance with the auditing standards determined by the Audit & Supervisory Board, the Audit & Supervisory Board has reviewed whether the Accounting Auditor's audit plans will provide an auditing system and auditing timeframe sufficient to secure the quality of audits, and the members have considered and deliberated matters such as the effectiveness and efficiency of the audits in the previous period, whether there is additional remuneration to calculate, the auditing timeframe and remuneration units trends in previous years, the basis for estimating remuneration, and the status of non-auditing services agreement. Based on the results of such review and deliberation, the Audit & Supervisory Board determined that the Accounting Auditor's audit plans were appropriate, and that the amount of remuneration was commensurate with the Accounting Auditor's duties. Accordingly, the Audit & Supervisory Board provided their consent toward the remuneration of the Accounting Auditor.

(iv) Policy for determining the dismissal or non-reappointment of the Accounting Auditor

- a. The Audit & Supervisory Board will, by the unanimous consent of all members thereof, dismiss the Accounting Auditor if the Accounting Auditor is deemed to fall under any of the items listed in Article 340, paragraph (1) of the Companies Act.
- b. The Audit & Supervisory Board will determine the contents of a proposal to the General Meeting of Shareholders for the dismissal or non-reappointment of the Accounting Auditor and the contents of a proposal for a new Accounting Auditor in cases where it is judged that the Accounting Auditor is unable to maintain the quality of audits or to continue to duly perform its duties, such as cases where there is serious doubt regarding the Accounting Auditor's independence or aptitude, and cases where there are serious deficiencies in the system for enabling the Accounting Auditor to duly perform its duties, and where there is no prospect of making improvements to secure the quality of audits.
- c. If the Audit & Supervisory Board comprehensively reviews the existing Accounting Auditor, including with respect to quality of audits, independence, aptitude, reliability, effectiveness, and efficiency, and concludes that it will be necessary to elect a new Accounting Auditor with prospects of delivering more suitable audits, the Audit & Supervisory Board will determine the

contents of a proposal to the General Meeting of Shareholders for the non-reappointment of the existing Accounting Auditor and the election of the new Accounting Auditor.

3. Corporate governance

(1) Basic approach to corporate governance

The Group recognizes that the effective functioning of corporate governance contributes to the fulfillment of corporate social responsibility, improvement of management efficiency and transparency, and sustainable enhancement of corporate value. For this, we aim to achieve effective corporate governance by responding to the trust of all stakeholders, fulfilling our corporate social mission and responsibilities, emphasizing compliance, and developing and continuously operating an appropriate and timely top management and business execution structure that can respond to changes in the business environment.

To realize these aims, the Board of Directors established the “Basic Policy on Corporate Governance” in November 2021. Please refer to the Company’s website for details on matters related to corporate governance, including the “Basic Policy on Corporate Governance” and the “Corporate Governance Report.” (URL <https://www.kitz.com/english/sustainability/governance.html>)

(2) Corporate governance structure

(i) Corporate governance structure and reasons for adopting it

The Company has selected the “company with an Audit & Supervisory Board” as its organizational design under the Companies Act, and by appointing independent Outside Directors as one third or more of the members of the Board of Directors, the Company is strengthening its supervisory and advisory functions on business execution and oversight function on conflicts of interest. In addition, by appointing Executive Directors and Officers, we aim to make timely decisions regarding business execution. As a result, the authority and responsibility for decision-making on important management matters and supervision of business execution have been concentrated in the Board of Directors, and the Directors mutually supervise the execution of their duties. At the same time, the Audit & Supervisory Board Members and the Audit & Supervisory Board provide highly effective oversight of the Board of Directors from an independent and objective standpoint, thereby realizing a corporate governance structure that ensures appropriate decision-making and business execution and sufficiently holds the reins on management. Based on the above, the Company believes that corporate governance is functioning effectively.

(ii) Board of Directors/Directors

Based on their fiduciary responsibility and accountability for management to shareholders, the Board of Directors and the Directors have a mission to ensure sustainable growth of the Company and maximize corporate value over the medium-to-long term. To fulfill such responsibilities, the Board of Directors shall, in addition to ensuring fairness and transparency in management by exercising a supervisory function on overall management, engage in vigorous discussions on various important management issues, decide on management strategies, medium-term management plans, annual management plans, and basic management policies, deliberate on important matters stipulated in laws and regulations, the Articles of Incorporation, and the Rules of Board of Directors, and make management decisions. In addition, Directors mutually oversee execution of duties by receiving regular reports on the status of business execution from each Executive Director.

The Board of Directors consists of eight (8) Directors, four (4) of whom are independent Outside Directors (more than one-third of the Board of Directors) to strengthen the management oversight function. To ensure diversity of Directors, one (1) female Director (Outside Director) is appointed.

In principle, the Board of Directors holds regular Board of Directors meetings every month, quarterly Board of Directors meetings for financial results, and extraordinary Board of Directors meetings as necessary.

(iii) Nominating Committee/Remuneration Committee

Regarding the appointment of candidates for Directors, Audit & Supervisory Board Members and Executive Officers, and the remuneration of Directors and Executive Officers, the Board of Directors has, in order to ensure fairness and transparency, established the Nominating Committee

and the Remuneration Committee, with the majority of their members being independent Outside Directors, as voluntary advisory bodies to the Board of Directors.

Based on the “Officers’ Election and Dismissal Policy” established by the Company, the Nominating Committee is responsible for the nomination of candidates for Directors, Audit & Supervisory Board Members, and Executive Officers, as well as the human resource development of candidates for the next term. The Remuneration Committee deliberates on the remuneration policy for Directors and Executive Officers and other important matters related to executive remuneration, and reports the results of its deliberations to the Board of Directors.

The Nominating Committee and Remuneration Committee both consist of three (3) or more Directors selected by the Board of Directors (a majority of whom are independent Outside Directors), and the chairman of each Committee is selected from among the independent Outside Directors by mutual election of the Committee members. One (1) of the Committee members shall be Chairman and Director (or President and Director if the position is vacant).

(iv) Ensuring the effectiveness of the Board of Directors

Each year, the Company conducts a questionnaire-based “evaluation of the effectiveness of the Board of Directors,” targeting all Directors and Audit & Supervisory Board Members, with the aim of enhancing the effectiveness of corporate governance and improving the overall functioning of the Board of Directors. Based on each principle of the Corporate Governance Code, the questionnaire survey is conducted by distributing questionnaires that require the responders name to be entered for particularly important matters and obtaining responses. According to the aggregated results of responses and opinions regarding future improvements in effectiveness, the Board of Directors verifies the current evaluation results, shares issues, and discusses future improvement measures.

The survey conducted in February 2021 included questions regarding formulating and implementing management strategies, the composition of the Board of Directors, officer nomination/remuneration, audits, Outside Directors, invigorating Board of Directors deliberations, and responding to shareholders and other stakeholders. The results indicated that the Board of Directors was considered to generally be effective.

(v) Audit & Supervisory Board/Audit & Supervisory Board Members

Audit & Supervisory Board and Audit & Supervisory Board Members are independent organizations entrusted by shareholders to ensure the sound and sustainable growth of the company and to establish a corporate governance system that meets the trust of society, based on their fiduciary responsibility and accountability to shareholders. As independent organizations entrusted by shareholders, they audit business operations and legal compliance of the execution of duties by Directors, and judge the appropriateness of the methodology and results of audits of financial statements, etc. by the Accounting Auditor. In addition, they monitor the performance of reporting obligations of Executive Directors to the Board of Directors and the effectiveness of a mutual oversight function led by Outside Directors, verify legal compliance and appropriateness of the decision-making process and the content of decisions, and express necessary opinions in the Board of Directors.

The Audit & Supervisory Board prepares audit reports, conducts Audit & Supervisory Board Member audits in accordance with the Standards for the Audit & Supervisory Board Member Audit, Audit Plan, and role assignments, and monitors the execution of Directors’ duties and verifies the fulfillment of legal obligations. In addition, it confirms the quality control system, independence and other matters related to the Accounting Auditor, monitors the performance of its duties, and verifies the reasonableness of the audit results. Furthermore, the Audit & Supervisory Board deliberates on the appropriateness of the reappointment of the Accounting Auditor for each fiscal year, as well as on the appropriateness of the audit plan and audit fee.

The Audit & Supervisory Board consists of five (5) Audit & Supervisory Board Members, three (3) of whom are Outside Audit & Supervisory Board Members (independent officers) to ensure highly effective audits and strengthen the management oversight function. In addition, based on the “Officers’ Election and Dismissal Policy,” the Audit & Supervisory Board is composed of

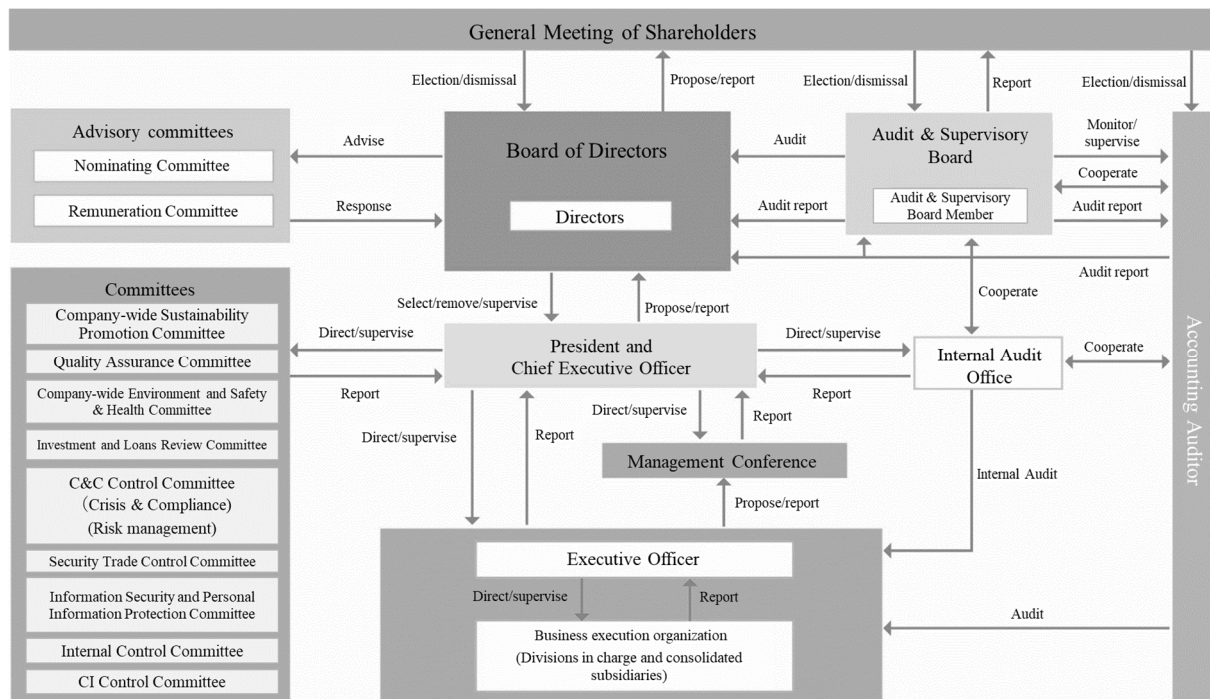
Audit & Supervisory Board Members with well-balanced knowledge, experience, ability, and expertise necessary to fulfill the roles and responsibilities of Audit & Supervisory Board Members as a whole, and includes at least one (1) person with sufficient knowledge of finance and accounting. Furthermore, in order to ensure diversity in the Audit & Supervisory Board, one (1) female Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) is appointed.

In principle, the Audit & Supervisory Board holds regular Audit & Supervisory Board meetings every month, and extraordinary Audit & Supervisory Board meetings are held as necessary. In addition, the Audit & Supervisory Board holds Tripartite Audit Assembly with the Accounting Auditor and Internal Audit Office on a regular basis to mutually share reports and audit information and exchange opinions on key audit points, etc., in an effort to coordinate the three types of audits: internal audits, accounting audits, and Audit & Supervisory Board Member audits. Furthermore, for two or three times a year of the Tripartite Audit Assembly, Four-Party Audit and Supervision Meeting is held with the addition of an independent Outside Director to share information and exchange opinions.

(vi) Independent Officers

The Company has established the “Standards for Judging the Independence of Outside Directors and Outside Audit & Supervisory Board Members,” (page 15) and they have stricter requirements than the criteria set by the Tokyo Stock Exchange for determining the independence of outside officers. In addition, all Outside Directors and Outside Audit & Supervisory Board Members meet the “Standards for Judging the Independence of Outside Directors and Outside Audit & Supervisory Board Members” of the Company and the “Independence Criteria for Outside Officers” stipulated by the Tokyo Stock Exchange, and have been reported to the Tokyo Stock Exchange as independent officers.

[The Company’s corporate governance structure]



4. Matters concerning the Basic Policy on the Control of the Company

The Company has not currently introduced defensive measures against takeovers.

5. Policy on decisions on dividends and other appropriation of Surplus

In deciding dividends of surplus, the Company believes that shareholder returns are one of the most important management priorities. Its basic policy is to distribute profits based on financial results while considering the balance with investments for sustainable growth and enhanced corporate value, and financial soundness to prepare for various risks.

Furthermore, in the medium to long term, the Company believes that the ideal consolidated dividend payout ratio is approximately 35% of net income attributable to owners of the parent. The Company will use this guideline to decide the amounts of dividends in each period, aiming to pay stable dividends continuously.

Regarding the timing of dividends, there are two dividend payments each year in principle, an interim dividend, and a year-end dividend. In order to expeditiously handle dividends and other appropriation of surplus, including profit distribution to our shareholders, the Company's Article of Incorporation stipulates that the Board of Directors acts as the decision-making body for dividends and other appropriation of surplus.

Guided by the aforementioned policy, the Company resolved to pay a year-end dividend ¥11 per share for the fiscal year ended December 2021. Accordingly, the Company paid ¥20 per share as cash dividends for the fiscal year ended December 2021, including the interim payment (¥9 per share), and the consolidated dividend payout ratio came to 36.2%.

The Company did not acquire treasury stock during the current fiscal year, except for the purchase of less-than-one-unit shares.

Based on net income attributable to owners of the parent as per the current consolidated financial forecasts, we forecast annual dividend for the next fiscal year to be ¥25 per share.

Note: The monetary figures in this business report are rounded down to the nearest whole unit.

Consolidated Financial Statements

Consolidated Balance Sheet (as of December 31, 2021)

(Units: Millions of yen)

Item	Amount	Item	Amount
<i>Assets</i>		<i>Liabilities</i>	
Current assets	86,621	Current liabilities	32,939
Cash in hand and in banks	27,943	Notes, accounts payable–trade	8,037
Notes, accounts receivable–trade	19,826	Current portion of corporate bonds	10,474
Electronically recorded monetary claims	10,205	Short-term borrowings	816
Merchandise and finished goods	11,545	Current portion of long-term debt	2,284
Work in process	6,505	Income taxes payable	2,474
Raw materials and supplies	8,757	Consumption tax payable	135
Other	2,010	Accrued bonuses to employees	2,575
Less: Allowance for doubtful accounts	(173)	Accrued bonuses to directors	192
		Other	5,948
Fixed assets	56,798	Long-term liabilities	29,226
Property, plant and equipment	41,436	Corporate bonds	20,717
Buildings and structures	10,253	Long-term debt	4,575
Machinery, equipment and vehicles	12,606	Deferred tax liabilities	828
Tools, furniture and fixtures	5,273	Accrued retirement benefits to directors	230
Land	9,686	Allowance for stock benefit for directors and operating officers	233
Construction in progress	2,734	Retirement benefit liabilities	737
Other	881	Asset retirement obligations	421
Intangible assets	4,590	Other	1,480
Goodwill	319	Total liabilities	62,166
Other	4,270	<i>Net assets</i>	
Investments and other assets	10,772	Shareholders' equity	78,149
Investments in securities	6,757	Common stock	21,207
Retirement benefit assets	526	Capital surplus	5,726
Deferred tax assets	1,322	Retained earnings	51,708
Other	2,167	Treasury stock	(492)
Less: Allowance for doubtful accounts	(2)	Accumulated other comprehensive income	2,219
		Net unrealized gains on other securities	1,678
Total assets	143,419	Translation adjustments	368
		Cumulative adjustments related to retirement benefits	172
		Non-controlling interests	884
		Total net assets	81,253
		Total liabilities and net assets	143,419

Consolidated Statements of Income (From January 1, 2021 to December 31, 2021) (Units: Millions of yen)

Item	Amount	
Net sales		135,790
Cost of sales		101,328
Gross profit		34,461
Selling, general and administrative expenses		25,470
Operating income		8,990
Non-operating income		
Interest and dividend income	198	
Exchange gains	84	
Insurance income	167	
Subsidy income	161	
Other	320	931
Non-operating expenses		
Interest expenses	269	
Sales discount	313	
Losses on sales of notes receivable	55	
Loss on valuation of derivatives	209	
Other	98	946
Ordinary income		8,975
Extraordinary income		
Gain on sales of property, plant and equipment	70	
Gain on sales of investment property	32	
Other	0	102
Extraordinary loss		
Losses on sales or disposal of property, plant and equipment	117	
Impairment loss	1,223	
Other	31	1,372
Net income before income taxes		7,705
Income taxes (income, residential and enterprise taxes)	3,279	
Income tax adjustment	(665)	2,614
Net income		5,091
Net income attributable to non-controlling interests		136
Net income attributable to owners of the parent		4,954

Consolidated Statements of Changes in Net Assets (From January 1, 2021 to December 31, 2021)

(Units: Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of start of current fiscal year	21,207	5,726	47,925	(491)	74,367
Changes during fiscal year					
Dividends from surplus			(1,171)		(1,171)
Net income attributable to owners of the parent			4,954		4,954
Acquisition of treasury stock				(0)	(0)
Sales of treasury stock		(0)		0	0
Transfer of loss on disposal of treasury stock		0	(0)		-
Items other than changes in shareholders' equity, net					
Total change during fiscal year	-	-	3,782	(0)	3,781
Balance as of end of current fiscal year	21,207	5,726	51,708	(492)	78,149

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains on other securities	Deferred gains or losses on hedges	Translation adjustments	Cumulative adjustments related to retirement benefits	Total accumulated other comprehensive income		
Balance as of start of current fiscal year	1,478	(1)	(1,683)	132	(74)	874	75,167
Changes during fiscal year							
Dividends from surplus							(1,171)
Net income attributable to owners of the parent							4,954
Acquisition of treasury stock							(0)
Sales of treasury stock							0
Transfer of loss on disposal of treasury stock							-
Items other than changes in shareholders' equity, net	200	1	2,052	40	2,294	10	2,304
Total change during fiscal year	200	1	2,052	40	2,294	10	6,086
Balance as of end of current fiscal year	1,678	-	368	172	2,219	884	81,253

Non-consolidated Financial Statements

Non-consolidated Balance Sheet (as of December 31, 2021)

(Units: Millions of yen)

Item	Amount	Item	Amount
<i>Assets</i>		<i>Liabilities</i>	
Current assets	50,664	Current liabilities	30,540
Cash in hand and in banks	19,114	Accounts payable–trade	5,795
Notes receivable - trade	371	Current portion of corporate bonds	10,474
Electronically recorded monetary claims	6,489	Short-term borrowings	7,238
Accounts receivable - trade	8,703	Current portion of long-term debt	1,422
Merchandise and finished goods	3,408	Income taxes payable	1,766
Work in process	2,374	Accrued bonuses to employees	1,196
Raw materials and supplies	1,501	Accrued bonuses to directors	45
Short-term loans receivable	6,931	Other	2,600
Other	1,771	Long-term liabilities	25,940
Less: Allowance for doubtful accounts	(2)	Corporate bonds	20,717
Fixed assets	59,400	Long-term debt	3,752
Property, plant and equipment	15,878	Allowance for stock benefit for directors and operating officers	233
Buildings	2,438	Other	1,236
Structures	362	Total liabilities	56,481
Machinery and equipment	3,501		
Tools, furniture and fixtures	4,352	<i>Net assets</i>	
Land	3,316	Shareholders' equity	51,922
Construction in progress	1,797	Common stock	21,207
Other	110	Capital surplus	5,715
Intangible assets	3,836	Legal capital surplus	5,715
Investments and other assets	39,685	Retained earnings	25,492
Investments in securities	4,778	Other retained earnings	25,492
Stocks of subsidiaries and affiliates	29,173	Retained earnings brought forward	25,492
Long-term loans receivable	3,603	Treasury stock	(492)
Deferred tax assets	487	Valuation and translation adjustments	1,661
Other	1,642	Net unrealized gains on other securities	1,661
Total assets	110,065	Total net assets	53,584
		Total liabilities and net assets	110,065

Non-consolidated Statements of Income (From January 1, 2021 to December 31, 2021)

(Units: Millions of yen)

Item	Amount	
Net sales		60,041
Cost of sales		44,573
Gross profit		15,467
Selling, general and administrative expenses		13,204
Operating income		2,262
Non-operating income		
Interest and dividend income	3,051	
Insurance income	100	
Other	177	3,330
Non-operating expenses		
Interest expenses	211	
Sales discount	168	
Exchange losses	114	
Other	82	577
Ordinary income		5,015
Extraordinary income		
Gain on sales of property, plant and equipment	60	
Gain on sales of investment property	32	92
Extraordinary loss		
Losses on sales or disposal of property, plant and equipment	74	
Impairment loss	747	
Loss on debt waiver of subsidiaries and affiliates	1,058	
Other	19	1,900
Net income before income taxes		3,207
Income taxes (income, residential and enterprise taxes)	914	
Income tax adjustment	(370)	544
Net income		2,662

Non-consolidated Statements of Changes in Net Assets (From January 1, 2021 to December 31, 2021)

(Units: Millions of yen)

	Shareholders' equity					Total shareholders' equity
	Common stock	Capital surplus		Retained earnings	Treasury stock	
		Legal capital surplus	Other capital surplus	Other retained earnings Retained earnings brought forward		
Balance as of start of current fiscal year	21,207	5,715	-	24,001	(491)	50,431
Changes during fiscal year						
Dividends from surplus				(1,171)		(1,171)
Net income				2,662		2,662
Acquisition of treasury stock					(0)	(0)
Sales of treasury stock			(0)		0	0
Transfer of loss on disposal of treasury stock			0	(0)		-
Items other than changes in shareholders' equity, net						
Total change during fiscal year	-	-	-	1,491	(0)	1,490
Balance as of end of current fiscal year	21,207	5,715	-	25,492	(492)	51,922

	Valuation and translation adjustments			Total net assets
	Net unrealized gains on other securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of start of current fiscal year	1,448	(1)	1,446	51,878
Changes during fiscal year				
Dividends from surplus				(1,171)
Net income				2,662
Acquisition of treasury stock				(0)
Sales of treasury stock				0
Transfer of loss on disposal of treasury stock				-
Items other than changes in shareholders' equity, net	213	1	214	214
Total change during fiscal year	213	1	214	1,705
Balance as of end of current fiscal year	1,661	-	1,661	53,584

Auditor's Reports

Accounting Audit Report on the Consolidated Financial Statements

Independent Auditor's Report (Translation)

February 18, 2022

To the Board of Directors
KITZ Corporation

Ernst & Young ShinNihon LLC
Tokyo, Japan

Hideyuki Inoue Certified Public Accountant
Designated and Engagement Partner
Takashi Yoshikawa Certified Public Accountant
Designated and Engagement Partner

Audit Opinion

Pursuant to Article 444, paragraph (4) of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the Consolidated Balance Sheet, the Consolidated Statements of Income, the Consolidated Statements of Changes in Net Assets and the Notes to the Consolidated Financial Statements of KITZ Corporation (the "Company") applicable to the fiscal year from January 1, 2021, through December 31, 2021.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and results of operations of the Group, which consisted of the Company and its consolidated subsidiaries, applicable to the fiscal year ended December 31, 2021, in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

We have no interest in the Company or its consolidated subsidiaries which should be disclosed in compliance with the Certified Public Accountants Act.

Accounting Audit Report on the Non-consolidated Financial Statements

Independent Auditor's Report (Translation)

February 18, 2022

To the Board of Directors
KITZ Corporation

Ernst & Young ShinNihon LLC
Tokyo, Japan

Hideyuki Inoue Certified Public Accountant
 Designated and Engagement Partner
Takashi Yoshikawa Certified Public Accountant
 Designated and Engagement Partner

Audit Opinion

Pursuant to Article 436, paragraph (2), item (i) of the Companies Act, we have audited the accompanying financial statements, which comprise the Non-consolidated Balance Sheet, Non-consolidated Statement of Income, Non-consolidated Statements of Changes in Net Assets, Notes to the Non-consolidated Financial Statements and the related supplementary schedules (the "Non-consolidated Financial Statements") of KITZ Corporation (the "Company") applicable to the 108th fiscal year from January 1, 2021, through December 31, 2021.

In our opinion, the Non-consolidated Financial Statements referred to above present fairly, in all material respects, the financial position and results of operations of the Company, applicable to the fiscal year ended December 31, 2021, in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Non-consolidated Financial Statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the Non-consolidated Financial Statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the Non-consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Non-consolidated Financial Statements, management is responsible for assessing whether it is appropriate to prepare the Non-consolidated Financial Statements with the assumption of the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the Non-consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the Non-consolidated Financial Statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the Non-consolidated Financial Statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Non-consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and

appropriate to provide a basis for our opinion.

- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the Non-consolidated Financial Statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the Non-consolidated Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the Non-consolidated Financial Statements or, if the notes to the Non-consolidated Financial Statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the Non-consolidated Financial Statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the Non-consolidated Financial Statements and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the Non-consolidated Financial Statements, including the related notes thereto, and whether the Non-consolidated Financial Statements fairly represent the underlying transactions and accounting events.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

Audit Report of the Audit & Supervisory Board

Audit Report

With respect to the Directors' performance of their duties during the 108th business year (from January 1, 2021 through December 31, 2021), the Audit & Supervisory Board has prepared this audit report after deliberations based on the audit report prepared by each Audit & Supervisory Board Member, and hereby reports as follows as the consensus of opinion of the Audit & Supervisory Board Members.

1. Method and Contents of Audit by Audit & Supervisory Board Members and the Audit & Supervisory Board

- (1) In accordance with the Rules of the Audit & Supervisory Board, the Audit & Supervisory Board undertook the necessary reviews as described below.
 - (i) We have established the audit policies, audit plans and other relevant matters for the fiscal year, received a report regularly from each of the Audit & Supervisory Board Member regarding the status of implementation of their audits and results thereof, and reviewed the performance of directors' duties.
 - (ii) We had regular opportunities for exchanging opinions with the President, and then reported and shared views on the audit results, while receiving reports from directors, employees, and other relevant persons as necessary.
 - (iii) We invited the accounting auditor and the General Manager of the Internal Audit Office to our regular meetings and made efforts to facilitate tripartite collaboration in audits and enhance the effectiveness and efficiency of each audit. In addition, we worked to facilitate mutual communication, together with outside Directors as deemed appropriate, and strengthen cooperation with auditing and supervisory function.
 - (iv) We received regular reports from the accounting auditor on application of the "Principles for effective management of audit firms (the audit firm governance code)" (Financial Services Agency, March 2017) and the measures for securing the quality of its audits, and sought explanations as necessary. We also examined whether it would be appropriate to re-elect the accounting auditor for the next fiscal year in light of the evaluation standards and policies for determining the dismissal or non-reappointment of the accounting auditor.
- (2) Each Audit & Supervisory Board Member complied with the auditing standards of Audit & Supervisory Board Members established by the Audit & Supervisory Board, followed the auditing policies, allocation of duties, and other relevant matters, communicated with such as the Directors, the General Manager of the Internal Audit Office and other employees, made efforts to establish the environment for collecting information and auditing, and conducted the audit by the following methods.
 - (i) Each Audit & Supervisory Board Member participated in the meetings of the Board of Directors and other important meetings, received reports from the Directors, employees, and other relevant persons on the performance of their duties, and requested explanations as necessary. In addition, each Audit & Supervisory Board Member inspected important approval/decision documents, and investigated the status of the corporate affairs and assets at the Head Office and other principal business locations.
 - (ii) Regarding the subsidiaries, two standing Audit & Supervisory Board Members served concurrently as Audit & Supervisory Board Member of domestic subsidiaries, and audited the execution of duties of the subsidiaries' Boards of Directors. The Members also attended meetings of the subsidiaries' Boards of Directors, including those overseas, and received reports on the operations and assets of each subsidiary as well as the development and operational status of Internal Control System therein. The Members also communicated with the Directors and other relevant persons of the subsidiaries, and, where necessary, investigated the relevant subsidiaries' operations and other relevant matters.
 - (iii) The Audit & Supervisory Board Members examined the appropriateness of the Board of Directors' resolutions regarding the development and maintenance of the Internal Control System described in the business report;
 - i) the system for ensuring that the performance of duties by the Directors conforms to the applicable laws and regulations and the Articles of Incorporation, and
 - ii) the system stipulated in Article 100, paragraph (1) and paragraph (3) of the Enforcement Regulations of the Companies Act, which are necessary for ensuring the properness of operations of the enterprises consisting of the Company and its subsidiaries.

The Board Members also received reports regarding the development and operation status at the Board of Directors and other relevant bodies and expressed opinions as necessary. With regard to the aspects of the Internal Control System that concern financial reporting, the Audit & Supervisory Board Members received reports at the Board of Directors and other relevant bodies, and also received periodic reports from Ernst & Young ShinNihon LLC and the General Manager of the Internal Audit Office regarding the status of the evaluation and audit of the Internal Control System.

- (iv) Through communicating with the accounting auditor, each Audit & Supervisory Board Member monitored and verified whether the accounting auditor maintained its independence and properly conducted its audit, received a report regularly from the accounting auditor on its audit plans and the status of its performance of duties, and requested explanations as necessary. Also, we reviewed the appropriateness of the audit procedures and audit results by the accounting auditor. In addition, we received notice from the Accounting Auditor that “System for ensuring that duties are performed properly” (matters set forth in each item of Article 131 of the Regulations on Corporate Accounting) is organized in accordance with the “Quality Management Standards Regarding Audits” (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations as necessary.

Based on the above methods, each Audit & Supervisory Board Member examined the business report and the accompanying detailed statements, the non-consolidated financial statements (balance sheet, statement of income, statements of changes in net assets, and notes to non-consolidated financial statements) and the related supplementary schedules as well as the consolidated financial statements (consolidated balance sheet, consolidated statements of income, consolidated statements of net assets, and notes to consolidated financial statements) for the fiscal year under review.

2. Results of Audit

(1) Results of Audit of Business Report and Other Relevant Documents

- (i) We confirm that the business report and the accompanying detailed statements fairly represent the Company’s conditions in accordance with the related laws and regulations and the Articles of Incorporation.
- (ii) We have found no significant evidence of wrongful act or violation of related laws and regulations, nor the Articles of Incorporation with regard to the execution of duties by the Directors.
- (iii) We confirm that the content of the resolution of the Board of Directors regarding the Internal Control System is proper. In addition, we have found no matters on which to remark in regard to the description of the business report and the execution of duties by the Directors regarding the Internal Control System.

(2) Result of the Audit of the Non-consolidated Financial Statements and the Related Supplementary Schedules

We confirm that the methods and results of the audit conducted by the Accounting Auditor, Ernst & Young ShinNihon LLC are proper.

(3) Result of the Audit of the Consolidated Financial Statements

We confirm that the methods and results of the audit conducted by the Accounting Auditor, Ernst & Young ShinNihon LLC are proper.

3. Decision to Re-elect the Accounting Auditor

As a result of its review, the Audit & Supervisory Board has determined that Ernst & Young ShinNihon LLC should be re-elected as the accounting auditor for the 109th fiscal year ending December 31, 2022.

February 21, 2022

Audit & Supervisory Board of KITZ Corporation
Standing Audit & Supervisory Board Member Masahiko Kondo
Standing Audit & Supervisory Board Member Taro Kimura
Outside Audit & Supervisory Board Member Tatsuhiko Takai
Outside Audit & Supervisory Board Member Shuhei Sakuno
Outside Audit & Supervisory Board Member Ayako Kobayashi