



News Release

KITZ CORPORATION

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Action to Implement Management that is Conscious of Cost of Capital and Stock Price

KITZ Corporation (hereinafter referred to as "KITZ") hereby announces that, at a meeting of the Board of Directors held today, it has resolved policies and specific initiatives regarding actions to implement management that is conscious of cost of capital and stock price, based on analysis and evaluation of the current situation.

KITZ analyzed the cost of capital from two perspectives: the calculation based on the CAPM methodology and the rate of return expected by investors. Currently, our balance sheet profitability is aligned with the rate of return expected by investors. However, gaining market confidence in our potential for medium to long-term earnings growth remains a key priority for KITZ. In response, KITZ intends to enhance its corporate value by pursuing "ROIC×ESG" management, accelerating the growth strategy, and strengthening the IR strategy. These efforts are aimed at increasing corporate value by facilitating further profit generation, fostering growth expectations, and reducing the cost of capital.

For more details on KITZ's action to implement management that is conscious of cost of the capital and stock price, please refer to the document annexed herewith.

Action to Implement Management that is Conscious of Cost of Capital and Stock Price 1

Analysis of Current Situation of Cost of Equity





Analysis from the following 2 perspectives

back-calculated from PER

FY2022

FY2021

- $ext{ } ext{ } ext{ } ext{Cost of equity calculated based on the CAPM methodology: Approximately <math> extbf{6}\%$
- 2 Rate of return expected by investors factoring in KITZ's expected growth rate (stock earning yield = the inverse of PER): Recently trending at approx. 10%.
- 1

CAPM

ROE 10%

FY2018

Risk-Free Rate + β × Market Risk Premium



Inverse of PER Cost of Equity
- KITZ's Expected Growth Rate

Current State & Analysis

Current Situation: ROE reached 10% for FY2022 \Rightarrow PBR remained stagnant, near 1.0



calculated from CAPM

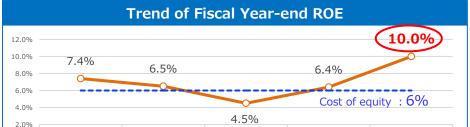
FY2019

ROE for FY2022 markedly surpassed CAPM, resulting in a positive equity spread*, but PBR is near 1.0 level

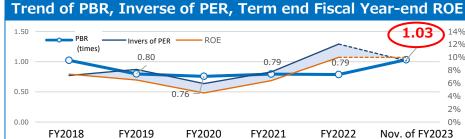
Analysis

*Equity spread = ROE - Cost of equity (CAPM)

- Balance sheet profitability aligned with the rate of return expected by investors in FY2022
- □ Future challenge: gaining market confidence in our potential for medium to long-term earnings growth



FY2020



^{*}While FY2020 was a nine-month period (from April to December) due to accounting period changes, ROE was calculated from January to December to ensure comparability with the cost of equity.

Action to Implement Management that is Conscious of Cost of Capital and Stock Price 2

Policies and Measures for Enhancing Corporate Value



Policies and Measures for the future Links to Details for Each Measures Aim to Achieve the ROE targets in the Medium-term Management Plan and Further Enhance Corporate Value □ Pursuing "ROIC×ESG" Management □ Accelerating Growth Strategy □ Strengthening IR Strategy → Enhancing both our corporate and social → Active investment and M&A in growth → Disclosure responding to market value simultaneously areas expectations Analyzing PBR **Measures** Goals **ROIC Management Profit Generation** > Reviewing product portfolio & deployment of ROIC tree > Optimizing Balance Sheet (cash on hand & > Ensuring achievement of the ROE inventory assets) targets FY2024 Target: at least 9% ROE Financial Strategy FY2030 Target: at least 10% > Sustaining financial stability (maintaining equity ratio 55-60% and bond ratings equivalent to A) Rate of Growth > Agile financing for strategic investment and M&A **Expectation Growth Strategy** > Building market confidence in Kitz's **PBR** Strategic investment and M&A in growth areas growth potential (semiconductor, hydrogen) > Achieving consistent profit growth in the medium to long-term **ESG Management Cost of Equity** > Achieving the Long-term Environmental Vision "3 ZERO" **PER** > Improving employee engagement and investing in human (Return Expected by Investors capital Sustaining high profitability while mitigating profit volatility IR Strategy Embedding ESG management

> Strengthening dialogue with shareholders

> Further enriching information disclosure

IR enhancement

Garnering market trust through