

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.

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(The date of issue) March 8, 2024

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To our shareholders:

Makoto Kohno  
President and Chief Executive Officer  
**KITZ Corporation**  
Tokyo Shiodome Building,  
1-9-1, Higashi-Shimbashi, Minato-ku, Tokyo

## **NOTICE OF THE 110TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

I would like to extend my sincere condolences to those affected by the recent 2024 Noto Peninsula Earthquake. I truly hope for the fastest possible restoration.

We hereby announce the 110th 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)

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

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

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., Wednesday, March 27, 2024 (Japan Standard Time).

**1. Date and Time:** Thursday, March 28, 2024 at 10:00 a.m. (Japan Standard Time)  
(Reception start time: 9:00 a.m.)

**2. Venue:** Dai-ichi Hotel Tokyo, 5F, LA ROSE  
1-2-6 Shimbashi, Minato-ku, Tokyo

**3. Purposes:**

**Items to be reported:**

1. Business Report and Consolidated Financial Statements for the 110th Term (from January 1, 2023 to December 31, 2023), as well as the results of audit of the Consolidated Financial Statements by the Financial Auditor and the Audit & Supervisory Board
2. Non-Consolidated Financial Statements for the 110th Term (from January 1, 2023 to December 31, 2023)

**Items to be resolved:**

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

**Proposal 2:** Election of ten (10) Directors

- ◎ As for the infection prevention measures such as wearing a mask, we request shareholders to make their own decision.
- ◎ To a shareholder who has a fever or cough or seems ill, we may decline their entry or request they leave the venue.
- ◎ We will immediately notify you on our website if we change the date or venue of the Ordinary General Meeting of Shareholders listed on this notice of convocation.

## Reference Documents for the General Meeting of Shareholders

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

1. Reason for proposal

KITZ will transition to a company with a nominating committee, etc., which allows a clear separation of the supervisory and executive functions as well as the delegation of substantial authority to the Executive Officers. This is to enhance its corporate governance and accelerate the management process.

In relation to this, the amendments will be applied as follows:

- (i) Establishment of new provisions regarding the Nominating Committee, Audit Committee, Compensation Committee, and Executive Officers
- (ii) Deletion of provisions regarding Audit & Supervisory Board Members and Audit & Supervisory Board
- (iii) Amendment of the maximum number of Directors considering changes in the role of the Board of Directors due to the transition to a company with a nominating committee, etc.
- (iv) Partial amendment of provisions regarding purpose due to changes in the operation
- (v) Adjustment of the number of articles due to the above amendments, etc.

Please note that the effect of these amendments to the Articles of Incorporation for this proposal will come into effect at the conclusion of this Ordinary General Meeting of Shareholders.

2. Details of the amendments

Details of the amendments are as follows:

(The amended parts are underlined.)

(Current Articles of Incorporation)	(Proposed Amendments)
Chapter 1. General Provisions	Chapter 1. General Provisions
(Trade Name)	(Trade Name)
Article 1.	Article 1.
(Omitted)	(Unchanged)
(Purpose)	(Purpose)
Article 2.	Article 2.
The purpose of the Company shall be to engage in the following businesses:	(Unchanged)
(1) Manufacturing and sales of valves, other flow control devices, and related products;	(1) (Unchanged)
(2) Design, construction and maintenance for <u>water supply, drain facilities and other piping systems;</u>	(2) Design, construction, maintenance <u>and provision of technologies and services</u> for piping systems <u>related to Item (1) above;</u>
(3) (Omitted)	(3) (Unchanged)
(4) Manufacturing and sales, <u>lease, maintenance and</u> provision of technologies related to water purification equipment;	(4) Manufacturing and sales, <u>design, construction, maintenance and</u> provision of technologies <u>and services</u> related to water purification equipment, <u>filtration equipment, and related products;</u>
(5) <u>Manufacturing and sales of water purifiers, industrial use filters, medical equipment, other filtration equipment and related products;</u>	(Deleted)
(6) <u>Design, construction, maintenance and provision of technologies of aquafarming-related equipment and their plants;</u>	(Deleted)
(7) Design, construction, maintenance and provision of technologies related to energy-related equipment and their plants;	(5) <u>Manufacturing and sales, design, construction, maintenance and provision of technologies and services</u> related to energy-related equipment and their plants;
(Newly established)	(6) <u>Design, construction, and supervision of civil engineering and construction work;</u>

(Current Articles of Incorporation)	(Proposed Amendments)
(8) (Omitted)	(7) (Unchanged)
(9) (Omitted)	(8) (Unchanged)
(10) All businesses incidental <u>OR</u> related to the businesses listed in the preceding items.	(9) All businesses incidental <u>or</u> related to the businesses listed in the preceding items
(Location of Head Office)	(Location of Head Office)
Article 3.	Article 3.
(Omitted)	(Unchanged)
(Newly established)	<u>(Organs)</u>
	<u>Article 4.</u>
	<u>The Company, as a company with a nominating committee, etc., shall have the following organs in addition to the General Meeting of Shareholders and Directors:</u>
	<u>(1) Board of Directors;</u>
	<u>(2) Nominating Committee, Audit Committee, and Compensation Committee;</u>
	<u>(3) Executive Officers;</u>
	<u>(4) Financial Auditor.</u>
(Method of Public Notice)	(Method of Public Notice)
Article 4.	Article 5.
Public notices of the Company shall be made by electronic public notice, <u>PROVIDED THAT</u> if it is impossible to give an electronic public notice due to an accident or other <u>UNAVOIDABLE</u> circumstances, such public notice shall be given by posting in the Nihon Keizai Shimbun.	Public notices of the Company shall be made by electronic public notice, <u>provided that</u> if it is impossible to give an electronic public notice due to an accident or other <u>unavoidable</u> circumstances, such public notice shall be given by posting in the Nihon Keizai Shimbun.
Chapter 2. Shares	Chapter 2. Shares
Article 5. to Article 8.	Article 6. to Article 9.
(Omitted)	(Unchanged)
(Demand for the Sale to Holder of Shares Less Than One Unit)	(Demand for the Sale to Holder of Shares Less Than One Unit)
Article 9.	Article 10.
Pursuant to the provisions of the Share Handling Regulations, shareholders who own less than one unit of shares in the Company may demand that the Company sell them a fractional share which, when combined with the less than one unit share held by the relevant shareholder, would constitute one share unit.	1. (Unchanged)
2. (Omitted)	2. (Unchanged)
(Share Handling Regulations)	(Share Handling Regulations)
Article 10.	Article 11.
<u>In addition to applicable laws and regulations OR the Articles of Incorporation, the Share Handling Regulations established by the Board of Directors shall govern the procedures of shareholder's rights of the Company as well as any other handling of shares.</u>	<u>In addition to applicable laws and regulations or these Articles of Incorporation, the Share Handling Regulations established by the Board of Directors or the Executive Officer who has been delegated the authority to do so by a resolution of the Board of Directors shall govern the handling of shares of the Company, procedures under which shareholders may exercise their own rights and the fees therefor, etc.</u>

(Current Articles of Incorporation)	(Proposed Amendments)
<p>(Shareholder Register Administrator)</p> <p>Article <u>11</u>.</p> <p>The Company shall appoint a shareholder register administrator for its shares.</p> <p>2. The shareholder register administrator and the place of business of the shareholder register administrator shall be <u>DETERMINED THROUGH</u> a resolution of the Board of Directors.</p> <p>3. (Omitted)</p>	<p>(Shareholder Register Administrator)</p> <p>Article <u>12</u>.</p> <p><u>1.</u> (Unchanged)</p> <p>2. The shareholder register administrator and the place of business of the shareholder register administrator shall be <u>determined through</u> a resolution of the Board of Directors or a decision of the Executive Officer who has been <u>delegated the authority to do so by a resolution of the Board of Directors, and the shareholder register administrator and the place of business of the shareholder register administrator shall be announced by public notice.</u></p> <p>3. (Unchanged)</p>
<p>(Record Date)</p> <p>Article <u>12</u>.</p> <p>The Company shall designate those shareholders with voting rights as listed <u>OR</u> recorded in the last shareholders registry as of December 31 of each year as the shareholders who may exercise voting rights at the Ordinary General Meeting of Shareholders for that fiscal year.</p> <p>2. In addition to the preceding paragraph, when it is necessary to determine which individuals are entitled to exercise rights as a shareholder <u>OR</u> as a registered share pledgee, the Company may set a temporary record date by giving advance public notice <u>IN ACCORDANCE WITH</u> a resolution of the Board of Directors.</p>	<p>(Record Date)</p> <p>Article <u>13</u>.</p> <p><u>1.</u> The Company shall designate those shareholders with voting rights as listed <u>or</u> recorded in the last shareholders registry as of December 31 of each year as the shareholders who may exercise voting rights at the Ordinary General Meeting of Shareholders for that fiscal year.</p> <p>2. In addition to the preceding paragraph, when it is necessary to determine which individuals are entitled to exercise rights as a shareholder <u>or</u> as a registered share pledgee, the Company may set a temporary record date by giving advance public notice <u>in accordance with</u> a resolution of the Board of Directors.</p>
<p>Chapter 3. General Meeting of Shareholders (Convocation and Convener)</p> <p>Article <u>13</u>.</p> <p>The Ordinary General Meeting of Shareholders shall be convened <u>in March of every year</u>, and an Extraordinary General Meeting of Shareholders shall be convened at any time <u>WHEN NECESSARY</u>.</p> <p>2. The General Meeting of Shareholders shall be <u>convened by the Director &amp; President</u> in accordance with a resolution of the Board of Directors, <u>PROVIDED THAT, if the Director &amp; President is hindered from so acting, another Director shall convene it in an order previously determined at the Board of Directors.</u></p>	<p>Chapter 3. General Meeting of Shareholders (Convocation and Convener)</p> <p>Article <u>14</u>.</p> <p><u>1.</u> The Ordinary General Meeting of Shareholders shall be convened <u>within three (3) months from the end of each fiscal year</u>, and an Extraordinary General Meeting of Shareholders shall be convened at any time <u>when necessary</u>.</p> <p>2. The General Meeting of Shareholders shall be <u>convened by the Director who also serves as the Representative Executive Officer &amp; President</u> in accordance with a resolution of the Board of Directors, <u>except as otherwise provided by law, provided that, if the said Director is unable to act, another Director shall convene the General Meeting of Shareholders in an order previously determined by the Board of Directors.</u></p>
<p>(Moved from the current Article 16 and changed)</p>	<p>(Chairperson)</p> <p>Article <u>15</u>.</p> <p><u>The chairperson of the General Meeting of Shareholders shall be the Director who also serves as the Representative Executive Officer &amp; President according to a resolution of the Board of Directors. However, if the said Director is unable to act, another Director or Executive Officer shall replace him/her in an order previously determined by the Board of Directors.</u></p>

(Current Articles of Incorporation)	(Proposed Amendments)
<p>(Measures for Providing Information in an Electronic Format, Etc.)  Article <u>14</u>.  In convening a General Meeting of Shareholders, the Company shall take measures to provide the information contained in the reference documents for the General Meeting of Shareholders, etc., in an electronic format.  2. The Company may, with regard to those matters for which measures for the provision of information in electronic format will be taken, exclude all <u>OR</u> part of the matter specified in the applicable Ministry of Justice Order from the paper-based documents to be delivered to shareholders who have requested the delivery of paper-based documents by the record date for voting rights.</p>	<p>(Measures for Providing Information in an Electronic Format, Etc.)  Article <u>16</u>.  <u>1</u>. (Unchanged)  2. The Company may, with regard to those matters for which measures for the provision of information in electronic format will be taken, exclude all <u>or</u> part of the matter specified in the applicable Ministry of Justice Order from the paper-based documents to be delivered to shareholders who have requested the delivery of paper-based documents by the record date for voting rights.</p>
<p>(Exercise of Voting Rights by Proxy)  Article <u>15</u>.  A shareholder may exercise his/her voting rights through a proxy who is also a shareholder of the Company with voting rights.  2. A shareholder <u>OR</u> the proxy specified in the preceding paragraph shall submit documentation certifying the relevant proxy rights to the Company for each General Meeting of Shareholders in which a proxy is used.</p>	<p>(Exercise of Voting Rights by Proxy)  Article <u>17</u>.  <u>1</u>. (Unchanged)  2. A shareholder <u>or</u> the proxy specified in the preceding paragraph shall submit documentation certifying the relevant proxy rights to the Company for each General Meeting of Shareholders in which a proxy is used.</p>
<p>(Chairperson)  Article <u>16</u>.  <u>The chairperson of the General Meeting of Shareholders shall be the Director &amp; President, PROVIDED THAT if the Director &amp; President is hindered from so acting, another Director shall replace him/her in an order previously determined at the Board of Directors.</u></p>	<p>(Moved to Article 15 and changed)</p>
<p>(Method of Resolution)  Article <u>17</u>.  Except where <u>OTHERWISE PROVIDED</u> for by laws and regulations <u>OR the</u> Articles of Incorporation, resolutions at General Meetings of Shareholders shall be adopted by a majority vote of the shareholders present who hold the exercisable voting rights.  2. (Omitted)</p>	<p>(Method of Resolution)  Article <u>18</u>.  <u>1</u>. Except where <u>otherwise provided</u> for by laws and regulations <u>or these</u> Articles of Incorporation, resolutions at General Meetings of Shareholders shall be adopted by a majority vote of the shareholders present who hold the exercisable voting rights.  2. (Unchanged)</p>
<p>Chapter 4. Directors and the Board of Directors  (Establishment of the Board of Directors)  Article <u>18</u>.  <u>The Company shall have the Board of Directors.</u></p>	<p>Chapter 4. Directors and the Board of Directors  (Moved to Article 4 and merged)</p>
<p>(Number and Election)  Article 19.  The number of Directors of the Company shall be <u>nine (9)</u> or fewer.  2. to 4. (Omitted)</p>	<p>(Number and Election)  Article 19.  <u>1</u>. The number of Directors of the Company shall be <u>fourteen (14)</u> or fewer.  2. to 4. (Unchanged)</p>
<p>(Term of Office)  Article 20.  (Omitted)</p>	<p>(Term of Office)  Article 20.  (Unchanged)</p>

(Current Articles of Incorporation)	(Proposed Amendments)
<p>(Representative Director and Officer Directors)</p> <p><u>Article 21.</u>  <u>The Board of Directors shall, by its resolution, appoint a Director or Directors who shall represent the Company.</u>  <u>2. By a resolution of the Board of Directors, the Company shall have one (1) Director-President, and may have one (1) Director-Chairman, several Director-Vice-Chairman, Director-Vice-Presidents, Senior Managing Directors, Executive Managing Directors, and Director-Senior Advisors.</u></p>	<p>(Deleted)</p>
<p>(Convocation of a Meeting of the Board of Directors)</p> <p><u>Article 22.</u>  <u>A meeting of the Board of Directors shall be convened by the Director-President, PROVIDED THAT if the Director-President is hindered from so doing, another Director shall convene the meeting in an order previously determined at the Board of Directors.</u></p> <p>(Newly established)</p> <p><u>2.</u> The notice of convocation of a meeting of the Board of Directors shall be issued to each Director <u>and Audit &amp; Supervisory Board Member</u> at least three (3) days before the date of the meeting, <u>PROVIDED THAT</u> this period can be shortened in case of emergency.  <u>3.</u> When all Directors <u>and Audit &amp; Supervisory Board Members</u> agree, a meeting of the Board of Directors may be held without going through the convocation procedure.</p>	<p>(Convocation, Convener, and Chairperson)</p> <p><u>Article 21.</u>  <u>1.</u> A meeting of the Board of Directors shall be convened by a Director <u>previously appointed by the Board of Directors, except as otherwise provided by law, provided that, if the said Director is unable to act,</u> another Director shall <u>replace him/her</u> in an order previously determined <u>by the Board of Directors.</u>  <u>2.</u> The Board of Directors shall, <u>through its resolution, appoint a Chairperson of the Board of Directors meeting from among its Directors. However, if the appointed Director is unable to act, another Director shall replace him/her in an order previously determined by the Board of Directors.</u>  <u>3.</u> The notice of convocation of a meeting of the Board of Directors shall be issued to each Director at least three (3) days before the date of the meeting, <u>provided that</u> this period can be shortened in case of emergency.  <u>4.</u> When all Directors agree, a meeting of the Board of Directors may be held without going through the convocation procedure.</p>
<p>(Omission of Resolution of the Board of Directors)</p> <p><u>Article 23.</u></p> <p>(Newly established)</p> <p>In accordance with the provisions of Article 370 of the Companies Act, where Directors submit a proposal with respect to a matter that corresponds with the purpose of the resolution being made at a Board of Directors meeting, then, if all Directors who are entitled to <u>participate in</u> that matter manifest their intention to agree to the proposal, <u>in writing, etc.,</u> it is deemed that the resolution <u>regarding</u> that proposal has been passed at the Board of Directors meeting.</p>	<p>(Method of Resolution)</p> <p><u>Article 22.</u>  <u>1.</u> Resolutions of the Board of Directors shall be adopted by a majority of those Directors present at the meeting where a majority of the Directors entitled to participate in the vote are present.  <u>2.</u> In accordance with the provisions of Article 370 of the Companies Act, where Directors submit a proposal with respect to a matter that corresponds with the purpose of the resolution being made at a Board of Directors meeting, then, if all Directors who are entitled to <u>vote with respect to</u> that matter manifest their intention to agree to the proposal, <u>either in writing or in an electronic or magnetic record,</u> it is deemed that the resolution <u>to approve</u> that proposal has been passed at the Board of Directors meeting.</p>
<p>(Board of Directors Regulations)</p> <p><u>Article 24.</u>  Matters concerning the Board of Directors shall be governed by the Board of Directors Regulations established by the Board of Directors, in addition to applicable laws and regulations <u>OR the</u> Articles of Incorporation.</p>	<p>(Board of Directors Regulations)</p> <p><u>Article 23.</u>  Matters concerning the Board of Directors shall be governed by the Board of Directors Regulations established by the Board of Directors, in addition to applicable laws and regulations <u>or these</u> Articles of Incorporation.</p>

(Current Articles of Incorporation)	(Proposed Amendments)
<p>(Compensation, etc.)  <u>Article 25.</u>  <u>Compensation, bonus, and any other economic benefits that a Director shall receive from the Company as consideration for his/her performance of duties (“Compensation, etc.”) shall be determined by a resolution at a General Meeting of Shareholders.</u></p> <p>(Exemption from Liability of Directors)  <u>Article 26.</u>  Pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, a Director (including an individual who was previously a Director of the Company) may, to the extent permitted by laws and regulations, be exempted from the liability imposed under Article 423, Paragraph 1 of the Companies Act (“Officer, etc.’s liability of compensation of damages to the Company”; this definition shall also apply in Article 26, Paragraph 2 and Articles 34 and 39 of the Articles of Incorporation) by a resolution passed at a Board of Directors meeting provided that the relevant Director has acted in good faith and without gross negligence in performing his/her duties.  2. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with a Director (excluding an Executive Director) to limit the liability of that Director as provided for in Article 423, Paragraph 1 of the Companies Act if the Director has acted in good faith and without gross negligence in performing his/her duties, <u>PROVIDED THAT</u> the amount of liability so limited shall not exceed five million JPY (¥5,000,000) <u>OR</u> higher amount as previously established by the Company <u>OR</u> the amount provided for by laws and regulations, whichever is higher.</p> <p><u>Chapter 5. Audit &amp; Supervisory Board Members and Audit &amp; Supervisory Board</u>  (Establishment of Audit &amp; Supervisory Board Members and Audit &amp; Supervisory Board)  <u>Article 27.</u>  <u>The Company shall have Audit &amp; Supervisory Board Members and the Audit &amp; Supervisory Board.</u></p> <p>(Number and Election)  <u>Article 28.</u>  <u>The number of Audit &amp; Supervisory Board Members of the Company shall be five (5) or fewer.</u>  2. <u>Audit &amp; Supervisory Board Members of the Company shall be elected at a General Meeting of Shareholders.</u>  3. <u>Resolutions to elect Audit &amp; Supervisory Board Members shall be adopted by a majority vote of the shareholders present who hold at least one-third (1/3) of all shareholders’ exercisable voting rights.</u></p>	<p>(Deleted)</p> <p>(Exemption from Liability of Directors)  <u>Article 24.</u>  1. Pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, a Director (including an individual who was previously a Director of the Company) may, to the extent permitted by laws and regulations, be exempted from the liability imposed under Article 423, Paragraph 1 of the Companies Act (“Officer, etc.’s liability of compensation of damages to the Company”; this definition shall also apply in Article 24, Paragraph 2 and <u>Article 30 of these</u> Articles of Incorporation) by a resolution passed at a Board of Directors meeting provided that the relevant Director has acted in good faith and without gross negligence in performing his/her duties.  2. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with a Director (excluding an Executive Director, <u>etc.</u>) to limit the liability of that Director as provided for in Article 423, Paragraph 1 of the Companies Act if the Director has acted in good faith and without gross negligence in performing his/her duties, <u>provided that</u> the amount of liability so limited shall not exceed five million JPY (¥5,000,000) <u>or</u> higher amount as previously established by the Company <u>or</u> the amount provided for by laws and regulations, whichever is higher.</p> <p>(Deleted)</p> <p>(Deleted)</p> <p>(Deleted)</p>

(Current Articles of Incorporation)	(Proposed Amendments)
<p><u>(Term of Office)</u>  <u>Article 29.</u>  <u>The term of office of an Audit &amp; Supervisory Board Member shall be until the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year that will terminate within four (4) years from the election.</u>  <u>2. The term of office of an Audit &amp; Supervisory Board Member who was elected to fill a vacancy of an Audit &amp; Supervisory Board Member who has resigned from the office before the expiration of the term of office shall be the same as the remaining term of office of his/her predecessor.</u></p>	(Deleted)
<p><u>(Standing Audit &amp; Supervisory Board Member)</u>  <u>Article 30.</u>  <u>The Audit &amp; Supervisory Board shall appoint a or several Standing Audit &amp; Supervisory Board Members by its resolution.</u></p>	(Deleted)
<p><u>(Convocation of a Meeting of the Audit &amp; Supervisory Board)</u>  <u>Article 31.</u>  <u>A meeting of the Audit &amp; Supervisory Board may be convened by any Audit &amp; Supervisory Board Member.</u>  <u>2. A notice to convene a meeting of the Audit &amp; Supervisory Board shall be dispatched to each Audit &amp; Supervisory Board Member at least three (3) days prior to the date of the meeting, PROVIDED THAT in the event of an emergency, the period may be shortened.</u>  <u>3. If all Audit &amp; Supervisory Board Members agree, a meeting of the Audit &amp; Supervisory Board may be held without the convocation procedures.</u></p>	(Deleted)
<p><u>(Regulations of the Audit &amp; Supervisory Board)</u>  <u>Article 32.</u>  <u>Any matters related to the Audit &amp; Supervisory Board shall be in accordance with the Regulations of the Audit &amp; Supervisory Board established by the Audit &amp; Supervisory Board, in addition to applicable laws and regulations OR the Articles of Incorporation.</u></p>	(Deleted)
<p><u>(Compensation, etc.)</u>  <u>Article 33.</u>  <u>The Compensation, etc., of the Audit &amp; Supervisory Board Members shall be determined at a General Meeting of Shareholders.</u></p>	(Deleted)

(Current Articles of Incorporation)	(Proposed Amendments)
<p data-bbox="194 271 758 322"><u>(Exemption from Liability of Audit &amp; Supervisory Board Members)</u></p> <p data-bbox="194 331 300 358"><u>Article 34.</u></p> <p data-bbox="194 367 778 640"><u>Pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, an Audit &amp; Supervisory Board Member (including an individual who was previously an Audit &amp; Supervisory Board Member of the Company) may, to the extent permitted by laws and regulations, be exempted from the liability imposed under Article 423, Paragraph 1 of the Companies Act by a resolution passed at a Board of Directors meeting, PROVIDED THAT the relevant Audit &amp; Supervisory Board Member has acted in good faith and without gross negligence in performing his/her duties.</u></p> <p data-bbox="194 645 786 969"><u>2. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with an Audit &amp; Supervisory Board Member to limit the liability of that Audit &amp; Supervisory Board Member as provided for in Article 423, Paragraph 1 of the Companies Act if the Audit &amp; Supervisory Board Member has acted in good faith and without gross negligence in performing his/her duties, PROVIDED THAT the amount of liability so limited shall not exceed five million JPY (¥5,000,000) OR higher amount as previously established by the Company or the amount provided for by laws and regulations, whichever is higher.</u></p> <p data-bbox="395 1014 587 1041">(Newly established)</p> <p data-bbox="395 1050 587 1077">(Newly established)</p> <p data-bbox="395 1245 587 1272">(Newly established)</p> <p data-bbox="395 1462 587 1489">(Newly established)</p> <p data-bbox="395 1498 587 1525">(Newly established)</p> <p data-bbox="395 1664 587 1691">(Newly established)</p> <p data-bbox="395 1859 587 1886">(Newly established)</p>	<p data-bbox="1050 271 1145 297">(Deleted)</p> <p data-bbox="906 1014 1289 1041"><u>Chapter 5. Nominating Committee, etc.</u></p> <p data-bbox="802 1050 1185 1077"><u>(Appointment of Committee Members)</u></p> <p data-bbox="802 1086 906 1113"><u>Article 25.</u></p> <p data-bbox="802 1122 1353 1200"><u>Members constituting the Nominating Committee, Audit Committee, and Compensation Committee shall be appointed by a resolution of the Board of Directors.</u></p> <p data-bbox="802 1245 1050 1272"><u>(Committee Regulations)</u></p> <p data-bbox="802 1281 906 1308"><u>Article 26.</u></p> <p data-bbox="802 1317 1393 1424"><u>Matters concerning each committee shall be governed by the committee regulations established by the Board of Directors, in addition to applicable laws and regulations and these Articles of Incorporation.</u></p> <p data-bbox="954 1462 1241 1489"><u>Chapter 6. Executive Officers</u></p> <p data-bbox="802 1498 1114 1525"><u>(Election of Executive Officers)</u></p> <p data-bbox="802 1534 906 1561"><u>Article 27.</u></p> <p data-bbox="802 1570 1377 1621"><u>The Board of Directors shall elect Executive Officers by its resolution.</u></p> <p data-bbox="802 1664 1313 1691"><u>(Appointment of Representative Executive Officers)</u></p> <p data-bbox="802 1700 906 1727"><u>Article 28.</u></p> <p data-bbox="802 1736 1393 1814"><u>The Board of Directors shall appoint a Representative Executive Officer or Representative Executive Officers from among the Executive Officers by its resolution.</u></p> <p data-bbox="802 1859 1177 1886"><u>(Term of Office of Executive Officers)</u></p> <p data-bbox="802 1895 906 1921"><u>Article 29.</u></p> <p data-bbox="802 1930 1385 2009"><u>The term of office of Executive Officers shall continue until the end of the fiscal year which ends within one (1) year after the election.</u></p>

(Current Articles of Incorporation)	(Proposed Amendments)
<p>(Newly established)</p> <p>Chapter <u>6</u>. Financial Auditor (Establishment of a Financial Auditor) <u>Article 35.</u> <u>The Company shall have a Financial Auditor.</u></p> <p>(Election) Article <u>36.</u>  (Omitted)</p> <p>(Term of Office) Article <u>37.</u> The term of office of the Financial Auditor shall continue until the conclusion of the Ordinary General Meeting of Shareholders for the last fiscal year that ends within one (1) year from the time of his/her election. 2. (Omitted)</p> <p>(Compensation, etc.) Article <u>38.</u> The compensation, etc., of the Financial Auditor shall be determined <u>by the Representative Director</u> with the consent of <u>the Audit &amp; Supervisory Board.</u></p> <p>(Agreement to Limit the Liability of Financial Auditor) Article <u>39.</u> <u>Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with a Financial Auditor to limit the liability of that Financial Auditor as provided for in Article 423, Paragraph 1 of the Companies Act if the Financial Auditor has acted in good faith and without gross negligence in performing his/her duties. PROVIDED THAT the amount of liability so limited shall be the amount provided for by laws and regulations.</u></p> <p>Chapter <u>7</u>. Accounting (Fiscal Year) Article <u>40.</u>  (Omitted)</p>	<p>(Exemption from Liability of Executive Officers) <u>Article 30.</u> <u>Pursuant to the provisions of Article 426, Paragraph 1 of the Companies Act, an Executive Officer (including an individual who was previously an Executive Officer of the Company) may, to the extent permitted by laws and regulations, be exempted from the liability imposed upon him/her under Article 423, Paragraph 1 of the Companies Act by a resolution passed at a Board of Directors meeting, provided that the relevant Executive Director has acted in good faith and without gross negligence in performing his/her duties.</u></p> <p>Chapter <u>7</u>. Financial Auditor (Moved to Article 4 and merged)</p> <p>(Election) Article <u>31.</u>  (Unchanged)</p> <p>(Term of Office) Article <u>32.</u> 1. (Unchanged) 2. (Unchanged)</p> <p>(Compensation, etc.) Article <u>33.</u> The compensation, etc., of the Financial Auditor shall be determined <u>by the Director who also serves as the Representative Executive Officer &amp; President</u> with the consent of <u>the Audit Committee.</u></p> <p>(Deleted)</p> <p>Chapter <u>8</u>. Accounting (Fiscal Year) Article <u>34.</u>  (Unchanged)</p>

(Current Articles of Incorporation)	(Proposed Amendments)
<p>(Organ which Determines Dividends of Surplus, etc.) Article <u>41</u>. The Company, unless <u>OTHERWISE PROVIDED</u> by law, shall determine the dividends of surplus and other matters stipulated in each Item of Paragraph 1, Article 459 of the Companies Act, not by a resolution of the General Meeting of Shareholders, but by a resolution of the Board of Directors.</p>	<p>(Organ which Determines Dividends of Surplus, etc.) Article <u>35</u>. The Company, unless <u>otherwise provided</u> by law, shall determine the dividends of surplus and other matters stipulated in each Item of Paragraph 1, Article 459 of the Companies Act, not by a resolution of the General Meeting of Shareholders, but by a resolution of the Board of Directors.</p>
<p>(Record Date for Dividend of Surplus) Article <u>42</u>. The record date for the year-end dividend of the Company shall be December 31 of every year. 2. (Omitted) 3. (Omitted)</p>	<p>(Record Date for Dividend of Surplus) Article <u>36</u>. 1. (Unchanged) 2. (Unchanged) 3. (Unchanged)</p>
<p>(Dividend of Surplus) Article <u>43</u>. The dividend of surplus shall be made to the shareholders <u>OR</u> registered share pledgees listed <u>OR</u> recorded in the final shareholder register as of the record date stipulated in the preceding article.</p>	<p>(Dividend of Surplus) Article <u>37</u>. The dividend of surplus shall be made to the shareholders <u>or</u> registered share pledgees listed <u>or</u> recorded in the final shareholder register as of the record date stipulated in the preceding article.</p>
<p>(Exclusion Period for Dividend) Article <u>44</u>. If the dividend property is cash and dividends are not claimed within three (3) years from the date of commencement of payment, the Company shall be exempt from the liability to make such payment. 2. (Omitted)</p>	<p>(Exclusion Period for Dividend) Article <u>38</u>. 1. (Unchanged) 2. (Unchanged)</p>
<p>(Newly established)</p>	<p><u>Supplementary Provisions</u> <u>(Transitional Measures for Exemption from Liability of Audit &amp; Supervisory Board Members)</u> <u>Article 1.</u> <u>The provisions of Paragraph 1, Article 34 of the pre-amended Articles of Incorporation shall still apply to any acts of the Audit &amp; Supervisory Board Members (including former Audit &amp; Supervisory Board Members of the Company) committed prior to the conclusion of the 110th Ordinary General Meeting of Shareholders.</u></p>

**(Reference) Transition to a Company with a Nominating Committee, etc.**

In our Long-term Management Vision: “Beyond New Heights 2030 - Change the Flow,” we have placed sustainability management at the core of our management strategy. We strive to improve corporate value through sustainable growth and create social value by delivering solutions to social challenges through our businesses. In the business environment that is drastically changing, we are required to strengthen corporate governance and accelerate management processes to achieve these and fulfill the expectations of stakeholders, including customers and shareholders.

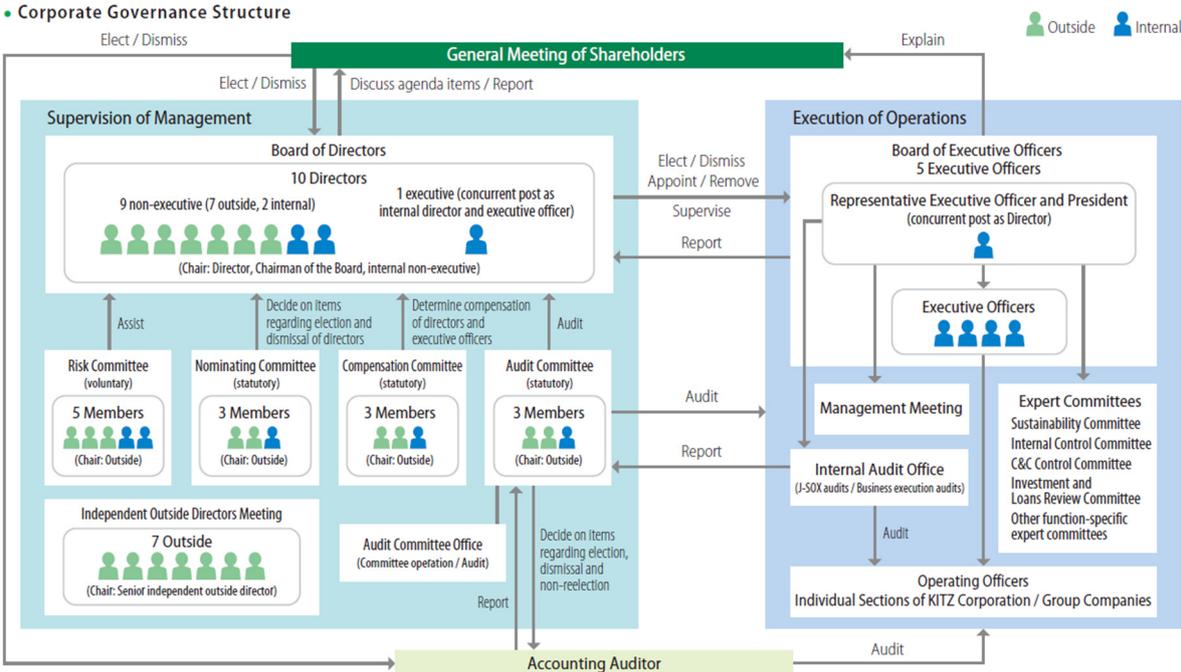
To deal with such a situation, we will shift to a company with a nominating committee, etc.

This allows for a clear separation of the supervisory and executive functions and strengthens the supervising function of the Board of Directors. The Board of Directors oversees Executive Officers’ execution of their duties, makes decisions on important matters related to basic management policy and determines the direction of management. Furthermore, we will improve the transparency and objectivity of the management with the statutory Nominating Committee, Audit Committee and Compensation Committee, of which the majority consists of Outside Directors and the Chair is an Outside Director, as well as the Risk Committee voluntarily established by the Board of Directors.

Moreover, with the delegation of substantial authority to execute business from the Board of Directors to the Executive Officers, we will increase the speed of managerial decision making.

For this General Meeting of Shareholders, we proposed amendments to the Articles of Incorporation associated with the transition to a company with a nominating committee as Proposal 1 “Partial amendments to the Articles of Incorporation” and the election of Directors conditional upon the transition to a company with a nominating committee as Proposal 2 “Election of ten (10) Directors.”

**Corporate Governance System after the Transition to a Company with a Nominating Committee, etc.**



**Proposal 2: Election of ten (10) Directors**

At the conclusion of this Ordinary General Meeting of Shareholders, the terms of office of all seven (7) existing Directors will expire.

In addition, subject to approval of Proposal 1 “Partial amendments to the Articles of Incorporation,” we will shift to a company with a nominating committee, etc.

Therefore, the Company requests the election of ten (10) Directors including seven (7) Outside Directors.

The resolution of the proposal will be effective subject to the effectiveness of the amendments to the Articles of Incorporation of Proposal 1.

The candidates for Directors are as follows.

Please refer to the main expertise and area of the candidates for Directors and the committee member planned to be appointed.

Candidate No.		Name		Current position and responsibilities	Attendance at Board of Directors' meetings
1	Reelection Male	Yasuyuki Hotta		Chairman and Representative Director, Chair of the Board of Directors	16/16 meetings 100%
2	Reelection Male	Makoto Kohno		President and Chief Executive Officer	16/16 meetings 100%
3	Reelection Male	Toshiyuki Murasawa		Director, Managing Executive Officer Division Manager, Corporate Planning Division, in charge of related businesses (Brass Bar Manufacturing Business, Service Business), ESG, Internal Audit Office and internal controls	16/16 meetings 100%
4	Reelection Male	Minoru Amoh	Outside Independent	Outside Director	16/16 meetings 100%
5	Reelection Male	Yutaka Fujiwara	Outside Independent	Outside Director	16/16 meetings 100%
6	Reelection Female	Yukino Kikuma	Outside Independent	Outside Director	16/16 meetings 100%
7	New candidate Male	Shuhei Sakuno	Outside Independent	Outside Audit & Supervisory Board Member	16/16 meetings 100% as an Audit & Supervisory Board Member
8	New candidate Female	Ayako Kobayashi	Outside Independent	Outside Audit & Supervisory Board Member	16/16 meetings 100% as an Audit & Supervisory Board Member
9	New candidate Male	Toichi Maeda	Outside Independent	–	–
10	New candidate Male	Yasunobu Suzuki	Outside Independent	–	–

Main expertise and area									Committee member planned to be appointed			
Corporate management	Global experience	Legal matters/risk management	Sustainability (ESG)	Capital efficiency management/accounting/finance	Manufacturing/quality	Innovation/DX/technological development	Sales/marketing	Personnel affairs/human resource development	Nominating Committee member	Audit Committee member	Compensation Committee member	Risk Committee member
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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	Yasuyuki Hotta (June 18, 1955)  Reelection  Tenure as Director: 16 years and 9 months  Attendance at Board of Directors' meetings: 16/16 meetings	<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 and Representative Director, 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>	200,603 shares
<p>[Reasons for nomination as candidate for Director] 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 and Representative Director 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 management supervision and important decision-making 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: 4 years and 9 months</p> <p>Attendance at Board of Directors' meetings: 16/16 meetings</p>	<p>Apr. 1988      Joined the Company</p> <p>Aug. 2008      General Manager, Project Sales Dept., International Sales Division, Flow Control Business Division of the Company</p> <p>Dec. 2011      General Manager, Project Division of the Company</p> <p>Apr. 2013      General Manager, Production Control Dept., Production Division, Flow Control Business Unit of the Company</p> <p>Apr. 2015      General Manager, Business Planning Dept., Flow Control Business Unit of the Company</p> <p>Apr. 2016      Executive Officer, Division Manager, Corporate Planning Division, in charge 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>	53,207 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 management supervision and important decision-making 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: 7 years and 9 months  Attendance at Board of Directors' meetings: 16/16 meetings	<p>Mar. 1981      Joined the Company</p> <p>Apr. 2001      General Manager, Corporate Planning Dept. of the Company</p> <p>Apr. 2009      Executive Officer, General Manager, Corporate Planning Dept., in charge 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, in charge of related businesses (Brass Bar Manufacturing Business, Service Business) of the Company</p> <p>Apr. 2016      Executive Officer, Division Manager, Corporate Administration Division, in charge of Internal Audit Office and Group's risk management of the Company</p> <p>June 2016      Director, Executive Officer, Division Manager, Corporate Administration Division, in charge of Internal Audit Office and Group's risk management of the Company</p> <p>June 2017      Director, Executive Officer, Division Manager, Corporate Administration Division, in charge 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, in charge 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, in charge of Internal Audit Office and internal controls of the Company</p> <p>Jan. 2022      Director, Managing Executive Officer, Division Manager, Corporate Planning Division, in charge of related businesses (Brass Bar Manufacturing Business, Service Business), ESG, Internal Audit Office and internal controls of the Company (present position)</p>	82,940 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 management supervision and important decision-making 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 data-bbox="373 685 571 741">Minoru Amoh (December 9, 1951)</p> <p data-bbox="411 768 533 846">Reelection Outside Independent</p> <p data-bbox="336 880 608 936">Tenure as Outside Director: 8 years and 9 months</p> <p data-bbox="357 960 587 1039">Attendance at Board of Directors' meetings: 16/16 meetings</p>	<p data-bbox="635 327 1198 405">Apr. 1979      Joined Du Pont Far East, Inc. Japan Representative Office (currently DuPont Kabushiki Kaisha)</p> <p data-bbox="635 416 1150 443">Mar. 2000      Director, DuPont Kabushiki Kaisha</p> <p data-bbox="635 454 1182 510">Mar. 2002      Managing Executive Director, DuPont Kabushiki Kaisha</p> <p data-bbox="635 521 1246 600">Mar. 2004      Senior Executive Director, Regional Director, Asia-Pacific Region, Engineering Polymer Business Division, DuPont Kabushiki Kaisha</p> <p data-bbox="635 611 1230 667">July 2005      Director, Vice President, DuPont Kabushiki Kaisha</p> <p data-bbox="635 678 1262 734">Sept. 2006      Representative Director and President, DuPont Kabushiki Kaisha</p> <p data-bbox="635 745 1230 824">Jan. 2013      Representative Director, Chairman, DuPont Kabushiki Kaisha, President, DuPont Asia Pacific Limited</p> <p data-bbox="635 835 1262 891">Sept. 2014      Honorary Chairman, DuPont Kabushiki Kaisha (retired in Mar. 2016)</p> <p data-bbox="635 902 1214 958">June 2015      Outside Director of the Company (present position)</p> <p data-bbox="635 969 1230 1025">Mar. 2016      Outside Statutory Auditor, Otsuka Chemical Co., Ltd.</p> <p data-bbox="635 1037 1230 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 1149 1246 1205">Dec. 2020      External Director, HEXEL Works Inc. (retired in June 2022)</p> <p data-bbox="635 1216 1198 1294">June 2021      Outside Director (Audit &amp; Supervisory Committee Member), Enplas Corporation (present position)</p> <p data-bbox="635 1305 1230 1402">[Significant concurrent positions] Outside Director, Otsuka Chemical Co., Ltd. Outside Director (Audit &amp; Supervisory Committee Member), Enplas Corporation</p>	6,800 shares
<p data-bbox="325 1413 1206 1440">[Reasons for nomination as candidate for Outside Director and overview of expected roles]</p> <p data-bbox="325 1442 1463 1545">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
5	<p data-bbox="391 600 553 651">Yutaka Fujiwara (April 20, 1951)</p> <p data-bbox="411 680 533 759">Reelection Outside Independent</p> <p data-bbox="336 788 608 840">Tenure as Outside Director: 6 years and 9 months</p> <p data-bbox="357 869 587 947">Attendance at Board of Directors' meetings: 16/16 meetings</p>	<p data-bbox="635 322 1222 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 472">Aug. 1994      Deputy General Manager, New York Branch, The Yasuda Trust &amp; Banking Co., Ltd.</p> <p data-bbox="635 479 1267 566">June 1996      General Manager, Chicago Branch, The Yasuda Trust &amp; Banking Co., Ltd. (retired in July 1998)</p> <p data-bbox="635 573 1086 602">Aug. 1998      Joined OMRON Corporation</p> <p data-bbox="635 609 1259 665">June 2005      Executive Officer, General Manager, Financial IR Department, OMRON Corporation</p> <p data-bbox="635 672 1230 728">Mar. 2007      Executive Officer, General Manager, Group Strategy Department, OMRON Corporation</p> <p data-bbox="635 734 1177 822">June 2008      Managing Executive Officer, General Manager, Group Strategy Department, OMRON Corporation</p> <p data-bbox="635 828 1249 938">Dec. 2008      Managing Executive Officer, General Manager, IR &amp; Corporate Information Department, OMRON Corporation (retired in June 2011)</p> <p data-bbox="635 945 1190 1001">June 2013      Outside Director, Nabtesco Corporation (retired in March 2021)</p> <p data-bbox="635 1008 1214 1064">June 2017      Outside Director of the Company (present position)</p> <p data-bbox="635 1070 1254 1126">July 2020      External Audit &amp; Supervisory Board Member, Konoike Transport Co., Ltd. (present position)</p> <p data-bbox="635 1133 1171 1220">[Significant concurrent positions] External Audit &amp; Supervisory Board Member, Konoike Transport Co., Ltd.</p>	9,600 shares
<p data-bbox="327 1236 1206 1265">[Reasons for nomination as candidate for Outside Director and overview of expected roles]</p> <p data-bbox="327 1265 1461 1415">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
6	<p>Yukino Kikuma (March 5, 1972)</p> <p>Reelection Outside Independent</p> <p>Tenure as Outside Director: 3 years and 9 months</p> <p>Attendance at Board of Directors' meetings: 16/16 meetings</p>	<p>Apr. 1995      Joined Fuji Television Network, Inc. (retired in Dec. 2007)</p> <p>Dec. 2011      Registered as an attorney at law</p> <p>Jan. 2012      Joined MATSUO &amp; KOSUGI</p> <p>Dec. 2014      Outside Director, Noevir Holdings Co., Ltd. (retired in Dec. 2017)</p> <p>June 2018      External Director, KOSÉ Corporation (present position)</p> <p>May 2020      Outside Director (member of the audit and supervisory committee), Takihyo Co., Ltd. (present position)</p> <p>June 2020      Outside Director, ALCONIX CORPORATION (present position)</p> <p>June 2020      Outside Director of the Company (present position)</p> <p>Jan. 2022      Managing Partner, MATSUO &amp; KOSUGI (present position)</p> <p>Feb. 2024      External Director, Money Forward, Inc. (present position)</p> <p>[Significant concurrent positions] Managing Partner, MATSUO &amp; KOSUGI External Director, KOSÉ Corporation Outside Director (member of the audit and supervisory committee), Takihyo Co., Ltd. Outside Director, ALCONIX CORPORATION External Director, Money Forward, Inc.</p>	2,600 shares
<p>[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.</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	<p>Shuhei Sakuno (February 17, 1954)</p> <p>New candidate Outside Independent</p> <p>Attendance at Board of Directors' meetings: 16/16 meetings*</p> <p>*Attendance rate as an Audit &amp; Supervisory Board Member</p>	<p>Apr. 1977      Joined Yokogawa Electric Works Ltd. (currently Yokogawa Electric Corporation)</p> <p>Oct. 1999      General Manager, Affiliated Company Supervision Office, Yokogawa Electric Corporation</p> <p>Apr. 2005      Vice President, General Manager, Accounting &amp; Treasury Center, Corporate Administration Headquarters, Yokogawa Electric Corporation</p> <p>June 2008      Senior Vice President, General Manager, Audit and Compliance Headquarters, Yokogawa Electric Corporation</p> <p>June 2016      Audit &amp; Supervisory Board Member, Yokogawa Solution Service Corporation (retired in June 2019)</p> <p>June 2017      Outside Audit &amp; Supervisory Board Member of the Company (present position)</p> <p>Oct. 2019      Outside Audit &amp; Supervisory Board Member, JAPANIACE Co., Ltd. (present position)</p> <p>[Significant concurrent positions] Outside Audit &amp; Supervisory Board Member, JAPANIACE Co., Ltd.</p>	4,800 shares
<p>[Reasons for nomination as candidate for Outside Director and overview of expected roles]</p> <p>Shuhei Sakuno has broad experience in corporate administration, which supervises the Yokogawa Electric Corporation group companies, and possesses a considerable amount of expertise in financial and accounting operations. He also has knowledge of corporate governance he acquired through his experience in developing internal controls, risk management, and internal audit systems. As an Outside Audit &amp; Supervisory Board Member, he has also properly supervised the Group's management from an objective and fair standpoint since June 2017. The Company has judged that he will be able to fulfill the role appropriately by making active and useful statements, leveraging 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
8	<p>Ayako Kobayashi (October 14, 1975)</p> <p>New candidate Outside Independent</p> <p>Attendance at Board of Directors' meetings: 16/16 meetings*</p> <p>*Attendance rate as an Audit &amp; Supervisory Board Member</p>	<p>Oct. 2000 Registered as an attorney at law</p> <p>Oct. 2000 Joined Kataoka &amp; Kobayashi (currently KATAOKA &amp; KOBAYASHI LPC)</p> <p>Jan. 2009 Partner, Kataoka &amp; Kobayashi (present position)</p> <p>Sept. 2013 Part-time Instructor, Keio University Law School (retired in Mar. 2020)</p> <p>June 2019 Outside Audit &amp; Supervisory Board Member of the Company (present position)</p> <p>June 2021 Outside Director, The Musashino Bank, Ltd. (present position)</p> <p>Apr. 2023 Professor, Keio University Law School (present position)</p> <p>[Significant concurrent positions] Partner, KATAOKA &amp; KOBAYASHI LPC Outside Director, The Musashino Bank, Ltd. Professor, Keio University Law School</p>	6,300 shares
<p>[Reasons for nomination as candidate for Outside Director and overview of expected roles] 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. As an Outside Audit &amp; Supervisory Board Member, she has also properly supervised the Group's management from an objective and fair standpoint since June 2019. The Company has judged that she will be able to fulfill the role appropriately by making active and useful statements, leveraging her expertise, and therefore has nominated her 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
9	<p style="text-align: center;">Toichi Maeda (December 24, 1955)</p> <p style="text-align: center;">New candidate Outside Independent</p>	<p>Apr. 1981      Joined EBARA CORPORATION</p> <p>Apr. 2007      Executive Officer, EBARA CORPORATION</p> <p>Apr. 2010      Managing Executive Officer, EBARA CORPORATION</p> <p>June 2011      Director, EBARA CORPORATION</p> <p>Apr. 2012      Director, President, Fluid Machinery &amp; Systems Company, EBARA CORPORATION</p> <p>Apr. 2013      President and Representative Director, EBARA CORPORATION</p> <p>June 2015      President, Representative Executive Officer, EBARA CORPORATION</p> <p>Mar. 2019      Chairman &amp; Director, EBARA CORPORATION (present position)</p> <p>[Significant concurrent positions] Chairman &amp; Director, EBARA CORPORATION</p>	-
<p>[Reasons for nomination as candidate for Outside Director and overview of expected roles] Toichi Maeda was long active as a manager of EBARA CORPORATION and, in addition to rich experience as a corporate manager, he has broad and high level of insight into manufacturing and technological 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
10	<p data-bbox="363 622 580 674">Yasunobu Suzuki (September 23, 1958)</p> <p data-bbox="400 703 544 786">New candidate Outside Independent</p>	<p data-bbox="635 322 1264 383">Apr. 1982      Joined Mitsubishi Metal Corporation (currently Mitsubishi Materials Corporation)</p> <p data-bbox="635 389 1264 495">June 2011      Executive Director, Vice President, Copper Business Company, and General Manager, Sales Division, Mitsubishi Materials Corporation</p> <p data-bbox="635 501 1264 584">Apr. 2015      Managing Executive Officer, General Manager, Corporate Strategy Division, Mitsubishi Materials Corporation</p> <p data-bbox="635 591 1264 674">June 2016      Director, Senior Managing Executive Officer, General Manager, Corporate Strategy Division, Mitsubishi Materials Corporation</p> <p data-bbox="635 680 1264 763">Oct. 2018      Director, Senior Managing Executive Officer, President, Advanced Product Company, Mitsubishi Materials Corporation</p> <p data-bbox="635 770 1264 853">June 2019      Senior Managing Executive Officer, President, Advanced Product Company, Mitsubishi Materials Corporation</p> <p data-bbox="635 860 1264 943">Apr. 2020      Executive Vice President, President, Advanced Product Company, Mitsubishi Materials Corporation</p> <p data-bbox="635 949 1264 1010">Apr. 2023      Advisor for Metal Business, Mitsubishi Materials Corporation (retired in Feb. 2024)</p> <p data-bbox="635 1016 1264 1077">[Significant concurrent positions] None</p>	-
<p data-bbox="327 1090 1209 1120">[Reasons for nomination as candidate for Outside Director and overview of expected roles]</p> <p data-bbox="327 1126 1465 1254">Yasunobu Suzuki was long active as a Director and Executive Officer of Mitsubishi Metal Corporation and he has broad and high level of insight into management strategy, global business development, and sales/marketing, 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>			

- Notes: 1. There is no special interest between the candidates and the Company.
2. Minoru Amoh, Yutaka Fujiwara, Yukino Kikuma, Shuhei Sakuno, Ayako Kobayashi, Toichi Maeda, and Yasunobu Suzuki 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 27), and all of these candidates will be independent officers if they are elected as Directors.
  3. 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. Yukino Kikuma concurrently holds the position of Outside Director of four listed companies besides us when this Ordinary General Meeting of Shareholders is held. She will resign as Outside Director (member of the audit and supervisory committee) due to the expiration of her term of office from one of them at the conclusion of the next Ordinary General Meeting of Shareholders. Therefore, the Company has judged that she will fully perform her duty as Outside Director.
  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 Minoru Amoh, Yutaka Fujiwara and Yukino Kikuma and if each candidate is elected as Directors, the Company intends to continue this agreement with them and to newly enter into a similar agreement with Yasuyuki Hotta, Toshiyuki Murasawa, Shuhei Sakuno, Ayako Kobayashi, Toichi Maeda, and Yasunobu Suzuki.
  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 2024, under which each of the candidates is insured if they are elected. If Proposal 1 is approved, the Executive Officers elected at the Board of Directors will be covered under the insurance. The Company plans to renew the insurance policy with the same details at the time of the next renewal.
  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. Ayako Kobayashi concurrently holds the position of Outside Director of The Musashino Bank, Ltd. The bank is implementing measures to improve operations to avoid recurrence of administrative disciplinary action (a business improvement order) imposed by the Kanto Finance Bureau in June 2023 for the issue related to investor protection in financial instruments intermediary services concerning the solicitation and sales of structured bonds. Although Ayako Kobayashi had not recognized the fact before it was revealed, she had made comments about reinforcement of the business administration structure and control before the incident. After the fact was disclosed, she made proposals about starting an investigation, looking into the cause, and preventing recurrence.
  8. Yukino Kikuma’s name on her family register is Yukino Yoshida.
  9. Ayako Kobayashi’s name on her family register is Ayako Nakajima.

(Reference)

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

The Company judges Outside 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 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 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 110th Term** (from January 1, 2023 to December 31, 2023)

### **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 normalization in economic activities due to the abolition of restrictions on movement and entry due to COVID-19. However, the outlook remained uncertain due to price hikes for energy resources and raw materials caused by the prolonged Russia-Ukraine crisis and concern of a possible economic downturn due to monetary tightening. The Japanese economy remained unpredictable, due to price hikes for energy resources and raw materials caused by geopolitical risks and price escalation due to the lasting weak yen in the foreign exchange market, although the economy showed a recovery with the removal of the restrictions on movement due to the said disease that resulted in the upturn of consumer spending and the inbound market.

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 increase in the sales of products for semiconductor manufacturing equipment. Meanwhile, in the overseas market, the sales of products mainly for the Americas rose. As a result, total net sales increased 4.4% year on year to ¥166,941 million.

In terms of profit and loss, operating income increased 23.9% year on year to ¥13,687 million due to the rise of the sales of products for semiconductor manufacturing equipment in the Valve Manufacturing Business, and increased sales and profit in the overseas market. Ordinary income increased 20.0 % year on year to ¥14,452 million, and net income attributable to owners of the parent was up 23.9 % year on year to ¥10,591 million due to an increase in gain on sales of investment securities from the sale of a portion of strategic shareholdings, etc.

The result of each business segment is as follows.

#### **Valve Manufacturing (Composition ratio 81.5%)**

Sales to external customers of the Valve Manufacturing Business were up 8.6% year on year to ¥136,016 million due to the effect of price revisions in the previous and current periods and the strong sales of products for semi-conductor manufacturing equipment in the domestic market and the increase in sales to the Americas, etc. with respect to the overseas markets.

Operating income increased 17.7% year on year to ¥17,626 million, mainly due to greater profit from increased sales.

#### **Brass Bar Manufacturing (Composition ratio 17.0%)**

Sales to external customers of the Brass Bar Manufacturing Business declined 12.6% year on year to ¥28,425 million, due to sluggish demand in the industry overall and a decrease in sales volume, although raw material prices that affect selling prices remained at the same level as that of the previous period.

Operating income increased 130.6% year on year to ¥512 million despite sales decrease mainly due to improvement in yield rate.

#### **Other (Composition ratio 1.5%)**

Sales to external customers of Other Businesses rose 13.0% year on year to ¥2,499 million due to an increase in the number of guests in the hotel business because of the abolishment of the movement restrictions for COVID-19 and the Suwa Lake Fireworks Festival that was held as scheduled.

Operating income increased 53.8% year on year to ¥105 million, mainly due to the increase in net sales.

Net sales by business segment of the corporate group

(Units: Millions of yen)

Business Segment	109th term (FYE December 2022)		110th term (FYE December 2023)		Year-on-year	
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount	Rate of change (%)
Valve Manufacturing	125,189	78.3	136,016	81.5	10,827	8.6
Brass Bar Manufacturing	32,513	20.3	28,425	17.0	(4,087)	(12.6)
Other	2,212	1.4	2,499	1.5	287	13.0
Total	159,914	100	166,941	100	7,027	4.4

Operating income or loss by business segment of the corporate group

(Units: Millions of yen)

Business Segment	109th term (FYE December 2022)		110th term (FYE December 2023)		Year-on-year	
	Amount		Amount		Amount	Rate of change (%)
Valve Manufacturing		14,980		17,626	2,645	17.7
Brass Bar Manufacturing		222		512	290	130.6
Other		68		105	36	53.8
Adjustments		(4,219)		(4,556)	(337)	–
Total		11,051		13,687	2,636	23.9

(ii) Capital expenditures

The total capital investment was ¥10,114 million (including intangible fixed assets) due to new investments and renewal investments in production facilities mainly in the Valve Manufacturing Business.

(iii) Financing activities

The balance of interest-bearing debt (including lease obligations) decreased by ¥443 million from the end of the previous fiscal year to ¥37,942 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	107th term (FYE December 2020)	108th term (FYE December 2021)	109th term (FYE December 2022)	110th term (FYE December 2023)
Net sales	84,245	135,790	159,914	166,941
Ordinary income	3,169	8,975	12,045	14,452
Net income attributable to owners of the parent	2,113	4,954	8,549	10,591
Net income per share (yen)	23.38	55.26	95.35	118.07
Total assets	140,681	143,419	152,569	166,693
Net assets	75,167	81,253	91,042	102,207
Net assets per share (yen)	828.76	896.55	1,002.69	1,124.39

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	107th term (FYE December 2020)	108th term (FYE December 2021)	109th term (FYE December 2022)	110th term (FYE December 2023)
Net sales	41,786	60,041	69,338	72,169
Ordinary income	1,868	5,015	4,657	7,251
Net income	1,436	2,662	4,120	6,957
Net income per share (yen)	15.89	29.70	45.95	77.56
Total assets	110,478	110,065	107,706	111,108
Net assets	51,878	53,584	55,645	59,616
Net assets per share (yen)	578.72	597.75	620.13	664.50

## 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 Group is working as one and striving to achieve our Long-term Management Vision formulated in 2022, “Beyond New Heights 2030 - Change the Flow,” as well as the Medium-term Management Plan. Under these circumstances, we are changing the revenue structure by strategically executing investments while shifting resources from the current core markets to decarbonization and digitalization, which are regarded as important social issues as well as our growth fields.

To that end, 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 on ESG for the Group’s sustainable growth.

\*Please refer to the following URLs for the Long-term Management Vision and Medium-term Management Plan.

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, FY2024, the last year of the Medium-term Management Plan, we will continue to hold “ROIC x ESG” as our management policy, aiming to both increase corporate value and enhance social value.

“ROIC x ESG”

■ ROIC

- Aggressively invest in growth areas and profitable domains and rapidly reap results
- Strengthen demand and supply control to minimize the number of days of inventory turnover
- Spread the idea of the ROIC tree to help employees realize their contribution to the company

■ ESG (Sustainability Management)

- Protect the environment through the promotion of “triple zero” and contribute to the environment through hydrogen and water business
- Regard people as capital, and invest and create a system for a rewarding work culture and better work environment
- Deepen the discussion on management risks while appropriately mitigating those risks by prioritizing them
- Build a management structure that is transparent and capable of prompt decision making

\*Triple zero refers to the “Net Zero CO<sub>2</sub> Emissions, Zero Environmental Impact, and Zero Risk” initiatives

For details, see page 36.

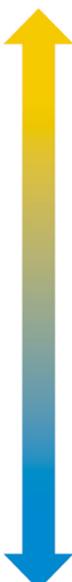
(ii) Business Strategies

a) Valve Manufacturing Business

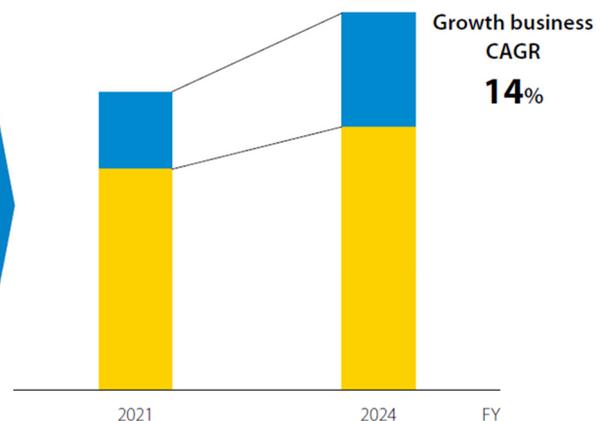
a. By market

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	Strengthening of sales for data centers and development 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 Europe and entry into general chemical markets
Water treatment	Strengthening of sales and maintenance of water treatment systems and acquisition of overseas certificates related to water treatment
Machinery & equipment	Expansion of the products compliant with environmental regulations, new customer acquisition and the enhancement of the product line of small-sized automatic valves tailored to market demands

<Growth Market>

Segments	Measure
Semiconductor equipment	Increase in the production capacity in Japan and overseas and expansion of sales through the local production for local consumption strategy
Semiconductor materials (filters)	Expansion of sales through the promotion of user certification. Development and sales expansion in the overseas water purifier market
Fine chemicals	Development and market launch of new products in response to expansion of the medical drug and pharmaceutical market
Hydrogen & clean energy	Participation in large-scale liquefied hydrogen pilot plant projects, penetration into the clean energy market to achieve a decarbonized society

b. By region

Region	Measure
North America and Europe	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	Capturing the middle zone with secondary brand products and reinforcement of the relationship with key users

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 aims to achieve increased profit, a rise in the expectation for growth, the reduction of capital costs and enhancement of corporate value by promoting “ROIC x ESG” management, acceleration of growth strategies and reinforcement of IR strategies, 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.

Recognized for its ESG practices, the Company was selected for the FTSE Blossom Japan Sector Relative Index composed by FTSE Russell for the first time in December 2023.

### 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

We promote initiatives targeting water resources, waste, plastics, hazardous substances, and others to shift from conventional mass-consumption manufacturing to manufacturing that contributes to a sustainable recycling-oriented society. We are contributing to the utilization of resources by recycling and reusing casting sand generated in the production process.

#### (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.

#### ■ Participation in Shinshu Green Electricity Expansion Project II

From April 2022, we completely shifted electricity consumption at our major domestic sites to Shinshu Green Denki, which is CO<sub>2</sub> free. In November 2023, the Company was chosen as a participating company in the Shinshu Green Electricity Expansion Project II, which aims to promote and expand the use of renewable energy sources in Nagano. Through the purchase of Shinshu Green Denki electricity, we are working on the realization of a decarbonized society and the advancement of local societies.

### Social (S)

#### ■ First Bronze Awards in PRIDE Index 2023

In November 2023, KITZ was awarded its first Bronze rating in the “PRIDE Index 2023,” an index that evaluates corporations’ efforts for sexual minorities (hereafter LGBTQ+).

To achieve our Long-term Management Vision, “Beyond New Heights 2030 - Change the Flow,” under the banner of DE&I (Diversity, Equity and Inclusion) by adding the perspective of Equity to D&I (Diversity and Inclusion) activities, which we have been promoting since fiscal year 2015, we are aiming to create an organization where a variety of talents can actively play their part.

■ Certified as the 2023 Health & Productivity Management Outstanding Organization 2023

In March 2023, we were accredited by the Ministry of Economy, Trade and Industry under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program. This marks the second consecutive year of receiving the certification.

Based on KITZ Group Health Management Statement and the five pillars of the Policy, we work on various initiatives to strategically improve our employees' mental and physical health and create a vibrant organization.

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

<https://www.kitz.com/en/sustainability/social/safety-health/>

#### Governance (G)

The Group strives to enhance and strengthen corporate governance by establishing the management framework that enables transparent, fair and prompt and decisive management decision-making based on the corporate philosophy and reinforcing internal control, risk management, compliance, etc. For details of the initiatives, please refer to the Company's website and the websites in which the reference documents for the general meeting of shareholders are listed (page 1).

## (4) Status of major subsidiaries (as of December 31, 2023)

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 Corp. 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 Corp. 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 Corp. of Asia Pacific Pte. Ltd.	11,142 thousand USD	100	Sales, marketing and distribution of valves
KITZ Corp. of Korea	2,910 million KRW	100	Manufacturing and sales of valves
KITZ Corp. of Vietnam Co., Ltd.	429 billion VND	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. Cephaz Pipelines Corp. and KITZ Corp. of Korea merged on September 20, 2023; the surviving company is Cephaz Pipelines Corp. and the disappearing company is KITZ Corp. of Korea. Cephaz Pipelines Corp., the surviving company, was renamed KITZ Corp. of Korea.
4. KITZ Corp. of Vietnam Co., Ltd. was newly established on March 15, 2023, and became a consolidated subsidiary.

## (5) Major businesses (as of December 31, 2023)

## 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

## 2. Status of the Company

### (1) Matters regarding shares (as of December 31, 2023)

Shares granted to 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)	34,368 shares	3 persons

Note: The details of the Company's stock remuneration are referred to in "2. Status of the Company (2) Officers of the Company (ii) Remuneration, Etc. for Directors and Audit & Supervisory Board Members" on page 40.

### (2) Officers of the Company (as of December 31, 2023)

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

Name	Position and area of responsibility in the Company	
Yasuyuki Hotta	Chairman and Representative Director	(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, in charge 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.
- 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 the administrative divisions of the Group companies, 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.
5. 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 an Audit & Supervisory Board Member.
  6. 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.
  7. 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 Financial Auditor's execution of duties to duly perform the duties of an Audit & Supervisory Board Member.
  8. Yukino Kikuma's name on her family register is Yukino Yoshida.
  9. Ayako Kobayashi's name on her family register is Ayako Nakajima.

(ii) 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)	269 (43)	142 (43)	96 (-)	31 (-)	7 (4)
Audit & Supervisory Board Member (of which Outside Audit & Supervisory Board Member)	71 (28)	71 (28)	- (-)	- (-)	5 (3)
Total (of which outside officers)	341 (72)	213 (72)	96 (-)	31 (-)	12 (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 ¥19 million.
3. 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 mid- to 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."
4. Outside Directors are paid only base compensation.
5. 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.

6. The amount of monetary compensation for Audit & Supervisory Board Members was resolved at the 105th Ordinary General Meeting of Shareholders held on June 25, 2019 as an annual amount not exceeding ¥100 million. The number of Audit & Supervisory Board Members as of the close of said Ordinary General Meeting of Shareholders was five (5).
7. The amount of remuneration, etc. includes ¥96 million in officer bonuses recorded as accrued bonuses to directors, and ¥31 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 mid- to 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	Mid- to long-term incentive	
	Base compensation	Performance-linked compensation	Performance-based stock compensation	
Chairman and Representative Director	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 and Representative Director	President and Chief Executive Officer	Director, Managing Executive Officer
Coefficient	2.3	2.0	1.0

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 2023 (Announced May 2023)	Actual results for FYE December 2023
Net income attributable to owners of the parent	¥9,700 million	¥10,591 million

iii) Mid- to 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 mid- to 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.”

### **3. Matters concerning the Basic Policy on the Control of the Company**

The Company has not currently introduced defensive measures against takeovers.

### **4. 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 and other appropriation of surplus.

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 ¥23 per share for the fiscal year ended December 2023. Accordingly, the Company paid ¥41 per share as cash dividends for the fiscal year ended December 2023, including the interim payment (¥18 per share), and the consolidated dividend payout ratio came to 34.7%.

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 ¥41 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, 2023)

(Units: Millions of yen)

Item	Amount	Item	Amount
<i>Assets</i>		<i>Liabilities</i>	
<b>Current assets</b>	<b>103,859</b>	<b>Current liabilities</b>	<b>26,490</b>
Cash in hand and in banks	29,002	Notes, accounts payable–trade	8,935
Notes, accounts receivable–trade, and contract assets	22,449	Current portion of corporate bonds	135
Electronically recorded monetary claims	11,833	Short-term borrowings	1,046
Merchandise and finished goods	15,944	Current portion of long-term debt	1,623
Work in process	8,256	Income taxes payable	2,361
Raw materials and supplies	12,845	Consumption tax payable	724
Other	3,670	Accrued bonuses to employees	3,058
Less: Allowance for doubtful accounts	(142)	Accrued bonuses to directors	281
		Asset retirement obligations	40
		Other	8,283
<b>Fixed assets</b>	<b>62,834</b>	<b>Long-term liabilities</b>	<b>37,995</b>
<b>Property, plant and equipment</b>	<b>49,932</b>	Corporate bonds	30,270
Buildings and structures	14,508	Long-term debt	3,487
Machinery, equipment and vehicles	13,420	Deferred tax liabilities	743
Tools, furniture and fixtures	6,118	Accrued retirement benefits to directors	299
Land	9,848	Allowance for stock benefit for directors and operating officers	184
Leased assets	2,060	Retirement benefit liabilities	799
Construction in progress	3,960	Asset retirement obligations	605
Other	16	Other	1,605
<b>Intangible assets</b>	<b>1,964</b>	<b>Total liabilities</b>	<b>64,486</b>
Goodwill	231	<i>Net assets</i>	
Other	1,732	<b>Shareholders' equity</b>	<b>91,745</b>
<b>Investments and other assets</b>	<b>10,937</b>	Common stock	21,207
Investments in securities	6,888	Capital surplus	5,739
Retirement benefit assets	245	Retained earnings	65,258
Deferred tax assets	1,489	Treasury stock	(459)
Other	2,313	<b>Accumulated other comprehensive income</b>	<b>9,128</b>
Less: Allowance for doubtful accounts	(0)	Net unrealized gains on other securities	2,203
<b>Total assets</b>	<b>166,693</b>	Translation adjustments	6,935
		Cumulative adjustments related to retirement benefits	(9)
		<b>Non-controlling interests</b>	<b>1,333</b>
		<b>Total net assets</b>	<b>102,207</b>
		<b>Total liabilities and net assets</b>	<b>166,693</b>

**Consolidated Statements of Income** (From January 1, 2023 to December 31, 2023) (Units: Millions of yen)

Item	Amount	
<b>Net sales</b>		<b>166,941</b>
<b>Cost of sales</b>		<b>123,403</b>
<b>Gross profit</b>		<b>43,537</b>
<b>Selling, general and administrative expenses</b>		<b>29,849</b>
<b>Operating income</b>		<b>13,687</b>
<b>Non-operating income</b>		
Interest and dividend income	409	
Exchange gains	6	
Insurance income	145	
Subsidy income	274	
Other	363	1,199
<b>Non-operating expenses</b>		
Interest expenses	264	
Losses on sales of notes receivable	80	
Other	89	434
<b>Ordinary income</b>		<b>14,452</b>
<b>Extraordinary income</b>		
Gain on sales of property, plant and equipment	8	
Gain on sales of investment securities	977	
Gain on sales of investment property	183	
Other	1	1,170
<b>Extraordinary loss</b>		
Losses on sales or disposal of property, plant and equipment	86	
Impairment loss	242	
Other	10	340
<b>Net income before income taxes</b>		<b>15,282</b>
Income taxes (income, residential and enterprise taxes)	4,700	
Income tax adjustment	(296)	4,403
<b>Net income</b>		<b>10,879</b>
Net income attributable to non-controlling interests		287
<b>Net income attributable to owners of the parent</b>		<b>10,591</b>

## Non-Consolidated Financial Statements

Non-Consolidated Balance Sheet (as of December 31, 2023)

(Units: Millions of yen)

Item	Amount	Item	Amount
<i>Assets</i>		<i>Liabilities</i>	
<b>Current assets</b>	<b>49,686</b>	<b>Current liabilities</b>	<b>17,900</b>
Cash in hand and in banks	13,337	Accounts payable–trade	6,595
Notes receivable–trade	262	Current portion of corporate bonds	135
Electronically recorded monetary claims	7,462	Short-term borrowings	5,237
Accounts receivable–trade	10,103	Current portion of long-term debt	859
Contract assets	491	Income taxes payable	795
Merchandise and finished goods	4,317	Accrued bonuses to employees	1,378
Work in process	2,814	Accrued bonuses to directors	96
Raw materials and supplies	1,979	Other	2,803
Short-term loans receivable	7,915	<b>Long-term liabilities</b>	<b>33,591</b>
Other	1,005	Corporate bonds	30,270
Less: Allowance for doubtful accounts	(2)	Long-term debt	1,668
<b>Fixed assets</b>	<b>61,421</b>	Allowance for stock benefit for directors and operating officers	184
<b>Property, plant and equipment</b>	<b>17,113</b>	Other	1,468
Buildings	4,169	<b>Total liabilities</b>	<b>51,492</b>
Structures	473		
Machinery and equipment	3,414	<i>Net assets</i>	
Tools, furniture and fixtures	4,893	<b>Shareholders' equity</b>	<b>57,466</b>
Land	3,315	<b>Common stock</b>	<b>21,207</b>
Construction in progress	537	<b>Capital surplus</b>	<b>5,727</b>
Other	308	Legal capital surplus	5,715
<b>Intangible assets</b>	<b>1,205</b>	Other Capital surplus	12
<b>Investments and other assets</b>	<b>43,102</b>	<b>Retained earnings</b>	<b>30,990</b>
Investments in securities	4,842	Other retained earnings	30,990
Stocks of subsidiaries and affiliates	32,174	Retained earnings brought forward	30,990
Long-term loans receivable	3,782	<b>Treasury stock</b>	<b>(459)</b>
Deferred tax assets	519	<b>Valuation and translation adjustments</b>	<b>2,150</b>
Other	1,782	<b>Net unrealized gains on other securities</b>	<b>2,150</b>
<b>Total assets</b>	<b>111,108</b>	<b>Total net assets</b>	<b>59,616</b>
		<b>Total liabilities and net assets</b>	<b>111,108</b>

**Non-Consolidated Statements of Income** (From January 1, 2023 to December 31, 2023)

(Units: Millions of yen)

Item	Amount	
<b>Net sales</b>		<b>72,169</b>
<b>Cost of sales</b>		<b>54,951</b>
<b>Gross profit</b>		<b>17,217</b>
<b>Selling, general and administrative expenses</b>		<b>14,506</b>
<b>Operating income</b>		<b>2,711</b>
<b>Non-operating income</b>		
Interest and dividend income	4,545	
Insurance income	105	
Exchange gains	19	
Other	224	4,895
<b>Non-operating expenses</b>		
Interest expenses	280	
Losses on sales of notes receivable	40	
Other	34	354
<b>Ordinary income</b>		<b>7,251</b>
<b>Extraordinary income</b>		
Gain on sales of property, plant and equipment	0	
Gain on sales of investment securities	977	
Other	0	979
<b>Extraordinary loss</b>		
Losses on sales or disposal of property, plant and equipment	35	
Impairment loss	6	
Other	2	43
<b>Net income before income taxes</b>		<b>8,187</b>
Income taxes (income, residential and enterprise taxes)	1,359	
Income tax adjustment	(130)	1,229
<b>Net income</b>		<b>6,957</b>

## Auditor's Reports

### Accounting Audit Report on the Consolidated Financial Statements

#### Independent Auditor's Report

February 19, 2024

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, 2023, through December 31, 2023.

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, 2023, 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, Audit & Supervisory Board Members 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 on matters that may reasonably be thought to bear on our independence, and where applicable, details of whether measures are taken to eliminate obstruction factors or whether safeguards are applied in order to mitigate obstruction factors to an acceptable level.

#### *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 19, 2024

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 110th fiscal year from January 1, 2023, through December 31, 2023.

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, 2023, 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, Audit & Supervisory Board Members 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 on matters that may reasonably be thought to bear on our independence, and where applicable, details of whether measures are taken to eliminate obstruction factors or whether safeguards are applied in order to mitigate obstruction factors to an acceptable level.

#### *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 110th business year (from January 1, 2023 through December 31, 2023), 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 Members 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 Financial 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 Financial Auditor on application of the "Principles for effective management of audit firms (the audit firm governance code)" (Financial Services Agency) 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 Financial Auditor for the next fiscal year in light of our evaluation standards and policies for determining the dismissal or non-reappointment of the Financial 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 auditors 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 Financial Auditor, each Audit & Supervisory Board Member monitored and verified whether the Financial Auditor maintained its independence and properly conducted its audit, received a report regularly from the Financial 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 Financial Auditor. In addition, we received notice from the Financial 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) 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, including internal control over financial reporting.

### (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 Financial 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 Financial Auditor, Ernst & Young ShinNihon LLC are proper.

February 21, 2024

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