

**To Our Shareholders:**

In February 2022, KITZ Corporation announced the Long-term Management Vision. Beyond New Heights 2030 — Change the ‘Flow.’ In a rapidly changing social environment, this is our vision for what we want to be in 2030 to realize our corporate philosophy, the “KITZ’ Statement of Corporate Mission.”

We have supported people’s lives and industries in all industrial fields especially in the fields of building equipment, petrochemicals and general chemicals and have contributed to the creation of a prosperous society up to the present. We aim at ambidextrous management by strengthening the foundations of these core businesses as well as shifting the business areas and accelerating entry into growing businesses such as the “semi-conductor field” and the “decarbonization field” while squarely dealing with trends such as “digitalization” and social issues such as “global warming” without fearing risks.

With regard to human resources, which are the source of these goals, we are working to realize a work environment where each and every employee can work actively by promoting D&I (diversity and inclusion), fostering a culture of collaboration and continuously developing human resources. We are also proactively working to create innovation such as development of “control technology that supports the decarbonized / hydrogenated society” and “materials that contribute to reducing environmental burden across the entire Group.”

In order to realize a sustainable society, we will aim to be a company trusted by society by working to solve social issues through our business and strive to increase both the corporate value and the social value and realizing efficient, fair and highly transparent management.

March 2023

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

(The date of issue) March 10, 2023

(Date of commencing the provision of information in electronic format) March 7, 2023

To our shareholders:

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

## NOTICE OF THE 109TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We are pleased to announce the 109th Ordinary General Meeting of Shareholders of KITZ Corporation (the “Company”), which will be held as described below.

For the convocation of the General Meeting of Shareholders, the Company takes measures to provide information contained in the reference documents for the general meeting of shareholders, etc., in electronic format (matters related to the measures to provide information electronically), and the information is listed on the following websites. Please confirm accessing one of the websites.

[The Company’s website]

[https://www.kitz.co.jp/investor\\_ir/stock-information/meetings/](https://www.kitz.co.jp/investor_ir/stock-information/meetings/) (in Japanese only)

[Websites in which the reference documents for the general meeting of shareholders are listed]

<https://d.sokai.jp/6498/teiji/> (in Japanese only)

If you are unable to attend the Meeting, you may exercise your voting rights in writing (by mail) or via the internet. Please exercise your voting rights after reviewing the attached Reference Documents for the General Meeting of Shareholders no later than 6:00 p.m., Tuesday, March 28, 2023 (Japan Standard Time).

**1. Date and Time:** Wednesday, March 29, 2023 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 109th Term (from January 1, 2022 to December 31, 2022), 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 109th Term (from January 1, 2022 to December 31, 2022)

#### Items to be resolved:

- Proposal 1:** Partial amendments to the Articles of Incorporation
- Proposal 2:** Election of seven (7) Directors
- Proposal 3:** Election of two (2) Audit & Supervisory Board Members

## Reference Documents for the General Meeting of Shareholders

**Proposal 1:** Partial amendments to the Articles of Incorporation

1. Reason for proposal

To reinforce the function of the Head Office, improve operational efficiency and strengthen the alliance among the group companies, the Company will transfer the location of the Head Office that is stipulated in Article 3 of the current Articles of Incorporation from Mihama-ku, Chiba-shi, Chiba to Minato-ku, Tokyo.

We will add a proviso that stipulates that this change will come into effect on the date of transferring the Head Office, which will be determined at the Board of Directors meeting held prior to the 110th Ordinary General Meeting of Shareholders (to be held in March 2024). After the effective date, the proviso will be deleted.

2. Details of the amendments

Details of the amendments are as follows:

(The amended parts are underlined.)

(Current Articles of Incorporation)	(Proposed Amendments)
(Location of Headquarters) Article 3. The Head Office of the Company shall be located in <u>Mihama-ku Chiba-shi, Chiba.</u> <Newly established>	(Location of Headquarters) Article 3. The Head Office of the Company shall be located in <u>Minato-ku, Tokyo.</u> <u>Supplementary Provisions</u> <u>Article 1.</u> <u>Regarding the change of the Article 3 of the Articles of Incorporation (Location of Headquarters), the Company will add a proviso that stipulates that this change will come into effect on the date of transferring the Head Office, which will be determined at the Board of Directors meeting held prior to the 110th Ordinary General Meeting of Shareholders (to be held in March 2024). After the effective date, the proviso will be deleted.</u>

**Proposal 2: Election of seven (7) Directors**

At the conclusion of this Ordinary General Meeting of Shareholders, the terms of office of all seven (7) 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 (male)	Chairman, Chair of the Board of Directors	Reelection Tenure: 15 years and 9 months	100% 15/15 meetings
2	Makoto Kohno (male)	President and Chief Executive Officer	Reelection Tenure: 3 years and 9 months	100% 15/15 meetings
3	Toshiyuki Murasawa (male)	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: 6 years and 9 months	100% 15/15 meetings
4	Kazuyuki Matsumoto (male)	Outside Director	Reelection Outside Independent Tenure: 9 years and 9 months	100% 15/15 meetings
5	Minoru Amoh (male)	Outside Director	Reelection Outside Independent Tenure: 7 years and 9 months	100% 15/15 meetings
6	Yutaka Fujiwara (male)	Outside Director	Reelection Outside Independent Tenure: 5 years and 9 months	100% 15/15 meetings
7	Yukino Kikuma (female)	Outside Director	Reelection Outside Independent Tenure: 2 years and 9 months	100% 15/15 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: 15 years and 9 months</p> <p>Attendance at Board of Directors' meetings: 15/15 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>	184,194 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: 3 years and 9 months</p> <p>Attendance at Board of Directors' meetings: 15/15 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 &amp; Managing Director, KITZ Corporation of Asia Pacific Pte. Ltd., Managing Director, KITZ Valve &amp; Actuation Singapore Pte. Ltd.</p> <p>Apr. 2019      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>	35,194 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 &amp; 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: 6 years and 9 months  Attendance at Board of Directors' meetings: 15/15 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>	74,894 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: 9 years and 9 months</p> <p>Attendance at Board of Directors' meetings: 15/15 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>	8,400 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 data-bbox="373 658 571 712">Minoru Amoh (December 9, 1951)</p> <p data-bbox="411 741 533 817">Reelection Outside Independent</p> <p data-bbox="336 853 608 907">Tenure as Outside Director: 7 years and 9 months</p> <p data-bbox="357 936 587 1012">Attendance at Board of Directors' meetings: 15/15 meetings</p>	<p data-bbox="635 331 1203 407">Apr. 1979      Joined Du Pont Far East, Inc. Japan Representative Office (currently DuPont Kabushiki Kaisha)</p> <p data-bbox="635 421 1150 443">Mar. 2000      Director, DuPont Kabushiki Kaisha</p> <p data-bbox="635 456 1182 510">Mar. 2002      Managing Executive Director, DuPont Kabushiki Kaisha</p> <p data-bbox="635 524 1251 600">Mar. 2004      Senior Executive Director, Regional Director, Asia-Pacific Region, Engineering Polymer Business Division, DuPont Kabushiki Kaisha</p> <p data-bbox="635 613 1230 667">July 2005      Director, Vice President, DuPont Kabushiki Kaisha</p> <p data-bbox="635 680 1262 734">Sept. 2006      Representative Director and President, DuPont Kabushiki Kaisha</p> <p data-bbox="635 748 1230 824">Jan. 2013      Representative Director, Chairman, DuPont Kabushiki Kaisha, President, DuPont Asia Pacific Limited</p> <p data-bbox="635 837 1267 891">Sept. 2014      Honorary Chairman, DuPont Kabushiki Kaisha (retired in Mar. 2016)</p> <p data-bbox="635 904 1214 958">June 2015      Outside Director of the Company (present position)</p> <p data-bbox="635 972 1235 1025">Mar. 2016      Outside Statutory Auditor, Otsuka Chemical Co., Ltd.</p> <p data-bbox="635 1039 1241 1137">Mar. 2019      Retired as Outside Statutory Auditor, Otsuka Chemical Co., Ltd. Outside Director, Otsuka Chemical Co., Ltd. (present position)</p> <p data-bbox="635 1151 1257 1205">Dec. 2020      External Director, HEXEL Works Inc. (retired in June 2022)</p> <p data-bbox="635 1218 1257 1272">June 2021      Outside Director, Enplas Corporation (present position)</p> <p data-bbox="635 1285 1066 1348">[Significant concurrent positions] Outside Director, Otsuka Chemical Co., Ltd. Outside Director, Enplas Corporation</p>	6,100 shares
<p data-bbox="325 1361 1209 1393">[Reasons for nomination as candidate for Outside Director and overview of expected roles]</p> <p data-bbox="325 1397 1474 1485">Minoru Amoh was long active as a manager of DuPont 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	<p data-bbox="389 600 555 651">Yutaka Fujiwara (April 20, 1951)</p> <p data-bbox="411 680 533 757">Reelection Outside Independent</p> <p data-bbox="336 786 608 837">Tenure as Outside Director: 5 years and 9 months</p> <p data-bbox="357 866 587 949">Attendance at Board of Directors' meetings: 15/15 meetings</p>	<p data-bbox="635 322 1225 351">Apr. 1974      Joined MODEC, Inc. (retired in Oct. 1987)</p> <p data-bbox="635 358 1251 409">Nov. 1987      Joined The Yasuda Trust &amp; Banking Co., Ltd. (currently Mizuho Trust &amp; Banking Co., Ltd.)</p> <p data-bbox="635 416 1241 470">Aug. 1994      Deputy General Manager, New York Branch, The Yasuda Trust &amp; Banking Co., Ltd.</p> <p data-bbox="635 477 1267 560">June 1996      General Manager, Chicago Branch, The Yasuda Trust &amp; Banking Co., Ltd. (retired in July 1998)</p> <p data-bbox="635 566 1086 595">Aug. 1998      Joined OMRON Corporation</p> <p data-bbox="635 602 1257 656">June 2005      Executive Officer, General Manager, Financial IR Department, OMRON Corporation</p> <p data-bbox="635 663 1230 716">Mar. 2007      Executive Officer, General Manager, Group Strategy Department, OMRON Corporation</p> <p data-bbox="635 723 1177 806">June 2008      Managing Executive Officer, General Manager, Group Strategy Department, OMRON Corporation</p> <p data-bbox="635 813 1246 925">Dec. 2008      Managing Executive Officer, General Manager, IR &amp; Corporate Information Department, OMRON Corporation (retired in June 2011)</p> <p data-bbox="635 931 1193 985">June 2013      Outside Director, Nabtesco Corporation (retired in March 2021)</p> <p data-bbox="635 992 1214 1052">June 2017      Outside Director of the Company (present position)</p> <p data-bbox="635 1059 1257 1120">July 2020      External Audit &amp; Supervisory Board Member, Konoike Transport Co., Ltd. (present position)</p> <p data-bbox="635 1126 1171 1209">[Significant concurrent positions] External Audit &amp; Supervisory Board Member, Konoike Transport Co., Ltd.</p>	8,300 shares
<p data-bbox="325 1234 1209 1263">[Reasons for nomination as candidate for Outside Director and overview of expected roles]</p> <p data-bbox="325 1270 1465 1417">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: 2 years and 9 months  Attendance at Board of Directors' meetings: 15/15 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	1,900 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 16), 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 2023, 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.

**Proposal 3:** Election of two (2) Audit & Supervisory Board Members

At the conclusion of this Ordinary General Meeting of Shareholders, the terms of office of Audit & Supervisory Board Members Tatsuhiko Takai and Ayako Kobayashi will expire. Therefore, the Company requests the election of two (2) Audit & Supervisory Board Members.

The Audit & Supervisory Board has given its consent to this proposal.

The candidates for Audit & Supervisory Board Member are as follows:

Candidate No.	Name (Date of birth)	Career summary and position (significant concurrent positions outside the Company)		Number of the Company's shares owned
1	Tatsuhiko Takai (February 3, 1952)  Reelection Outside Independent  Tenure as Audit & Supervisory Board Member: 7 years and 9 months  Attendance at Board of Directors' meetings: 15/15 meetings  Attendance at meetings of the Audit & Supervisory Board: 15/15 meetings	July 1974 June 2004  June 2007 June 2008 June 2011 June 2015	Joined Mitsui Mining & Smelting Co., Ltd. Executive Officer, General Manager, Finance Department, Mitsui Mining & Smelting Co., Ltd. Outside Audit & Supervisory Board Member, MESCO, Inc. Chief Financial Officer and Senior Executive Officer, General Manager, Finance Department, Mitsui Mining & Smelting Co., Ltd. Standing Audit & Supervisory Board Member, Mitsui Mining & Smelting Co., Ltd. (retired in June 2015) Outside Audit & Supervisory Board Member, Nakabohtec Corrosion Protecting Co., Ltd. (retired in June 2015) Outside Audit & Supervisory Board Member of the Company (present position)	9,100 shares
	[Reasons for nomination as candidate for Outside Audit & Supervisory Board Member] Tatsuhiko Takai worked for a long time as Chief Financial Officer (CFO), Executive Officer in charge of finance and Audit & Supervisory Board Member of Mitsui Mining & Smelting Co., Ltd., and he has broad and high level of insight into financial accounting, corporate planning, etc. The Company has judged that he will be able to fulfill the role appropriately by making active and useful statements at meetings of the Board of Directors and Audit & Supervisory Board, leveraging his expertise, and therefore has nominated him as a candidate for Outside Audit & Supervisory Board Member.			
2	Ayako Kobayashi (October 14, 1975)  Reelection Outside Independent  Tenure as Audit & Supervisory Board Member: 3 years and 9 months  Attendance at Board of Directors' meetings: 15/15 meetings  Attendance at meetings of the Audit & Supervisory Board: 15/15 meetings	Oct. 2000 Jan. 2009 Sept. 2013 Apr. 2018 June 2019 June 2021	Registered as an attorney at law Partner, Kataoka & Kobayashi Part-time Instructor, Keio University Law School (retired in Mar. 2020) Partner, KATAOKA & KOBAYASHI LPC (present position) Outside Audit & Supervisory Board Member of the Company (present position) Outside Director, The Musashino Bank, Ltd. (present position)  [Significant concurrent positions] Partner, KATAOKA & KOBAYASHI LPC Outside Director, The Musashino Bank, Ltd.	5,600 shares
	[Reasons for nomination as candidate for Outside Audit & Supervisory Board Member] Ayako Kobayashi has been active as an attorney-at-law for a long time and has a broad and high level of insight into corporate legal affairs, including dispute resolution in various types of litigation, compliance, risk management, and governance. The Company has judged that she will be able to fulfill the role appropriately by making active and useful statements at meetings of the Board of Directors and Audit & Supervisory Board, leveraging her expertise, and therefore has nominated her as a candidate for Outside Audit & Supervisory Board Member.			

Notes: 1. There is no special interest between candidates Tatsuhiko Takai and Ayako Kobayashi and the Company.

2. Tatsuhiko Takai and Ayako Kobayashi are candidates for Outside Audit & Supervisory Board Member.
3. Tatsuhiko Takai and Ayako Kobayashi 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 16), and all of the candidates will be independent officers if they are elected as Audit & Supervisory Board Members.
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 Audit & Supervisory Board Members limiting their liability under Article 423, paragraph (1) of the same Act if that Audit & Supervisory Board Member 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 Tatsuhiko Takai and Ayako Kobayashi, and if they are elected as Audit & Supervisory Board Members, 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. An Audit & Supervisory Board Member 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 Audit & Supervisory Board Member acts while knowing that his/her conduct violates laws and regulations. The Company plans to renew the said contract in July 2023, under which the candidates are insured if they are elected.
6. Ayako Kobayashi’s name on her family register is Ayako Nakajima.

(Reference)

## 1. Policy on the makeup of the Board of Directors

The Company's "Policies on Appointment and Dismissal of Directors and Audit and Supervisory Board Members" shall be as follows:

- (1) The number of Directors shall be no more than nine persons in accordance with the provisions of the Articles of Incorporation.
- (2) At least one-third of the membership of the Board of Directors shall consist of Independent Outside Directors.
- (3) To fulfill its roles and responsibilities effectively, the Board of Directors shall have a sound overall balance of knowledge, experience, ability, and specialization and shall have both diversity in terms that include gender, cosmopolitanism, career history, and age and an appropriate size.

## 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.

## **Business Report for the 109th Term** (from January 1, 2022 to December 31, 2022)

### **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 saw some recovery in economic activities due to the progress in the abolition of restrictions on movement and overseas travel owing to effective COVID-19 countermeasures such as vaccinations. However, the occurrence of geopolitical risks including China's zero-Covid policy and Russia's invasion of Ukraine, resulted in the disruption of supply chains and inflation due to price hikes of energy resources and raw materials, and the outlook remained uncertain. The Japanese economy has been remaining in a severe situation, due to price hikes of energy resources and raw materials caused by the spread of variants and geopolitical risks, although the economy showed a recovery with the relaxed restrictions on movement, such as the end of COVID-19 quasi-emergency measures, due to the increase in COVID-19 immunization coverage.

Under these circumstances, during the fiscal year under review, in the domestic market of the Valve Manufacturing Business, we had a positive effect from the price revisions implemented in the previous and current periods and the favorable conditions for the products for semiconductor manufacturing equipment continued. Meanwhile, in the overseas market, the sales of products mainly for the Americas and ASEAN rose, and we saw the influence of exchange rates. Sales in the Brass Bar Manufacturing Business were up due to an increase in sales volume as well as higher sales prices resulting from rising raw materials prices. As a result, total net sales increased 17.8% year on year to ¥159,914 million.

In terms of profit and loss, operating income increased 22.9% year on year to ¥11,051 million due to the strong sales of products for semiconductor manufacturing equipment in the Valve Manufacturing Business, and increased sales and profit in domestic and overseas markets along with the economic recovery. Ordinary income increased 34.2% year on year to ¥12,045 million due to exchange gains because of the depreciation of the yen, and net income attributable to owners of the parent was up 72.6% year on year to ¥8,549 million.

Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the current fiscal year. Accordingly, compared to the previous method, net sales of the current fiscal year decreased by ¥1,025 million, cost of sales decreased by ¥408 million, selling, general and administrative expenses decreased by ¥311 million, operating income decreased by ¥305 million, ordinary income and net income before income taxes increased by ¥0 million each. In addition, the balance of retained earnings as of the beginning of the current fiscal year decreased by ¥3 million.

The result of each business segment is as follows.

#### **Valve Manufacturing (Composition ratio 78.3%)**

Sales to external customers of the Valve Manufacturing Business increased both in Japan and overseas for semiconductor manufacturing facilities. In the domestic market, the effect of price revisions contributed to the increase, and in the overseas market, sales to the Americas and ASEAN countries increased in addition to the effect of exchange rates. As a result, sales to external customers were up 17.3% year on year to ¥125,189 million.

Operating income increased 23.9% year on year to ¥14,980 million, mainly due to the effect of price revisions, which offset the sharp rise in raw materials prices, as well as the effect of increased sales.

#### **Brass Bar Manufacturing (Composition ratio 20.3%)**

Sales to external customers of the Brass Bar Manufacturing Business grew 18.8% year on year to

¥32,513 million, due to an increase in unit selling prices and sales volume accompanied by a rise in raw materials prices that affect selling prices.

Operating income decreased 66.6% year on year to ¥222 million due to the impact of lower unit selling prices accompanying the sharp decline in raw materials prices during the period and higher energy costs.

**Other (Composition ratio 1.4%)**

Sales to external customers of Other Businesses increased 32.6% year on year to ¥2,212 million due to an increase in the number of hotel guests after the easing of activity restrictions in the hotel business, including the full-scale lifting of COVID-19 quasi-emergency measures.

Operating income was ¥68 million (operating loss of ¥243 million in the previous fiscal year), mainly due to the increase in net sales.

Net sales by business segment of the corporate group (Units: Millions of yen)

Business Segment	108th term (FYE December 2021)		109th term (FYE December 2022)		Year-on-year	
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount	Rate of change (%)
Valve Manufacturing	106,754	78.6	125,189	78.3	18,434	17.3
Brass Bar Manufacturing	27,366	20.2	32,513	20.3	5,146	18.8
Other	1,668	1.2	2,212	1.4	543	32.6
Total	135,790	100	159,914	100	24,124	17.8

Operating income or loss by business segment of the corporate group (Units: Millions of yen)

Business Segment	108th term (FYE December 2021)	109th term (FYE December 2022)	Year-on-year	
	Amount	Amount	Amount	Rate of change (%)
Valve Manufacturing	12,088	14,980	2,892	23.9
Brass Bar Manufacturing	665	222	(443)	(66.6)
Other	(243)	68	311	–
Adjustments	(3,519)	(4,219)	(699)	–
Total	8,990	11,051	2,060	22.9

(ii) Capital expenditures

In the Valve Manufacturing Business, the total capital investment was ¥8,130 million (including intangible fixed assets) as the Company and the manufacturing subsidiaries for semi-conductor manufacturing facilities centrally made new investments and renewal investments in production facilities.

(iii) Financing activities

The Company redeemed its third publicly offered corporate bond of ¥10 billion, and issued its first Sustainability-Linked Bond of ¥10 billion for the purpose of partially redeeming the corporate bond. As a result, the balance of interest-bearing debt (including lease obligations) decreased by ¥1,324 million from the end of the previous fiscal year to ¥38,386 million.

(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	106th term (FYE March 2020)	107th term (FYE December 2020)	108th term (FYE December 2021)	109th term (FYE December 2022)
Net sales	127,090	84,245	135,790	159,914
Ordinary income	7,241	3,169	8,975	12,045
Net income attributable to owners of the parent	4,937	2,113	4,954	8,549
Net income per share (yen)	53.06	23.38	55.26	95.35
Total assets	135,063	140,681	143,419	152,569
Net assets	76,879	75,167	81,253	91,042
Net assets per share (yen)	819.49	828.76	896.55	1,002.69

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 of the closing date.
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	106th term (FYE March 2020)	107th term (FYE December 2020)	108th term (FYE December 2021)	109th term (FYE December 2022)
Net sales	64,137	41,786	60,041	69,338
Ordinary income	4,681	1,868	5,015	4,657
Net income	3,645	1,436	2,662	4,120
Net income per share (yen)	39.17	15.89	29.70	45.95
Total assets	102,569	110,478	110,065	107,706
Net assets	52,962	51,878	53,584	55,645
Net assets per share (yen)	574.29	578.72	597.75	620.13

## 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 of the closing date.
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

The management environment surrounding the Group is changing at an unprecedented pace: life and work styles are changing due to the spread of COVID-19, and efforts to realize a sustainable society, including decarbonization to combat global warming, are required.

Under these circumstances, in February 2022, the Group revised the corporate philosophy, the “KITZ’ Statement of Corporate Mission,” and formulated its Long-term Management Vision, Beyond New Heights 2030 — Change the ‘Flow,’ as well as its Medium-term Management Plan, which were communicated both internally and externally. KITZ has been promoting its business in the direction of changing the revenue structure by strategically executing investments while shifting resources from the current core markets to growth and new fields, regarding the social issues of “digitalization” and “decarbonization” as growth areas. We have set “medium- to long-term improvement of return on invested capital” as the cornerstone of our management, and we have set “return on equity (ROE)” externally and “return on invested capital (ROIC)” internally as our main key performance indicators (KPIs). In addition, we are also working to respond to the demands of society from each “ESG” perspective.

\*Please refer to the following URLs for the KITZ’ Statement of Corporate Mission, Long-term Management Vision, and Medium-term Management Plan.

KITZ’ Statement of Corporate Mission and Long-term Management Vision:  
[https://www.kitz.com/english/ir/pdf/long\\_plan.pdf](https://www.kitz.com/english/ir/pdf/long_plan.pdf)

Medium-term Management Plan:  
[https://www.kitz.com/english/ir/pdf/mid\\_plan.pdf](https://www.kitz.com/english/ir/pdf/mid_plan.pdf)

(i) Management Policy

In FY2022, the Group formulated the “First Medium-term Management Plan 2024” covering the period through FY2024. This year, FY2023, the second year of the Medium-term Management Plan,

we have set “ROIC x ESG” as our management policy, aiming to both increase corporate value and enhance social value.

“ROIC x ESG”

■ ROIC

- The ROIC tree enables all employees to realize their role and contribution to the company
- Aim to minimize inventory and receivables turnover and maximize profits by considering asset efficiency
- Identify and improve unprofitable products (cost reduction, product integration, price increase, discontinuation)
- Aggressively invest in growth areas and reap results with speed

■ ESG (Sustainability Management)

- Protect the global environment through “Triple Zero” and be aggressive in environmental business
- Create an environment that considers people as capital, and enhance their capabilities and engagement
- Take reasonable risks while appropriately mitigating those that exceed tolerance level
- Build a management structure that is transparent and capable of prompt decision making

\*Triple Zero refers to the “zero CO<sub>2</sub> emissions, zero environmental impact, and zero risk” initiatives  
For details, see page 27.

(ii) Business strategies

a) Valve Manufacturing Business

a. By market

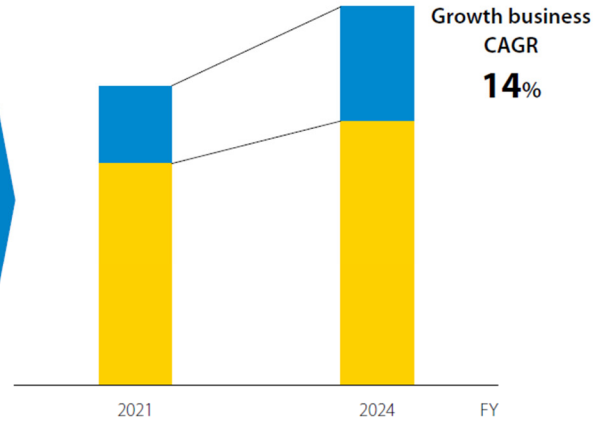
In the Valve Manufacturing Business, we have divided our target markets into eight categories and positioned the building & facilities, petrochemical, water treatment, and machinery & equipment markets, where the Group’s strengths lie, as core markets, and will further strengthen their foundations to build a robust base. The Group will also aggressively invest resources in the growth

markets of semiconductor equipment, semiconductor materials (filters), fine chemicals, and the hydrogen & clean energy markets to transform our revenue structure.

Valve Business / Target Segments

	Target segments	Growth potential
Core ↑	1 Building & facilities	→
	2 Petrochemicals	→
	3 Water treatment	→
	4 Machinery & equipment	→
↓ Growth	5 Semiconductor equipment	↗
	6 Semiconductor materials (filters)	↗
	7 Fine chemicals	↗
	8 Hydrogen & clean energy	↗

Valve Business / Sales Composition by Market



<Core Market>

Segments	Measure
Building & facilities	Strengthen sales for data centers Develop and expand sales of products that respond to changes in piping methods and materials and automation
Petrochemicals	Expansion of the standard-certified product lineup in North America and maintenance business in Japan and overseas
Water treatment	Strengthen sales of environmentally friendly products such as groundwater purification systems by launching the Environmental Solutions BU, which integrates the technologies and human resources of the Group
Machinery & equipment	Expansion of sales of the environmentally -conscious products by strengthening management of environmentally -controlled substances and the range of products compliant with environmental regulations



<Growth Market>

Segments	Measure
Semiconductor equipment	Start operation of new plants in Japan to increase production capacity and strengthen overseas sales
Semiconductor materials (filters)	Establishment of new plants to increase production capacity and technology to support miniaturization, and expansion of sales through promotion of user certification
Fine chemicals	Development and market launch of new products in response to increased investment by major customers
Hydrogen & clean energy	Strengthen sales capabilities of packaged units for hydrogen stations and valves for hydrogen by launching the Hydrogen BU and active promotion of research and development

b. By region

Region	Measure
North America	Market various certified products and expand sales to data centers and general chemical markets
China	Promote local production for local consumption strategy involving initiatives to develop, produce and expand sales of products for China
ASEAN/India	Expand sales in the middle zone through the full-scale launch of secondary brand products

b) Brass Bar Manufacturing Business

The Company will promote capital investment to reduce material costs and expand sales of high-value-added products to growth markets to improve profitability.

(iii) Financial Strategy and Capital Policy

The Company will place “medium- to long-term improvement in return on invested capital” as the cornerstone of its management and aim to increase corporate value by implementing target management using “ROE” externally and “ROIC” internally as key KPIs, while executing strategic investments and raising necessary funds for future growth and ROE improvement.

(Reference) **Commitment to Sustainability Management**

The Group is united in its efforts to realize our corporate philosophy, “KITZ’ Statement of Corporate Mission,” and its Long-term Management Vision, Beyond New Heights 2030 — Change the ‘Flow,’ by promoting sustainability management.

Environment (E)

■ Long-Term Environmental Vision

In December 2021, the Group formulated and published its Long-term Environmental Vision “3 ZERO (Triple Zero).”

(i) NET Zero CO<sub>2</sub> emissions

The Group aims to achieve a mid-term environmental goal of 90% or more reduction compared to 2013 by 2030 and a long-term environmental goal of becoming carbon neutral by 2050 by converting all electricity used by Group companies in Japan to renewable energy sources by FY2024.

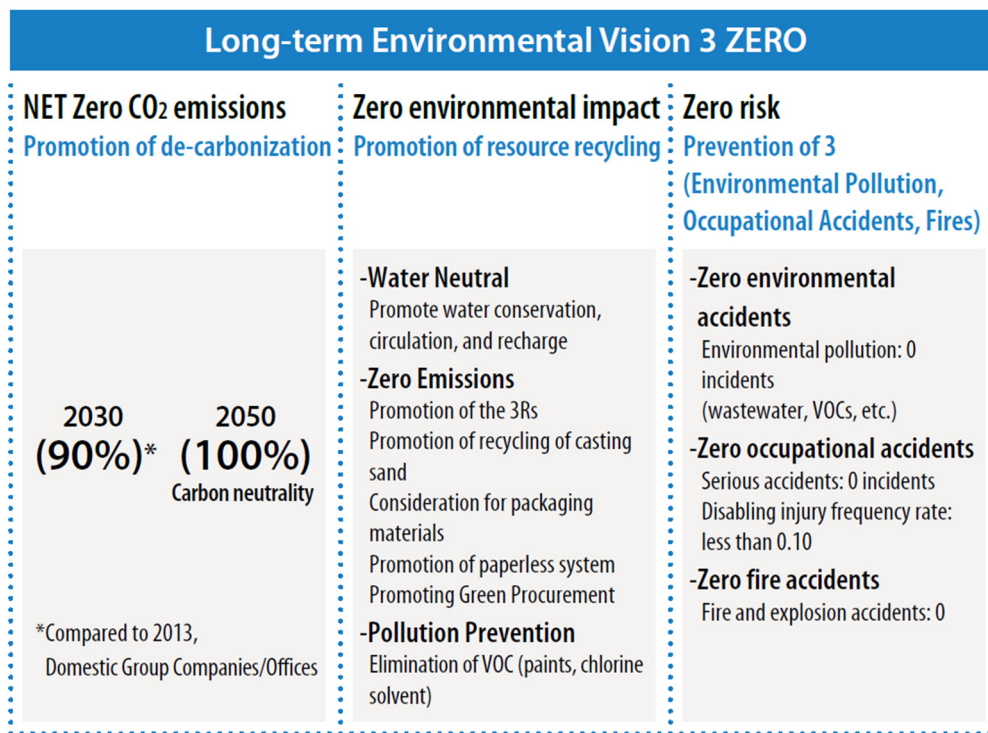
(ii) Zero environmental impact

In FY2022, we established the Task Force for Promotion of Resource Recycling to shift from conventional mass-consumption manufacturing to manufacturing that contributes to a sustainable recycling-oriented society, and have launched initiatives targeting water resources, waste, plastics, hazardous substances, and others. In particular, regarding water resources, we have set water neutrality as a KPI by 2030, and will promote water conservation, recycling, and recharge.

Regarding waste, we will also promote zero emissions by setting the landfill disposal rate as a KPI.

(iii) Zero risk

We are committed to ensure safe and secure manufacturing and maintain a stable operation through activities to prevent industrial accidents, pollution, and fire accidents.



Social (S)

■ KITZ Group Engagement Forum 2022 took place

In order to disseminate the Company’s corporate philosophy and Long-term Management Vision, and achieve targets as a Group, we held KITZ Group Engagement Forum 2022 (the “Forum”), an event to offer an opportunity for dialog between management and employees.

The Forum offers the opportunity for management including the President and employees of KITZ and the Group companies to hold discussions in an interactive manner. It intends to help employees receive messages from management and absorb them, while encouraging management to listen to the employees’ opinions directly and reflect them in management, and foster common value through the dialogue.

The Forum 2022 was participated in by a total of 728 personnel in managerial positions and leaders in general employee classes of KITZ and the Group. Participants were divided into small groups, which allowed management to listen to a lot of feedback from employees. After the event, the Company has been promoting the visualization by giving feedback on the status and the progress of how they handled the employee’s requests.

We plan to hold the Forum after FY2023 continuously to foster a corporate culture that each employee embodies the concept of “Change the Flow” in our Long-term Management Vision.

■ Certified as Health & Productivity Management Outstanding Organization

In March 2022, we were accredited by the Ministry of Economy, Trade and Industry under the Certified Health & Productivity Management Outstanding Organizations Recognition Program.

Based on the five pillars of the Policy, we work on various initiatives from the perspective of physical health and mental health, in particular. Regarding “physical health,” the head office and individual business offices are staffed with public Health Nurses and Nurses who support employees’ health, and provide healthy menus produced jointly with a nutritionist at the corporate cafeteria, in order to help the employees maintain and promote their own health.

Regarding “mental health,” a line-care seminar is offered to personnel in managerial positions,

and a selfcare seminar is offered to general employees including new employees.

In addition, a counselling contact has been established to create an environment to support each employee closely.

\* For Health Management Statement and Policy for Five Pillars for Health Management Initiatives, please refer to the following URL.

<https://www.kitz.com/english/sustainability/human.html>

#### Governance (G)

As for corporate governance, we are strengthening the management framework from a global viewpoint such as the management framework that enables transparent, fair and prompt and decisive management decision-making, internal control, risk management and compliance. For details of the initiatives, please refer to pages 43 to 45 of this Notice of the 109th Ordinary General Meeting of Shareholders, the Company's website and the websites in which the reference documents for the general meeting of shareholders are listed (page 2).

## (4) Status of major subsidiaries (as of December 31, 2022)

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
Perrin GmbH	500 thousand EUR	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. KITZ Europe GmbH and Perrin GmbH merged on January 1, 2022; the surviving company is KITZ Europe GmbH and the disappearing company is Perrin GmbH. KITZ Europe GmbH was renamed Perrin GmbH.
4. The Chinese name of the subsidiary in Shanghai, China, was renamed (the English name KITZ Corporation of Shanghai remained unchanged) as of January 29, 2023.

## (5) Major businesses (as of December 31, 2022)

## 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, 2022)

## (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
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.

## Notes:

- The "location" for KITZ SCT Corporation indicates the location of its plant.
- KITZ Europe GmbH and Perrin GmbH merged on January 1, 2022; the surviving company is KITZ Europe GmbH and the disappearing company is Perrin GmbH. KITZ Europe GmbH was renamed Perrin GmbH.
- The Chinese name of the subsidiary in Shanghai, China, was renamed (the English name KITZ Corporation of Shanghai remained unchanged) as of January 29, 2023.

(7) Status of employees (as of December 31, 2022)

(i) Employees of the corporate group

Business segment	Number of employees	Year-on-year change
Valve Manufacturing Business	4,893	+169
Brass Bar Manufacturing Business	242	-1
Other	82	+3
Corporate (common)	135	+28
Total	5,352	+199

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
1,422	+26	40.1	14.3

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, 2022)

(Units: Millions of yen)

Name	Outstanding debt
Sumitomo Mitsui Banking Corporation	1,814
The Hachijuni Bank, Ltd.	1,109
Mizuho Bank, Ltd.	964
MUFG Bank, Ltd.	940
The Chiba Bank, Ltd.	521

## 2. Status of the Company

### (1) Matters regarding shares (as of December 31, 2022)

- (i) Total number of authorized shares: 400,000,000 shares  
(ii) Total number of issued shares: 90,117,974 shares

Note: Total number of issued shares shown above does not include 278,537 shares of treasury stock that were held as of the end of the fiscal year under review.

- (iii) Number of shareholders: 14,651

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.	9,534	10.58
Kitazawa-kai Stock Ownership Plan	4,926	5.47
Nippon Life Insurance Company	4,303	4.78
Custody Bank of Japan, Ltd.	4,267	4.73
Sumitomo Life Insurance Company	3,422	3.80
Kitazawa Ikueikai Foundation	3,411	3.79
KITZ Corporation Trading Partner Stock Ownership Plan	3,312	3.68
Sumitomo Mitsui Banking Corporation	2,553	2.83
KITZ Corporation Employee Stock Ownership Plan	2,162	2.40
SECOM General Insurance Co., Ltd.	1,702	1.89

Notes:

- The Company held 278 thousand shares of treasury stock as of December 31, 2022.  
The holding ratio is calculated with the total number of issued shares excluding treasury stock.  
The Company adopted a BIP trust, and The Master Trust Bank of Japan, Ltd. holds 418 thousand shares of the Company in the trust. These 418 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. 9,534 thousand shares  
Custody Bank of Japan, Ltd. 4,267 thousand shares
- The number of shares held by Sumitomo Life Insurance Company includes 5 thousand shares in the variable insurance account and 7 thousand shares in the separate account.

### (v) Matters regarding subscription rights to shares

Not applicable.

### (vi) Shares granted to Executive Officers as consideration for their execution of duties during the fiscal year under review

	Number of shares granted	Number of grantees
Directors (excluding Outside Directors)	123,245 shares	4 persons

Notes:

- 58,948 shares out of 123,245 shares in the figure above are the shares granted at the retirement of the internal directors in the Executive Remuneration Board Incentive Plan Trust” (the “BIP Trust”).  
47,100 shares out of 58,948 shares in the figure above were granted as shares, and the remaining 11,848 shares were sold to finance tax payments and paid in cash, in accordance with the scheme of the BIP Trust.
- The details of the Company’s stock remuneration are referred to in “2. Status of the Company (2) Officers of the Company (v) Remuneration, Etc., for Directors and Audit & Supervisory Board Members” on page 36.



(2) Officers of the Company (as of December 31, 2022)

(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)
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)
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 Director during the fiscal year under review are as follows:

Name	Position at retirement	Date of change
Toshiaki Natori	Director	March 29, 2022
- 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.
- 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.
- 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.
- 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.

8. 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.
9. Yukino Kikuma's name on her family register is Yukino Yoshida.
10. 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
	Toshiyuki Murasawa	KITZ Metal Works Corporation	Director
KITZ Micro Filter Corporation		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) Toyo Valve Co., Ltd. Shimizu Alloy Mfg. Co., Ltd. KITZ SCT Corporation  KITZ Corporation of Taiwan KITZ Corporation of Jiangsu Kunshan KITZ Corporation of Kunshan KITZ SCT Corporation of Kunshan  KITZ Corporation of Lianyungang KITZ Corporation of Shanghai	(Business) Sales, marketing and distribution of valves Manufacturing and sales of valves Manufacturing and sales of valves and fittings for semiconductor production equipment Manufacturing and sales of valves Manufacturing and sales of valves Manufacturing and sales of valves Manufacturing and sales of valves and fittings for semiconductor production equipment Manufacturing and sales of valves Sales, marketing and distribution of valves
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- 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.
- The Chinese name of the subsidiary in Shanghai, China, was renamed (the English name KITZ Corporation of Shanghai remained unchanged) as of January 29, 2023.

(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)	249 (43)	143 (43)	76 (-)	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)	320 (72)	215 (72)	76 (-)	28 (-)	13 (7)

Notes:

1. As remuneration, etc. to Directors (excluding Outside Directors), monetary remuneration, etc. and non-monetary remuneration, etc. are paid.
2. 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 ¥16 million, and the amount of bonuses is ¥25 million.
3. The above table includes one director who retired at the conclusion of the 108th Ordinary General Meeting of Shareholders, which was held on March 29, 2022.
4. Non-monetary remuneration, etc. are shares of the Company based on a performance-based stock compensation plan (which comprises restricted stock compensation and post-hoc performance-based stock compensation). This stock compensation is long-term incentive remuneration which allots or grants shares of the Company's stock in accordance with an amount determined based on positions and performance indicators, and is stock compensation for Directors (excluding Outside Directors) set separately from the maximum amount of monetary compensation for Directors. Amounts shown in the above table do not include the portion of stock compensation as employee for Directors who concurrently serve as employees (¥2 million). The conditions, etc. for the allotment are as described in "b. Policy on Determining Directors' Individual Remuneration, Etc."
5. Outside Directors are paid only base compensation.
6. 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 108th Ordinary General Meeting of Shareholders held on March 29, 2022, a resolution was made to introduce restricted stock compensation and post-hoc performance-based stock compensation to Directors. There were three (3) Directors eligible for stock compensation as of the close of said Ordinary General Meeting of Shareholders.
7. 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).

8. The amount of remuneration, etc. includes ¥76 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 (restricted stock compensation and post-hoc 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 Compensation 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 (restricted stock compensation and post-hoc 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 (restricted stock compensation and post-hoc 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
	Fixed remuneration	Short-term incentive	Long-term incentive	
	Base compensation	Performance-linked compensation	Performance-based stock compensation	
Chairman	47%	40%	13%	100%
President and Chief Executive Officer	46%	41%	13%	100%
Director, Managing Executive Officer	49%	40%	11%	100%

i) Fixed remuneration [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) Short-term incentive [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, Managing Executive Officer
Coefficient	3	2	1

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 2022 (Announced February 2022)	Actual results for FYE December 2022
Net income attributable to owners of the parent	¥6,300 million	¥8,549 million

iii) Long-term incentive [Performance-based stock compensation (restricted stock compensation and post-hoc performance-based stock compensation)]

Performance-based stock compensation (restricted stock compensation and post-hoc performance-based stock compensation) is a long-term incentive that aims to raise awareness of a Director's contribution to improving the Group's sustainable performance and corporate value, as well as to promote further value-sharing with shareholders, by allotting or granting shares on the Company's stock according to an amount, etc., calculated in accordance with a Director's position and achievement of performance targets. "Performance-based stock compensation" is stock compensation for Directors (excluding Outside Directors) set separately from the maximum amount of monetary compensation for Directors.

[a] Restricted stock compensation

Under a restricted stock compensation, in accordance with the resolution at the Board of Directors of the Company, the Company shall allot restricted shares by providing Eligible Directors with a monetary remuneration claim up to ¥30 million per year in an amount set separately from the maximum amount of the said monetary remuneration claims, and Eligible Directors shall transfer the entire amount of monetary remuneration claims as contribution in kind and are allotted the restricted shares of the Company.

[b] Post-hoc performance-based stock compensation

Under a post-hoc performance-based stock compensation, the Company shall allot shares of the Company's stock by providing Eligible Directors with a monetary remuneration claim up to ¥20 million per year (excluding salaries and bonuses as employees for Directors who concurrently serve as employees) in an amount set separately from the maximum amount of the said monetary remuneration claims, calculated based on performance indicators separately specified by the Board of Directors of the Company for the evaluation period determined by the Board of Directors (from January 1 to December 31), and Eligible Directors shall transfer the entire amount of monetary remuneration claims as contribution in kind and are allotted the restricted shares of the Company.

(b) Determination of Compensation

For each fiscal year, the Compensation 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 Compensation 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 Compensation 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. 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 External 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 Group pays to the law firm is less than 2% of the average annual sales of the law firm 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 3% 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 15/15 (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 Nomination and Compensation Committees.
Outside Director	Minoru Amoh	Board of Directors' meetings 15/15 (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 Nomination and Compensation Committees.
Outside Director	Yutaka Fujiwara	Board of Directors' meetings 15/15 (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 Nomination and Compensation Committees.
Outside Director	Yukino Kikuma	Board of Directors' meetings 15/15 (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 Nomination and Compensation Committees.

Position	Name	Attendance at meetings	Main Activities
Outside Audit & Supervisory Board Member	Tatsuhiko Takai	Board of Directors' meetings 15/15 (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 15/15 (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 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 15/15 (100%) Audit & Supervisory Board meetings 15/15 (100%)	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.



(3) Matters regarding 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	¥2 million
Total amount of money and other financial benefits to be paid to Accounting Auditor by the Company and its subsidiaries	¥103 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. The Company pays to the Accounting Auditor a consideration for the preparation of comfort letters in issuing corporate bonds, which are non-auditing services other than those stipulated in Article 2, paragraph (1) of the Certified Public Accountants Act.
3. 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 Group strives to enhance and strengthen corporate governance based on the “Basic Policy on Corporate Governance,” a basic policy for the Company’s corporate governance.

\*Please refer to the following website for details on matters related to corporate governance, including the “Basic Policy on Corporate Governance” and the “Corporate Governance Report.”

Overview of corporate governance: <https://www.kitz.com/english/sustainability/governance.html>

#### (2) Corporate governance structure

##### (i) Corporate governance structure and reasons for adopting it

The Company has adopted a “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 seven (7) Directors, currently four (4) of whom are Independent Outside Directors (the majority 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) Nomination Committee/Compensation 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 Nomination Committee and the Compensation Committee, with the majority of which are composed 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 Nomination 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 Compensation 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 Nomination Committee and Compensation 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 2022 included questions regarding formulating and implementing management strategies, commitment to sustainability management, 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.

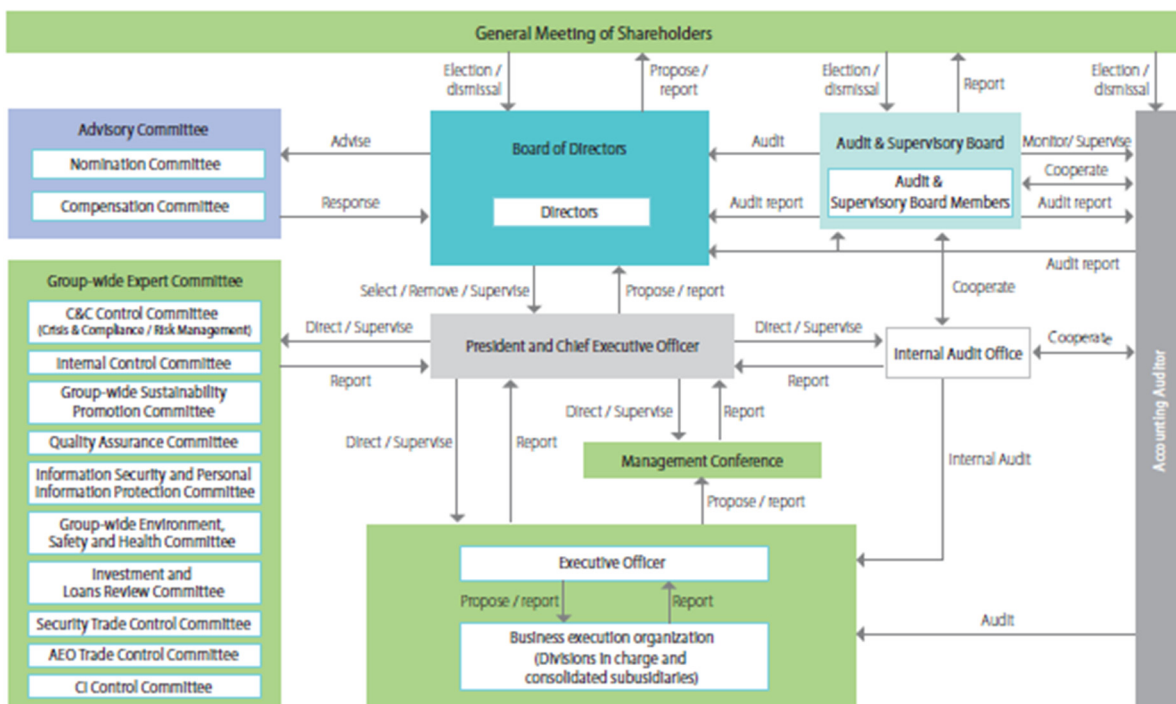
The Audit & Supervisory Board consists of five (5) Audit & Supervisory Board Members, three (3) of whom are Outside Audit & Supervisory Board Members (independent officers) to ensure highly effective audits and strengthen the management oversight function. In addition, based on the “Officers’ Election 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 16) 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]



(As of January 1, 2023)

#### **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**

The Company regards the return of profits to shareholders in the form of dividends as a key management priority. Its basic policy is to pay dividends commensurate with current business trends as well as its various financial needs, which may include capital expenditure for future business expansion, research and development expenditure, funding for M&A activities, repayment of debts, or redemption of bonds. In paying dividends, the Company also aims to secure adequate internal reserves while also taking into full consideration the need for continuous and stable payment of dividends.

The Company believes that the ideal consolidated dividend payout ratio is approximately 35% of net income attributable to owners of the parent.

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 Articles of Incorporation stipulate that the Board of Directors acts as the decision-making body for dividends.

For the purpose of improving capital efficiency and expeditiously implement capital measures, the Company will acquire the Company's treasury stock when necessary, taking into account the amount of investment necessary for medium- to long-term growth, as well as the development of stock markets and the share price of the Company's stock, and the status of cash on hand, etc.

Guided by the aforementioned policy, the Company resolved to pay a year-end dividend ¥18 per share for the fiscal year ended December 2022. Accordingly, the Company paid ¥33 per share as cash dividends for the fiscal year ended December 2022, including the interim payment (¥15 per share), and the consolidated dividend payout ratio came to 34.6%.

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 ¥33 per share.

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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, 2022)

(Units: Millions of yen)

Item	Amount	Item	Amount
<i>Assets</i>		<i>Liabilities</i>	
<b>Current assets</b>	<b>93,177</b>	<b>Current liabilities</b>	<b>23,335</b>
Cash in hand and in banks	24,370	Notes, accounts payable–trade	8,975
Notes, accounts receivable–trade, and contract assets	22,400	Current portion of corporate bonds	312
Electronically recorded monetary claims	11,139	Short-term borrowings	856
Merchandise and finished goods	13,765	Current portion of long-term debt	1,985
Work in process	7,542	Income taxes payable	1,356
Raw materials and supplies	11,699	Consumption tax payable	220
Other	2,431	Accrued bonuses to employees	2,872
Less: Allowance for doubtful accounts	(171)	Accrued bonuses to directors	252
		Other	6,503
<b>Fixed assets</b>	<b>59,392</b>	<b>Long-term liabilities</b>	<b>38,190</b>
<b>Property, plant and equipment</b>	<b>45,200</b>	Corporate bonds	30,405
Buildings and structures	12,079	Long-term debt	3,361
Machinery, equipment and vehicles	12,393	Deferred tax liabilities	826
Tools, furniture and fixtures	5,601	Accrued retirement benefits to directors	271
Land	9,910	Allowance for stock benefit for directors and operating officers	197
Construction in progress	3,616	Retirement benefit liabilities	744
Other	1,598	Asset retirement obligations	500
<b>Intangible assets</b>	<b>3,164</b>	Other	1,884
Goodwill	301	<b>Total liabilities</b>	<b>61,526</b>
Other	2,863	<i>Net assets</i>	
<b>Investments and other assets</b>	<b>11,027</b>	<b>Shareholders' equity</b>	<b>84,387</b>
Investments in securities	7,120	Common stock	21,207
Retirement benefit assets	192	Capital surplus	5,729
Deferred tax assets	1,409	Retained earnings	57,911
Other	2,305	Treasury stock	(460)
Less: Allowance for doubtful accounts	(2)	<b>Accumulated other comprehensive income</b>	<b>5,553</b>
<b>Total assets</b>	<b>152,569</b>	Net unrealized gains on other securities	1,916
		Translation adjustments	3,716
		Cumulative adjustments related to retirement benefits	(79)
		<b>Share award rights</b>	<b>20</b>
		<b>Non-controlling interests</b>	<b>1,081</b>
		<b>Total net assets</b>	<b>91,042</b>
		<b>Total liabilities and net assets</b>	<b>152,569</b>

**Consolidated Statements of Income** (From January 1, 2022 to December 31, 2022) (Units: Millions of yen)

Item	Amount	
<b>Net sales</b>		<b>159,914</b>
<b>Cost of sales</b>		<b>121,094</b>
<b>Gross profit</b>		<b>38,819</b>
<b>Selling, general and administrative expenses</b>		<b>27,768</b>
<b>Operating income</b>		<b>11,051</b>
<b>Non-operating income</b>		
Interest and dividend income	278	
Exchange gains	387	
Subsidy income	239	
Other	625	1,532
<b>Non-operating expenses</b>		
Interest expenses	254	
Losses on sales of notes receivable	75	
Bond issuance costs	60	
Other	147	538
<b>Ordinary income</b>		<b>12,045</b>
<b>Extraordinary income</b>		
Gain on sales of property, plant and equipment	46	
Other	0	46
<b>Extraordinary loss</b>		
Losses on sales or disposal of property, plant and equipment	77	
Other	9	87
<b>Net income before income taxes</b>		<b>12,004</b>
Income taxes (income, residential and enterprise taxes)	3,353	
Income tax adjustment	(77)	3,275
<b>Net income</b>		<b>8,729</b>
Net income attributable to non-controlling interests		179
<b>Net income attributable to owners of the parent</b>		<b>8,549</b>



**Consolidated Statements of Changes in Net Assets (From January 1, 2022 to December 31, 2022)**

(Units: Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance as of start of current fiscal year</b>	<b>21,207</b>	<b>5,726</b>	<b>51,708</b>	<b>(492)</b>	<b>78,149</b>
Amount of cumulative effect due to a change in accounting policies			(3)		(3)
<b>Balance at the beginning of the current period that reflects a change in accounting policies</b>	<b>21,207</b>	<b>5,726</b>	<b>51,704</b>	<b>(492)</b>	<b>78,145</b>
<b>Changes during fiscal year</b>					
Dividends from surplus			(2,343)		(2,343)
Net income attributable to owners of the parent			8,549		8,549
Acquisition of treasury stock				(45)	(45)
Sales of treasury stock				35	35
Restricted stock compensation		2		42	44
Items other than changes in shareholders' equity, net					
<b>Total change during fiscal year</b>	<b>–</b>	<b>2</b>	<b>6,206</b>	<b>32</b>	<b>6,241</b>
<b>Balance as of end of current fiscal year</b>	<b>21,207</b>	<b>5,729</b>	<b>57,911</b>	<b>(460)</b>	<b>84,387</b>

	Accumulated other comprehensive income				Share award rights	Non–controlling interests	Total net assets
	Net unrealized gains on other securities	Translation adjustments	Cumulative adjustments related to retirement benefits	Total accumulated other comprehensive income			
<b>Balance as of start of current fiscal year</b>	<b>1,678</b>	<b>368</b>	<b>172</b>	<b>2,219</b>	<b>–</b>	<b>884</b>	<b>81,253</b>
Amount of cumulative effect due to a change in accounting policies							(3)
<b>Balance at the beginning of the current period that reflects a change in accounting policies</b>	<b>1,678</b>	<b>368</b>	<b>172</b>	<b>2,219</b>	<b>–</b>	<b>884</b>	<b>81,250</b>
<b>Changes during fiscal year</b>							
Dividends from surplus							(2,343)
Net income attributable to owners of the parent							8,549
Acquisition of treasury stock							(45)
Sales of treasury stock							35
Restricted stock compensation							44
Items other than changes in shareholders' equity, net	237	3,347	(251)	3,334	20	197	3,551
<b>Total change during fiscal year</b>	<b>237</b>	<b>3,347</b>	<b>(251)</b>	<b>3,334</b>	<b>20</b>	<b>197</b>	<b>9,792</b>
<b>Balance as of end of current fiscal year</b>	<b>1,916</b>	<b>3,716</b>	<b>(79)</b>	<b>5,553</b>	<b>20</b>	<b>1,081</b>	<b>91,042</b>

## Non-Consolidated Financial Statements

Non-Consolidated Balance Sheet (as of December 31, 2022)

(Units: Millions of yen)

Item	Amount	Item	Amount
<i>Assets</i>		<i>Liabilities</i>	
<b>Current assets</b>	<b>48,838</b>	<b>Current liabilities</b>	<b>17,536</b>
Cash in hand and in banks	13,823	Accounts payable–trade	5,960
Notes receivable–trade	465	Current portion of corporate bonds	312
Electronically recorded monetary claims	6,748	Short-term borrowings	5,894
Accounts receivable–trade	8,999	Current portion of long-term debt	1,224
Contract assets	614	Income taxes payable	670
Merchandise and finished goods	3,917	Accrued bonuses to employees	1,333
Work in process	2,609	Accrued bonuses to directors	76
Raw materials and supplies	1,901	Other	2,064
Short-term loans receivable	7,926	<b>Long-term liabilities</b>	<b>34,524</b>
Other	1,834	Corporate bonds	30,405
Less: Allowance for doubtful accounts	(2)	Long-term debt	2,527
<b>Fixed assets</b>	<b>58,867</b>	Allowance for stock benefit for directors and operating officers	197
<b>Property, plant and equipment</b>	<b>16,331</b>	Other	1,393
Buildings	3,956	<b>Total liabilities</b>	<b>52,060</b>
Structures	468		
Machinery and equipment	3,274	<i>Net assets</i>	
Tools, furniture and fixtures	4,612	<b>Shareholders' equity</b>	<b>53,741</b>
Land	3,315	<b>Common stock</b>	<b>21,207</b>
Construction in progress	425	<b>Capital surplus</b>	<b>5,717</b>
Other	277	Legal capital surplus	5,715
<b>Intangible assets</b>	<b>2,412</b>	Other Capital surplus	2
<b>Investments and other assets</b>	<b>40,123</b>	<b>Retained earnings</b>	<b>27,276</b>
Investments in securities	5,114	Other retained earnings	27,276
Stocks of subsidiaries and affiliates	29,054	Retained earnings brought forward	27,276
Long-term loans receivable	3,676	<b>Treasury stock</b>	<b>(460)</b>
Deferred tax assets	481	<b>Valuation and translation adjustments</b>	<b>1,884</b>
Other	1,795	<b>Net unrealized gains on other securities</b>	<b>1,884</b>
		<b>Share award rights</b>	<b>20</b>
<b>Total assets</b>	<b>107,706</b>	<b>Total net assets</b>	<b>55,645</b>
		<b>Total liabilities and net assets</b>	<b>107,706</b>

**Non-Consolidated Statements of Income** (From January 1, 2022 to December 31, 2022)

(Units: Millions of yen)

Item	Amount	
<b>Net sales</b>		<b>69,338</b>
<b>Cost of sales</b>		<b>53,616</b>
<b>Gross profit</b>		<b>15,722</b>
<b>Selling, general and administrative expenses</b>		<b>13,654</b>
<b>Operating income</b>		<b>2,067</b>
<b>Non-operating income</b>		
Interest and dividend income	2,907	
Insurance income	101	
Other	109	3,118
<b>Non-operating expenses</b>		
Interest expenses	228	
Bond issuance costs	60	
Exchange losses	131	
Other	108	529
<b>Ordinary income</b>		<b>4,657</b>
<b>Extraordinary income</b>		
Gain on sales of property, plant and equipment	2	
Gain on extinguishment of tie-in shares	146	149
<b>Extraordinary loss</b>		
Losses on sales or disposal of property, plant and equipment	24	
Other	3	27
<b>Net income before income taxes</b>		<b>4,779</b>
Income taxes (income, residential and enterprise taxes)	740	
Income tax adjustment	(82)	658
<b>Net income</b>		<b>4,120</b>

**Non-Consolidated Statements of Changes in Net Assets** (From January 1, 2022 to December 31, 2022)

(Units: Millions of yen)

	Shareholders' equity					
	Common stock	Capital surplus		Retained earnings	Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Other retained earnings		
				Retained earnings brought forward		
<b>Balance as of start of current fiscal year</b>	<b>21,207</b>	<b>5,715</b>	<b>–</b>	<b>25,492</b>	<b>(492)</b>	<b>51,922</b>
Amount of cumulative effect due to a change in accounting policies				6		6
<b>Balance at the beginning of the current period that reflects a change in accounting policies</b>	<b>21,207</b>	<b>5,715</b>	<b>–</b>	<b>25,498</b>	<b>(492)</b>	<b>51,928</b>
<b>Changes during fiscal year</b>						
Dividends from surplus				(2,343)		(2,343)
Net income				4,120		4,120
Acquisition of treasury stock					(45)	(45)
Sales of treasury stock					35	35
Restricted stock compensation			2		42	44
Items other than changes in shareholders' equity, net						
<b>Total change during fiscal year</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>1,777</b>	<b>32</b>	<b>1,812</b>
<b>Balance as of end of current fiscal year</b>	<b>21,207</b>	<b>5,715</b>	<b>2</b>	<b>27,276</b>	<b>(460)</b>	<b>53,741</b>

	Valuation and translation adjustments		Share award rights	Total net assets
	Net unrealized gains on other securities	Total valuation and translation adjustments		
<b>Balance as of start of current fiscal year</b>	<b>1,661</b>	<b>1,661</b>	<b>–</b>	<b>53,584</b>
Amount of cumulative effect due to a change in accounting policies				6
<b>Balance at the beginning of the current period that reflects a change in accounting policies</b>	<b>1,661</b>	<b>1,661</b>	<b>–</b>	<b>53,590</b>
<b>Changes during fiscal year</b>				
Dividends from surplus				(2,343)
Net income				4,120
Acquisition of treasury stock				(45)
Sales of treasury stock				35
Restricted stock compensation				44
Items other than changes in shareholders' equity, net	222	222	20	242
<b>Total change during fiscal year</b>	<b>222</b>	<b>222</b>	<b>20</b>	<b>2,054</b>
<b>Balance as of end of current fiscal year</b>	<b>1,884</b>	<b>1,884</b>	<b>20</b>	<b>55,645</b>

## Auditor's Reports

### Accounting Audit Report on the Consolidated Financial Statements

#### Independent Auditor's Report

February 17, 2023

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, 2022, through December 31, 2022.

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, 2022, 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.

#### *Other Descriptions*

Other descriptions are the business report and its annexed detailed statement. The management is responsible for preparing and disclosing other descriptions. Also, auditors and the Audit & Supervisory Board are responsible for auditing the execution of the duties of the directors in preparation and maintenance and operation of the reporting process of other descriptions.

Other descriptions are not included in the scope of our audit opinions on Consolidated Financial Statements. We do not express any opinions on other descriptions.

Our responsibility in auditing the Consolidated Financial Statements is to read through the other descriptions, examine whether or not there are any material differences between the other descriptions and the Consolidated Financial Statements or the knowledge we obtained in the course of the audit in the process of reading them through and pay attention to whether or not there are any signs of important errors in other descriptions other than such material differences.

If it is judged that there is any important error in other descriptions based on the work carried out, we are required to report that fact.

There are no matters to be reported on other descriptions by us.

#### *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

February 17, 2023

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 109th fiscal year from January 1, 2022, through December 31, 2022.

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, 2022, 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.

#### *Other Descriptions*

Other descriptions are the business report and its annexed detailed statement. The management is responsible for preparing and disclosing other descriptions. Also, auditors and the Audit & Supervisory Board are responsible for auditing the execution of the duties of the directors in preparation and maintenance and operation of the reporting process of other descriptions.

Other descriptions are not included in the scope of our audit opinions on Non-Consolidated Financial Statements. We do not express any opinions on other descriptions.

Our responsibility in auditing the Non-Consolidated Financial Statements is to read through the other descriptions, examine whether or not there are any material differences between the other descriptions and the Non-Consolidated Financial Statements or the knowledge we obtained in the course of the audit in the process of reading them through and pay attention to whether or not there are any signs of important errors in other descriptions other than such material differences.

If it is judged that there is any important error in other descriptions based on the work carried out, we are required to report that fact.

There are no matters to be reported on other descriptions by us.

#### *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 109th business year (from January 1, 2022 through December 31, 2022), 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 110th fiscal year ending December 31, 2023.

February 20, 2023

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