

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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Securities identification code: 6498
March 11, 2021

To our shareholders:

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

NOTICE OF THE 107TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We are pleased to announce the 107th Ordinary General Meeting of Shareholders of KITZ Corporation (the “Company”), which will be held as described below.

From the viewpoint of preventing the spread of the novel coronavirus disease (COVID-19), please consider exercising your voting rights in advance in writing or via the internet, etc., as if at all possible, and please do not take any unnecessary risks about attending the meeting in person, especially if you have an underlying medical condition, are elderly, or pregnant.

1. Date and Time: Tuesday, March 30, 2021 at 10:00 a.m. (Japan Standard Time)

(Reception start time: 9:00 a.m.)

(The date of the meeting is far apart from the corresponding date of the previous Ordinary General Meeting of Shareholders because the end of the Company’s fiscal year was changed from March 31 to December 31 effective from the 107th Term.)

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

3. Purposes:

Items to be reported:

1. Business Report and Consolidated Financial Statements for the 107th Term (from April 1, 2020 to December 31, 2020), as well as the results of audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
2. Non-Consolidated Financial Statements for the 107th Term (from April 1, 2020 to December 31, 2020)

Items to be resolved:

- Proposal 1:** Election of eight (8) Directors
- Proposal 2:** Election of two (2) Audit & Supervisory Board Members

Reference Documents for the General Meeting of Shareholders

Proposal 1: Election of eight (8) Directors

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

The candidates for Directors are as follows:

Candidate No.	Name	Current position and responsibilities		Attendance at Board of Directors' meetings
1	Yasuyuki Hotta	President and Chief Executive Officer of the Company	Reelection Tenure: 13 years and 9 months	100% 11/11 meetings
2	Toshiaki Natori	Director, Vice-President and Senior Executive Officer Division Manager, Corporate Planning Division, Supervisor of related businesses (Brass Bar Manufacturing business, service business) and ESG	Reelection Tenure: 9 years and 9 months	100% 11/11 meetings
3	Toshiyuki Murasawa	Director, Managing Executive Officer Division Manager, Corporate Administration Division, Supervisor of the Internal Audit Office and internal controls	Reelection Tenure: 4 year and 9 months	100% 11/11 meetings
4	Makoto Kohno	Director, Managing Executive Officer Division Manager, Flow Control Business Unit	Reelection Tenure: 1 year and 9 months	100% 11/11 meetings
5	Kazuyuki Matsumoto	Outside Director	Reelection Outside Independent Tenure: 7 year and 9 months	100% 11/11 meetings
6	Minoru Amoh	Outside Director	Reelection Outside Independent Tenure: 5 year and 9 months	100% 11/11 meetings
7	Yutaka Fujiwara	Outside Director	Reelection Outside Independent Tenure: 3 years and 9 months	100% 11/11 meetings
8	Yukino Kikuma	Outside Director	Reelection Outside Tenure: 9 months	100% 7/7 meetings

Note: Attendance for Yukino Kikuma is that since assuming office as Director on June 29, 2020.

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: 13 years and 9 months Attendance at Board of Directors' meetings: 11/11 meetings	Mar. 1978	Joined the Company	161,700 shares
		Jan. 1997	Branch Manager, Chubu Branch, Sales Division of the Company	
		Apr. 2001	Plant Manager, Nagasaka Plant of the Company	
		Oct. 2001	Managing Executive Director, KITZ SCT Corporation	
		June 2004	Representative Director and President, KITZ SCT Corporation	
		Apr. 2006	Managing Executive Officer, General Manager, Flow Control Business Division of the Company	
		Apr. 2007	Senior Executive Officer, General Manager, Flow Control Business Division of the Company	
		June 2007	Director, Senior Executive Officer, General Manager, Flow Control Business Division of the Company	
		June 2008	President and Chief Executive Officer, General Manager, Flow Control Business Division of the Company	
		Apr. 2009	President and Chief Executive Officer of the Company (present position)	
[Reasons for nomination as candidate for Director] Since being named President and Chief Executive Officer of the Company in 2008, Yasuyuki Hotta has led the Group's endeavor to enhance its corporate value by vigorously promoting the globalization of the Group as well as the improvement of corporate governance to realize sound and transparent management. The Company has determined that he can be instrumental to improvements in management supervision and execution, the function of the Board of Directors of the Company to make important decisions, and its management supervision function, drawing on his strong management decision-making capability based on abundant insight and experience, and thereby contribute to the further enhancement of the corporate value of the Group.				

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>Toshiaki Natori (January 20, 1957)</p> <p>Reelection</p> <p>Tenure as Director: 9 years and 9 months</p> <p>Attendance at Board of Directors' meetings: 11/11 meetings</p>	<p>Mar. 1980</p> <p>Oct. 1999</p> <p>Apr. 2004</p> <p>July 2009</p> <p>Apr. 2010</p> <p>June 2011</p> <p>Apr. 2012</p> <p>Apr. 2013</p> <p>Apr. 2014</p> <p>Apr. 2017</p> <p>Apr. 2019</p> <p>Apr. 2020</p> <p>Jan. 2021</p>	<p>Joined the Company</p> <p>Plant Manager, Chino Plant, Production Division of the Company</p> <p>Managing Executive Director, KITZ Metal Works Corporation</p> <p>Representative Director and President, KITZ SCT Corporation</p> <p>Executive Officer, Division Manager, Production Division of the Company</p> <p>Director, Executive Officer, Division Manager, Production Division, Supervisor of the NEW KICS Center of the Company</p> <p>Director, Managing Executive Officer, Division Manager, Production Division, Supervisor of the NEW KICS Center of the Company</p> <p>Director, Managing Executive Officer, Unit General Manager, Flow Control Business Unit, Division Manager, NEW KICS Center of the Company</p> <p>Director, Senior Executive Officer, Unit General Manager, Flow Control Business Unit, Division Manager, NEW KICS Center of the Company</p> <p>Director, Senior Executive Officer, Unit General Manager, Flow Control Business Unit of the Company</p> <p>Director, Vice-President, Executive Officer, General Manager, Sales Strategy Office for Commercial Valves in Asia of the Company</p> <p>Director, Vice-President, Executive Officer, Division Manager, Corporate Planning Division, Supervisor of related businesses (Brass Bar Manufacturing business, service business) of the Company</p> <p>Director, Vice-President, Executive Officer, Division Manager, Corporate Planning Division, Supervisor of related businesses (Brass Bar Manufacturing business, service business) and ESG of the Company (present position)</p>	42,100 shares
<p>[Reasons for nomination as candidate for Director]</p> <p>Having held important positions within the Group, including Executive Officer in charge of production divisions, Representative Director of a domestic Group company, and Director of overseas Group companies, Toshiaki Natori has contributed to the sustained enhancement of corporate value through exemplary manufacturing practices. Since FY2020, he has vigorously promoted efforts related to the medium-term management plan as the officer in charge of the corporate planning area. The Company has determined that he can leverage his abundant experience and performance record in the formulation and deliberation of management strategies and the supervision of business execution at the Board of Directors, and thereby contribute to the further enhancement of the corporate value of the Group.</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	<p>Toshiyuki Murasawa (February 9, 1959)</p> <p>Reelection</p> <p>Tenure as Director: 4 years and 9 months</p> <p>Attendance at Board of Directors' meetings: 11/11 meetings</p>	<p>Mar. 1981</p> <p>Apr. 2001</p> <p>Apr. 2009</p> <p>Oct. 2011</p> <p>Apr. 2014</p> <p>Apr. 2016</p> <p>June 2016</p> <p>June 2017</p> <p>Apr. 2019</p> <p>Jan. 2021</p>	<p>Joined the Company</p> <p>General Manager, Corporate Planning Dept. of the Company</p> <p>Executive Officer, General Manager, Corporate Planning Dept., Supervisor of Publicity and IR Promotion Office and related businesses of the Company</p> <p>Executive Officer, Division Manager, Corporate Planning Division of the Company</p> <p>Executive Officer, Division Manager, Corporate Planning Division, Supervisor of related businesses (Brass Bar Manufacturing business, service business) of the Company</p> <p>Executive Officer, Division Manager, Corporate Administration Division, Supervisor of Internal Audit Office and Group's risk management of the Company</p> <p>Director, Executive Officer, Division Manager, Corporate Administration Division, Supervisor of Internal Audit Office and Group's risk management of the Company</p> <p>Director, Executive Officer, Division Manager, Corporate Administration Division, Supervisor of Internal Audit Office, internal controls, and Group's risk management of the Company</p> <p>Director, Managing Executive Officer, Division Manager, Corporate Administration Division, Supervisor of Internal Audit Office, internal controls, ESG and Group's risk management of the Company</p> <p>Director, Managing Executive Officer, Division Manager, Corporate Administration Division, Supervisor of Internal Audit Office and internal controls of the Company (present position)</p>	65,000 shares
<p>[Reasons for nomination as candidate for Director]</p> <p>Having held important positions within the Group, including Director and Executive Officer in charge of the corporate planning and administrative divisions and Director of domestic and overseas Group companies, Toshiyuki Murasawa contributed to the sustained enhancement of corporate value through the formulation and execution of business strategies of the Group based on the globalization of our businesses and the promotion of human resource development and diversity to be competitive in the global market. The Company has determined that he can leverage his abundant experience and performance record in the formulation and deliberation of management strategies and the supervision of business execution at the Board of Directors, and thereby contribute to the further enhancement of the corporate value of the Group.</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	Makoto Kohno (March 10, 1966) Reelection Tenure as Director: 1 year and 9 months Attendance at Board of Directors' meetings: 11/11 meetings	Apr. 1988	Joined the Company	15,900 shares
		Aug. 2008	General Manager, Project Sales Dept., International Sales Division, Flow Control Business Division of the Company	
		Dec. 2011	General Manager, Project Division of the Company	
		Apr. 2013	General Manager, Production Control Dept., Production Division, Flow Control Business Unit of the Company	
		Apr. 2015	General Manager, Business Planning Dept., Flow Control Business Unit of the Company	
		Apr. 2016	Executive Officer, Division Manager, Corporate Planning Division, Supervisor of related businesses (Brass Bar Manufacturing business, service business) of the Company	
		Apr. 2017	CEO & Managing Director, KITZ Corporation of Asia Pacific Pte. Ltd., Managing Director, KITZ Valve & Actuation Singapore Pte. Ltd.	
		Apr. 2019	Director, Managing Executive Officer, Division Manager, Flow Control Business Unit of the Company	
		June 2019	Director, Managing Executive Officer, Division Manager, Flow Control Business Unit of the Company (present position)	
		[Reasons for nomination as candidate for Director] Makoto Kohno has experience as the officer in charge of corporate planning area and an executive of overseas Group companies, after having been in charge of the operations for sales and production divisions of the Valve Manufacturing business. He has also vigorously promoted planning related to and execution of the strategy for the Valve Manufacturing business, the Company's core business, as the officer in charge of the Flow Control Business Unit since FY2019. The Company has determined that he can leverage his abundant experience and performance record in the formulation and deliberation of management strategies and the supervision of business execution at the Board of Directors, and thereby contribute to the further enhancement of the corporate value of the Group.		
5	Kazuyuki Matsumoto (September 21, 1945) Reelection Outside Independent Tenure as Outside Director: 7 years and 9 months Attendance at Board of Directors' meetings: 11/11 meetings	Apr. 1970	Joined Teijin Seiki Co., Ltd. (currently Nabtesco Corporation)	6,800 shares
		June 2001	Director, Teijin Seiki Co., Ltd.	
		Sept. 2003	Executive Officer, Nabtesco Corporation	
		June 2004	Director, Teijin Seiki Co., Ltd.	
		June 2005	Representative Director and President, KITZ SCT Corporation	
		June 2011	Chairman, Nabtesco Corporation (retired in June 2013)	
		June 2013	Outside Director, TOPCON CORPORATION (present position)	
			Outside Director of the Company (present position)	
			[Significant concurrent positions] Outside Director, TOPCON CORPORATION	
		[Reasons for nomination as candidate for Outside Director] Kazuyuki Matsumoto has long been active as an executive of Nabtesco Corporation and, in addition to having rich experience as an executive, has broad insights on technical strategies. As an Outside Director of the Company, he has properly supervised the Group's management from an objective, independent, and fair standpoint since June 2013. Recognizing his outstanding experience and skills, the Company has nominated him as a candidate for Outside Director again to continue to seek his supervision and advice based on his knowledge.		

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>Minoru Amoh (December 9, 1951)</p> <p>Reelection Outside Independent</p> <p>Tenure as Outside Director: 5 years and 9 months</p> <p>Attendance at Board of Directors' meetings: 11/11 meetings</p>	<p>Apr. 1979 Joined Du Pont Far East, Inc. Japan Representative Office (currently DuPont Kabushiki Kaisha)</p> <p>Mar. 2000 Director, Teijin Seiki Co., Ltd.</p> <p>Mar. 2002 Managing Executive Director, DuPont Kabushiki Kaisha</p> <p>Mar. 2004 Senior Executive Director, Regional Director, Asia-Pacific Region, Engineering Polymer Business Division, DuPont Kabushiki Kaisha</p> <p>July 2005 Director, Vice President, DuPont Kabushiki Kaisha</p> <p>Sept. 2006 Representative Director and President, KITZ SCT Corporation</p> <p>Jan. 2013 Representative Director, Chairman, DuPont Kabushiki Kaisha, President, DuPont Asia Pacific Limited</p> <p>Sept. 2014 Honorary Chairman, DuPont Kabushiki Kaisha (retired in Mar. 2016)</p> <p>June 2015 Outside Director of the Company (present position)</p> <p>Mar. 2016 Outside Statutory Auditor, Otsuka Chemical Co., Ltd.</p> <p>Mar. 2019 Outside Director, Otsuka Chemical Co., Ltd. (present position)</p> <p>Dec. 2020 External Director, HEXEL Works Inc. (present position)</p> <p>[Significant concurrent positions] Outside Director, Otsuka Chemical Co., Ltd. External Director, HEXEL Works Inc.</p>	4,500 shares
	<p>[Reasons for nomination as candidate for Outside Director]</p> <p>Minoru Amoh has long been active as an executive of DuPont Kabushiki Kaisha, a group company of a multinational enterprise, and has excellent insight based on his rich experience corporate management. As an Outside Director of the Company, he has properly supervised the Group's management from an objective, independent, and fair standpoint since June 2015. Recognizing his outstanding experience and skills, the Company has nominated him as a candidate for Outside Director again to continue to seek his supervision and advice based on his knowledge.</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>Yutaka Fujiwara (April 20, 1951)</p> <p>Reelection Outside Independent</p> <p>Tenure as Outside Director: 3 years and 9 months</p> <p>Attendance at Board of Directors' meetings: 11/11 meetings</p>	<p>Apr. 1974 Joined MODEC, Inc. (retired in Oct. 1987)</p> <p>Nov. 1987 Joined The Yasuda Trust & Banking Co., Ltd. (currently Mizuho Trust & Banking Co., Ltd.)</p> <p>Aug. 1994 Deputy General Manager, New York Branch, Yasuda Trust & Banking Co., Ltd.</p> <p>June 1996 General Manager, Chicago Branch, Yasuda Trust & Banking Co., Ltd. (retired in July 1998)</p> <p>Aug. 1998 Joined OMRON Corporation</p> <p>June 2005 Executive Officer, General Manager, Financial IR Department, OMRON Corporation</p> <p>Mar. 2007 Executive Officer, General Manager, Group Strategy Department, OMRON Corporation</p> <p>June 2008 Managing Executive Officer, General Manager, Group Strategy Department, OMRON Corporation</p> <p>Dec. 2008 Managing Executive Officer, General Manager, IR & Corporate Information Department, OMRON Corporation (retired in June 2011)</p> <p>June 2013 Outside Director, Nabtesco Corporation (present position)</p> <p>June 2017 Outside Director of the Company (present position)</p> <p>July 2020 External Audit & Supervisory Board Member, Konoike Transport Co., Ltd. (present position)</p> <p>[Significant concurrent positions] Outside Director, Nabtesco Corporation External Audit & Supervisory Board Member, Konoike Transport Co., Ltd.</p>	5,000 shares
<p>[Reasons for nomination as candidate for Outside Director]</p> <p>Having held branch general manager's positions at overseas branches of a financial institution, Yutaka Fujiwara served as an Executive Officer in charge of finance, IR, and group strategy at OMRON Corporation, a company that has global business operations, and has excellent insight on business administration from a global perspective. As an Outside Director of the Company, he has properly supervised the Group's management from an objective, independent, and fair standpoint since June 2017. Recognizing his outstanding experience and skills, the Company has nominated him as a candidate for Outside Director again to continue to seek his supervision and advice based on his knowledge.</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	Yukino Kikuma (March 5, 1972) Reelection Outside Tenure as Outside Director: 9 months Attendance at Board of Directors' meetings: 7/7 meetings	Apr. 1995 Joined Fuji Television Network, Inc. (retired in Dec. 2007) Dec. 2011 Registered as an attorney at law Jan. 2012 Joined MATSUO & KOSUGI (present position) Dec. 2014 Outside Director, Noevir Holdings Co., Ltd. (retired in Dec. 2017) June 2018 External Director, KOSÉ Corporation (present position) May 2020 Outside Director, Takihyo Co., Ltd. (present position) June 2020 Outside Director, ALCONIX CORPORATION (present position) June 2020 Outside Director of the Company (present position) [Significant concurrent positions] Attorney, MATSUO & KOSUGI External Director, KOSÉ Corporation Outside Director, Takihyo Co., Ltd. Outside Director, ALCONIX CORPORATION	300 shares
[Reasons for nomination as candidate for Outside Director] Yukino Kikuma has played an active role as an attorney in a wide range of fields, including dispute resolution (various types of lawsuits, non-litigation cases, and preservation cases, etc.), corporate legal affairs (labor, governance, risk management, and scandal response, etc.), entertainment, and criminal issues (family and juvenile cases, etc.). As an Outside Director of the Company, she has properly supervised the Group's management from an objective, independent, and fair standpoint since June of last year. Recognizing her outstanding experience and skills, the Company has nominated her as a candidate for Outside Director again to continue to seek her supervision and advice based on her knowledge.			

- Note: 1. There is no special interest between the candidates Yasuyuki Hotta, Toshiaki Natori, Toshiyuki Murasawa, Makoto Kohno, Kazuyuki Matsumoto, Minoru Amoh, and Yutaka Fujiwara and the Company.
2. Kazuyuki Matsumoto, Minoru Amoh, Yutaka Fujiwara, and Yukino Kikuma are candidates for Outside Director.
3. Kazuyuki Matsumoto, Minoru Amoh and Yutaka Fujiwara meet the requirements of the Company's "Criteria for Determining the Independence of Outside Officers" (on page 13). Also, Kazuyuki Matsumoto, Minoru Amoh and Yutaka Fujiwara are Independent Officers pursuant to the regulations of the Tokyo Stock Exchange and they will continue to be Independent Officers if they are reelected as Directors.
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 five (5) million yen or the amount prescribed by laws and regulations, whichever is higher. The Company has concluded this agreement with Kazuyuki Matsumoto, Minoru Amoh, Yutaka Fujiwara and Yukino Kikuma and if this proposal is approved as proposed, the Company intends to continue this agreement with the candidates.
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 2021, under which the candidates are insured. The candidates will be covered by the said contract if they are reelected.
6. The candidate Yukino Kikuma is an attorney at MATSUO & KOSUGI, a law office that has concluded a legal counsel agreement with the Company. The total amount of fees (consulting fees, legal advising

fees, etc.) that the Company pays to the law office is less than 1% of the Company's annual consolidated net sales for the fiscal year under review.

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

On December 4, 2020, ALCONIX disclosed that there had been an improper accounting procedure at its consolidated subsidiary. In response to this, ALCONIX established the Special Investigation Committee, comprised of external experts and its Outside Audit & Supervisory Board Members, which issued a report on its investigation into the matter and proposals on February 5, 2021. The company is formulating measures to prevent the recurrence of such an improper accounting procedure. Although Yukino Kikuma had not recognized the fact before the improper accounting procedure was revealed, she has made comments about the importance of compliance at Board of Directors meetings of ALCONIX even before the incident. After the fact was disclosed, she made proposals about investigating the fact, looking into the cause, and preventing the recurrence.

7. Yukino Kikuma's name on her family register is Yukino Yoshida.

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

At the conclusion of this Ordinary General Meeting of Shareholders, the terms of office of Audit & Supervisory Board Members Taro Kimura and Shuhei Sakuno will expire. Therefore, the Company requests the election of two (2) Audit & Supervisory Board Members.

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

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

Candidate No.	Name (Date of birth)	Career summary and position (significant concurrent positions outside the Company)		Number of the Company's shares owned
1	Taro Kimura (August 4, 1959)	Dec. 1991	Joined the Company	26,000 shares
	Reelection	June 2001	General Manager, Accounting and Finance Department of the Company	
		Apr. 2010	General Manager, Accounting Supervisory Department, Corporate Administration Division of the Company	
		Apr. 2011	Executive Officer, Deputy Division Manager, Corporate Administration Division, Supervisor of Accounting and Finance Department and internal controls of the Company	
		Apr. 2017	Executive Officer, Supervisor of Internal Audit Office, internal controls, and Group's risk management of the Company	
		June 2017	Standing Audit & Supervisory Board Member of the Company (present position)	
	Tenure as Audit & Supervisory Board Member: 3 years and 9 months			
Attendance at Board of Directors' meetings: 11/11 meetings				
Attendance at meetings of the Audit & Supervisory Board: 11/11 meetings				
[Reasons for nomination as candidate for 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 and experience related to accounting, finance, and internal controls. As a Standing Audit & Supervisory Board Member, he has also properly supervised the Group's management from an objective and fair standpoint since June 2017. Recognizing his experience and excellent skills, the Company has determined that he will be instrumental to improvements in the supervision of the Board of Directors' decision making and Directors' execution of duties as well as the supervision and verification of the Accounting Auditor's execution of duties, and has nominated him as a candidate for Audit & Supervisory Board Member again.				

Candidate No.	Name (Date of birth)	Career summary and position (significant concurrent positions outside the Company)	Number of the Company's shares owned
2	<p>Shuhei Sakuno (February 17, 1954)</p> <p>Reelection Outside Independent</p> <p>Tenure as Audit & Supervisory Board Member: 3 years and 9 months</p> <p>Attendance at Board of Directors' meetings: 11/11 meetings</p> <p>Attendance at meetings of the Audit & Supervisory Board: 11/11 meetings</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 & 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 & Supervisory Board Member, Yokogawa Solution Service Corporation (retired in June 2019)</p> <p>June 2017 Outside Audit & Supervisory Board Member of the Company (present position)</p> <p>Oct. 2019 Outside Audit & Supervisory Board Member, JAPANIACE Co., Ltd. (present position)</p> <p>[Significant concurrent positions] Outside Audit & Supervisory Board Member, JAPANIACE Co., Ltd.</p>	2,500 shares
<p>[Reasons for nomination as candidate for Outside Audit & Supervisory Board Member] 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 & Supervisory Board Member, he has also properly supervised the Group's management from an objective and fair standpoint since June 2017. Recognizing his experience and excellent skills, the Company has determined that he will be instrumental to improvements in the supervision of the Board of Directors' decision making and Directors' execution of duties as well as the supervision and verification of the Accounting Auditor's execution of duties, and therefore has nominated him as a candidate for Audit & Supervisory Board Member again.</p>			

- Note: 1. There is no special interest between candidates Taro Kimura and Shuhei Sakuno and the Company.
2. Shuhei Sakuno is a candidate for Outside Audit & Supervisory Board Member.
3. Shuhei Sakuno meets the requirements of the Company's "Criteria for Determining the Independence of Outside Officers" (on page 13). Also, he is an Independent Officer pursuant to the regulations of the Tokyo Stock Exchange and he will continue to be an Independent Officer if he is reelected and assumes office as Audit & Supervisory Board Member.
4. The Company has, according to the stipulations of Article 427, Paragraph 1 of the Companies Act, provisions in the Articles of Incorporation stating that an agreement can be concluded with Audit & Supervisory Board Members limiting their liability under Article 423, Paragraph 1 of the same Act if that Audit & Supervisory Board Member has undertaken his/her duties in good faith and does not commit any gross errors. Based on the concerned agreements, the amount of liability is limited to five (5) million yen or the amount prescribed by laws and regulations, whichever is higher. The Company has concluded this agreement with Taro Kimura and Shuhei Sakuno, and if this proposal is approved as proposed, the Company intends to continue this agreement with the candidates.
5. The Company has concluded a Directors and Officers liability insurance contract with an insurance company, as stipulated in Article 430-3, paragraph 1 of the Companies Act. An Audit & Supervisory Board Member shall take responsibility for the exercise of his/her duties and the contract shall cover damages which may arise from a claim in relation to pursuing the responsibility. However, there are some exemptions applied to such deeds as when the Audit & Supervisory Board Member acts while knowing that his/her conduct violates laws and regulations. The Company plans to renew the said contract in July 2021, under which the candidates are insured. The candidates will be covered by the said contract if they are reelected.

(Reference) Criteria for Determining the Independence of Outside Officers

The Company will deem an “Outside Officer” (a person who holds the position of Outside Director or Audit & Supervisory Board Member) to be independent if none of the following applies to him/her:

1. a person who serves the Company or a subsidiary of the Company (collectively, the “Group”) as a “business executive” (meaning an executive director, executive officer, corporate adviser, or in a position equivalent to officer, or other employee, hereinafter the same) or who has served the Group as a business executive in the past 10 years;
2. a party for whom the Group is a major client (meaning a party that supplies products or services to the Group with the transaction amount paid by the Group being equivalent to 2% or more of its consolidated annual sales for the most recent fiscal year) or a business executive thereof;
3. a party that is a major client of the Group (meaning a party to whom the Company supplies products or services with the transaction amount paid to the Group being equivalent to 2% or more of its consolidated annual sales for the most recent fiscal year) or a business executive thereof;
4. a major financial institution with which the Group has borrowings (meaning a financial institution that has lent to the Company an amount equivalent to 2% or more of the Company’s consolidated total assets for the most recent fiscal year, or the parent company or subsidiary thereof) or a business executive thereof;
5. a legal professional (such as an attorney), accounting professional (such as a certified public accountant or certified tax accountant), or corporate consultant who receives from the Group, in addition to the remuneration they may receive as a Director or Audit & Supervisory Board Member, monetary consideration exceeding ¥10 million a year or other economic benefits or, in the case that the recipient of said benefits is a corporation, association, or other organization, a trustee or other business executive thereof;
6. a person affiliated with an accounting firm that performs statutory audits of the Group;
7. a person who receives from the Group a donation or subsidy exceeding ¥10 million a year or, in the case that the recipient of said donation or subsidy is a corporation, association, or other organization, a person who serves said organization as a trustee or another business executive thereof;
8. a major shareholder of the Company (meaning a shareholder whose ratio of ownership in the Company, whether direct or indirect ownership, is 5% or more as of the end of the most recent fiscal year) or, in the case that the major shareholder is a corporation, a business executive thereof;
9. a party for whom the Group is a major investor (meaning a party in which the Group has an ownership ratio of 5% or more as of the end of the most recent fiscal year) or a business executive thereof;
10. a business executive of a company, or the parent company or a subsidiary thereof, that has accepted a director (full-time or part-time) from the Group;
11. a party that has fallen under any of the items from 2 to 10 above in the past three years; or
12. a party or a family member (meaning a spouse or a blood relative within the second degree of kinship; the same applies hereafter) of a business executive of the Group who serves as an executive director, executive officer, corporate adviser, or in a position equivalent to another officer, or a family member of a person who serves as a director, executive officer, corporate adviser, or person in a position equivalent to another officer of a party that falls under any of the items from 2 to 11 above.

(Document for submission)

Business Report for the 107th Term
(from April 1, 2020 to December 31, 2020)

From FY 2020, the Company Group changed its accounting period from a year ending March 31 to that ending December 31, with the aim of further strengthening its management structure as a global company. This enables prompt and appropriate understanding and disclosure of performance for the entire Group and improve management transparency. The fiscal year under review, which is the transitional period for the change in the fiscal year-end, is the nine-month period from April 1, 2020 to December 31, 2020. In the previous fiscal year, we basically consolidated profits and losses from April 1, 2019 to March 31, 2020 for the Company and its domestic consolidated subsidiaries and profits and losses from January 1, 2019 to December 31, 2019 for overseas consolidated subsidiaries. For the fiscal year under review, we consolidated profits and losses from April 1, 2020 to December 31, 2020 for all consolidated Group companies. We adjusted profits and losses of overseas consolidated subsidiaries from January 1, 2020 to March 31, 2020 as an increase or decrease in retained earnings.

For reference, we presented the comparison with the results in the same period of the previous fiscal year (from April 1, 2019 to December 31, 2019).

1. Status of the corporate group

(1) Progress and results of operations

(i) Progress and outcomes of business activities

The global economy dramatically slowed as a result of the novel coronavirus disease (COVID-19) pandemic with global GDP growth in 2020 falling far more than it did following the collapse of Lehman Brothers in 2008. Although China quickly saw a recovery in economic activity, other regions continue to face an uncertain future. In addition, some countries have reinstituted lockdowns, and there are no signs of a recovery.

In the Valve Manufacturing business, there was a sharp decline in orders as end users throughout the world revised investment plans in response to the global economic slowdown caused by the COVID-19 and expected projects were postponed or cancelled. In Japan, although distributors completed inventory adjustments due to deteriorating demand, the recovery in orders received was delayed amid the uncertainties of the future.

Under such business environment, the Company worked to increase its market share of its key products (key valve types) in the medium-term management plan in domestic markets. It also strengthened its organizational structure by establishing the Business Promotion Department and the Building Utility Products Department and strengthened the development of new products and sales activities in line with customer needs. In overseas markets, we developed, verified, and prioritized country-specific strategies for ASEAN by moving the Sales Strategy Office for Commercial Valves in Asia from Japan to Singapore, where the regional headquarters is located. In addition, to cope with the sharp decline in sales volume, we worked to reduce operating expenses. The Group as a whole also actively cut fixed costs.

In the Brass Bar Manufacturing Business, the mainstay brass bars segment was affected by declines in sales for the automotive, housing equipment, and faucet industries due to sluggish demand amid the spread of COVID-19. The market was recovering gradually since September, but failed to regain the level before the spread of the disease.

During the fiscal year under review, total net sales fell 10.5% year on year to ¥84,245 million for several reasons. In the Valve Manufacturing business, sales declined both in Japan and overseas despite a strong recovery in products for semiconductor production equipment, and in the Brass Bar Manufacturing business, sales fell as a result of a decline in sales volume.

In terms of profit and loss, operating income shrank 25.1% year on year to ¥3,751 million as Valve Manufacturing business profit decreased because of a decline in sales, and the Brass Bar Manufacturing business and other businesses recorded operating losses. Ordinary income declined 34.5% year on year to ¥3,169 million due to exchange losses and corporate bond issuance expenses.

Net income attributable to owners of the parent fell 39.5% year on year to ¥2,113 million as result of a decline in gain on sale of investment securities from the sale of a portion of strategic shareholdings.

The result of each business segment is as follows.

a. Valve Manufacturing

In the Valve Manufacturing business, net sales declined 7.5% year on year to ¥70,129 million. Although there was a dramatic increase in sales of products for semiconductor production equipment both in Japan and overseas, sales of products for buildings and houses and valves for industrial use fell in Japan because of a decline in demand due to the spread of COVID-19, and sales overseas contracted despite growth in China, which quickly saw a recovery in economic activity, because of not only weaker demand due to the spread of COVID-19 in the US, Europe, and ASEAN countries but also a decline in crude oil prices.

Operating income fell 12.5% year on year to ¥6,708 million as a result of a decline in sales volume in Japan and overseas. This was despite the fact that income rose due to an increase in sales of products for semiconductor production equipment, reduced operating expenses in response to the spread of COVID-19, and there were no longer initial flow control costs due to the introduction of the new ERP system last fiscal year.

b. Brass Bar Manufacturing

In the Brass Bar Manufacturing business, net sales fell 18.6% year on year to ¥12,952 million as a result of a dramatic decline in demand due to the COVID-19 pandemic.

The business incurred an operating loss of ¥146 million (compared to operating income of ¥30 million for the same period of the previous fiscal year) due to the decrease in sales volume and a rise in depreciation in line with the start of operation at a new production line.

c. Other

For Other businesses, net sales fell 51.1% year on year to ¥1,163 million for various reasons including the following. For the hotel business, the hotel was closed in April through May in response to the declaration of a state of emergency and request by Nagano Prefecture due to the spread of COVID-19, the Suwa Lake Fireworks Festival in August was cancelled, and the number of customers at highway service areas fell.

The business recorded an operating loss of ¥254 million (compared to operating income of ¥78 million for the same period of the previous fiscal year).

Sales by business segment of the corporate group

(Units: Millions of yen)

Business Segment	(Reference) Corresponding period of the Previous period		107th term (FYE December 2020)		Year-on-year	
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount	Rate of change (%)
Valve Manufacturing	75,792	80.6	70,129	83.2	(5,662)	(7.5)
Brass Bar Manufacturing	15,912	16.9	12,952	15.4	(2,959)	(18.6)
Other	2,378	2.5	1,163	1.4	(1,215)	(51.1)
Total	94,083	100	84,245	100	(9,837)	(10.5)

Note: The 107th term (fiscal year ended December 2020) was nine months, April 1 to December 31, 2020, due to a change in when books are closed. For reference, we presented the comparison with the results in the same period of the previous fiscal year (from April 1, 2019 to December 31, 2019).

Operating income or loss by business segment of the corporate group

(Units: Millions of yen)

Business Segment	(Reference) Corresponding period of the Previous period	107th term (FYE December 2020)	Year-on-year	
	Amount	Amount	Amount	Rate of change (%)
Valve Manufacturing	7,666	6,708	(958)	(12.5)
Brass Bar Manufacturing	30	(146)	(177)	—
Other	78	(254)	(332)	—
Adjustments	(2,764)	(2,555)	209	—
Total	5,010	3,751	(1,259)	(25.1)

Note: The 107th term (fiscal year ended December 2020) was nine months, April 1 to December 31, 2020, due to a change in when books are closed. For reference, we presented the comparison with the results in the same period of the previous fiscal year (from April 1, 2019 to December 31, 2019).

(ii) Capital expenditures

Although the Company invested in new production facilities and the renewal of existing facilities, primarily for the Valve Manufacturing business, capital expenditures were carefully prioritized and limited to no more than depreciation expense. Therefore, capital expenditures totaled ¥3,069 million, which includes intangible assets.

(iii) Financing activities

The balance of interest-bearing debt (including lease obligations) increased by ¥10,205 million year on year to ¥49,352 million, due to the issuance of 5th series of unsecured public offering bonds of ¥10,000 million to repay ¥6,000 million in short-term borrowings raised in the previous fiscal year in order to ensure cash on hand to respond to the spread of COVID-19 and to repay long-term borrowings.

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

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

(Units: Millions of yen)

Category	104th term (FYE March 2018)	105th term (FYE March 2019)	106th term (FYE March 2020)	107th term (FYE December 2020)
Net sales	124,566	136,637	127,090	84,245
Ordinary income	9,733	11,883	7,241	3,169
Net income attributable to owners of the parent	6,518	5,625	4,937	2,113
Net income per share (yen)	65.50	58.50	53.06	23.38
Total assets	133,545	131,657	135,063	140,681
Net assets	77,391	76,829	76,879	75,167
Net assets per share (yen)	782.98	793.74	819.49	828.76

Notes:

1. The 107th term (fiscal year ended December 2020) was nine months, from April 1 to December 31, 2020, due to a change in when books are closed.
2. Net income per share is calculated based on the average number of shares outstanding during the term. Net assets per share is calculated based on total number of shares outstanding at the end of the term. The number of shares 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 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.
4. Effective from the beginning of the 105th Term (fiscal year ended March 31, 2019), the Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). The amount of total assets for the 104th Term (fiscal year ended March 31, 2018) is an amount after the retrospective application of the Accounting Standard.

(ii) Assets and profit and loss of the Company

(Units: Millions of yen)

Category	104th term (FYE March 2018)	105th term (FYE March 2019)	106th term (FYE March 2020)	107th term (FYE December 2020)
Net sales	64,118	72,262	64,137	41,786
Ordinary income	6,506	7,609	4,681	1,868
Net income	5,445	2,985	3,645	1,436
Net income per share (yen)	54.72	31.05	39.17	15.89
Total assets	105,903	99,045	102,569	110,478
Net assets	55,769	54,079	52,962	51,878
Net assets per share (yen)	572.91	567.81	574.29	578.72

Notes:

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

(3) Ongoing challenges for the corporate group

The COVID-19 continues to spread throughout the world, and the impact of this wave is expected to continue in 2021. Because the outlook remains unclear, companies have taken a cautious stance toward capital expenditures, but the “new normal” and efforts to “live with coronavirus” are accelerating the adoption of “new lifestyles” and “working-style reforms,” and digital transformation (DX)-related investments are expected to grow.

Under these conditions, the Company will implement the following measures during FY2021, the final year of the fourth phase of the medium-term management plan. The Company will also proceed with a review of the long-term plan toward 2030 and formulation of a new medium-term management plan from FY 2022.

(i) Capture demand in growth fields

In the Valve Manufacturing business, at a time of weak desire for capital expenditures in Japan and a slow recovery overseas, except for China, the Company will focus on capturing demand related to the construction of data centers, 5G communication facilities, etc., which are expected to grow.

In the industrial filter business, the new plant of KITZ Micro Filter Corporation was completed. It will quickly build a mass production system for Polyfix, a core product, and aim to enhance production capacity for filters for semiconductors and medical treatment.

(ii) Work to increase profitability

In response to maintenance demand, which is projected to remain firm even in the current environment, the Company will not only move forward with revising part prices and increasing sales of control valves but also expand its maintenance, repair, and operation (MRO) business.

Furthermore, the Company will ascertain less profitable products and move forward with price revisions, consolidation and elimination to allocate limited business resources to profitable businesses, products and growth fields.

(iii) Invest to generate sustainable growth

The Company entered the hydrogen refueling station valves market, which supplies hydrogen gas as fuel to fuel cell vehicles, in July 2012. The Company entered the packaged unit type hydrogen refueling station business as a new business from April 2020 based on the forecast growth of this market.

Moreover, looking into the transportation of hydrogen as a future energy source, the Company has been developing a ball valve for liquefied hydrogen to be used under extremely low temperature (-253°C) as one of our theme, promoting its contribution to a hydrogen society.

It will also actively conduct investments for sustainable growth of clean energy, environment and water-related fields toward decarbonization.

(iv) Improve profitability in the Brass Bar Manufacturing business

In preparation for a full-fledged market recovery, the Company will steadily implement measures to improve the yield of brass bar materials and processing costs for them. It will also expand margins by strengthening new products, such as environmentally friendly products (lead-free materials and cadmium-free materials) and highly functional materials (oxygen-free copper).

(v) Management strategy

Capitalizing on the integrated accounting period of Group companies and the new core system, the Company will accelerate its decision making process by way of the consistent profits and losses management based on globally consolidated data.

The personnel evaluation system will aim for globalization of human resources and organizational culture (mindset) while making step by step improvements to global talent management and the personnel evaluation system.

In FY 2020, the Company reconstructed its risk management mechanism. It has once again

extracted the conceivable risks in the Group's business activities and quantitatively evaluated the grades of importance of those risks from two aspects, the possible frequency of emergence of the risks and their impacts on management. Based on those efforts, the Company tries to implement measures to avoid or reduce the risks. In FY 2021, the Company established the Legal, IP & Risk Management Division to further accelerate the existing risk management promotion in the Group. Going forward, the Group will cope with risk management strategically and consistently.

(vi) Working-style reforms

While we reformed our communication tools, we accelerated the activation of information sharing and exchange within the Group by using the Group portal site and cloud-based file storage service. We will continue to activate the organization by further promoting DX (digital transformation) through the digitalization of operations, such as the installation of RPA (Robotic Process Automation) and the enhancement of infrastructure that encourages people in remote work.

(vii) ESG/SDG initiatives

The Company Group has declared strengthening ESG to be a key theme for the fourth phase of the medium-term management plan which commenced in FY2019. To achieve this, we formulated a new "sustainability commitment" and "sustainability slogan," incorporating the perspective of the "Sustainability Development Goals (SDGs)" adopted by the United Nations.

In addition, we have announced "ESG-focused initiatives and SDGs" which will visualize the SDGs that have strong links to the Company's important initiatives to strengthen previous initiatives, while further accelerating sustainable management. Moreover, in the current fiscal year, we plan to disclose our achievements and medium to long-term targets in our Corporate Report and website (on page 21).

The Company will continue to pursue "what can we do" for a sustainable society as a manufacture of flow control devices and we will strive to implement initiatives to solve social issues through our business while improving the performance of non-financial information and actively disclose information.

- | | |
|--------------|---|
| ◆ Commitment | "Create a society that lives together in harmony with the Earth through our fluid control businesses" |
| ◆ Slogan | "Create the future, Preserve the future" |

(viii) Financial Measures

Based on the financial strategy and capital policy of the fourth medium-term management plan, and in response to the impact of the spread of COVID-19, we continue to place emphasis on generating cash flows in FY 2021. While doing so, we try to secure financial stability by reducing interest-bearing debt, which increased in the previous year. We also try to secure loan availability to conduct strategic investments for the medium and long-term in preparation for an era after COVID-19. We will also prepare for the planned redemption of corporate bonds for a total of ¥10,000 million in FY 2022.

Furthermore, the Company will maintain excess available liquidity using a short-term borrowing commitment line (total of ¥13,500 million) provided by main banks and work to secure a free cash flow by limiting capital expenditures to no more than depreciation.

ESG-focused initiatives and SDGs

Basic items	Sub items		Specific measures	SDGs
Environment Contributing to the conservation of the global environment through business activities	Measures against global warming	1. Maximize contribution to environment through products and services	(1) Develop, manufacture, and sell brass bar materials (lead-free materials and cadmium-free materials) that are friendly to both people and the environment	    
			(2) Expand disinfection and purification equipment that realizes safe water treatment	
			(3) Supply products that are compliance with the RoHS directive and REACH regulation	
			(4) Development of products that are compliant with the field of clean energy	
		2. Minimize environmental burden in business activities	(1) Promotion of activities to reduce the volume of greenhouse gas emissions such as CO ²	
			(2) Promote energy-saving activities through improvement of productivity	
	(3) Promote reduction, reuse, and recycling of water resources and waste			
	3. Prevent environment pollution on a group-wide and global basis		(1) Identify chemical products that contain toxic substances and promote alternatives	
		(2) Promote risk reduction activities at production bases in Japan and overseas		
Social Valuing human resources, safety, and local communities	1. Promote diversity and inclusion of human resources	(1) Introduce and consolidate a personnel system that facilitates work		  
		(2) Initiatives of equal pay for equal work		
		(3) Promote active roles for female employees		
		(4) Appoint and develop global human resources		
		(5) Enhance systems that support work-life balance		
	2. Foster a corporate culture that values safety, health, and human rights	(1) Create a work environment which is safe and healthy to work in		
		(2) Do not act in a manner that is prejudicial, discriminatory, a violation of human rights or unjust in relation to nationality, religion, or race, etc.		
	3. Appropriate business activities	(1) Promote supply chain management through fair trading		
		(2) Pursue customer satisfaction by securing quality and safety		
	4. Social contribution activities	(1) Promote social contribution activities		
Governance Fair management	1. Establish a sound corporate governance system	(1) Effective operation of a Nomination Committee and an Executive Compensation Committee		
		(2) Appoint female executives		
		(3) Enhance internal controls (internal audit) under the Companies Act in addition to J-SOX		
	2. Improve management transparency and strengthen the management oversight system	(1) Share information by implementing the Four-Party Audit and Supervision Meeting, which adds outside directors to the Tripartite Audit Assembly (Audit & Supervisory Board, Accounting Auditor, Internal Audit Office)		
		(2) Audit and supervision of Group companies by outside directors		
		(3) Enhance the Internal Audit Office		
	3. Strengthen the effectiveness of the Board of Directors	(1) Strengthen governance through the appointment of outside directors with wide-ranging knowledge and experience and stimulate the Board of Directors		
		(2) Implement evaluation of the effectiveness of the Board of Directors and address issues		

(4) Status of major subsidiaries (as of December 31, 2020)

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 valves and fittings for semiconductor production 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 valves and fittings for semiconductor production equipment
KITZ Corporation of Lianyungang	42 million CNY	100	Manufacturing and sales of valves
KITZ Corporation of Shanghai	10 million CNY	100	Sales, marketing and distribution of valves
KITZ Corporation of America	3,000 thousand USD	100	Sales, marketing and distribution of valves
Metalúrgica Golden Art's Ltda.	64,000 thousand BRL	100	Manufacturing and sales of valves
KITZ Corporation of Europe, S.A.	421 thousand EUR	100	Manufacturing and sales of valves
KITZ Europe GmbH	500 thousand EUR	100	Sales, marketing and distribution of valves
Perrin GmbH	1,538 thousand EUR	100 (100)	Manufacturing and sales of valves
KITZ Corporation of Asia Pacific Pte. Ltd.	11,142 thousand USD	100	Sales, marketing and distribution of valves
Cephas Pipelines Corp.	2,454 million KRW	100	Manufacturing and sales of valves
KITZ Metal Works Corporation	490 million JPY	100	Manufacturing and sales of brass bar products
Hotel Beniya Co., Ltd.	50 million JPY	100	Operation of hotel and restaurants

Notes:

1. The parenthesized figures indicate the investment ratio of the subsidiary concerned.
2. As of the end of the fiscal year under review, there are no specified wholly owned subsidiaries.
3. The Company purchased additional shares of Shimizu Alloy Mfg. Co., Ltd. on April 1, 2020, and the investment ratio in Shimizu Alloy Mfg. Co., Ltd. raised to 100% (from 93.3% as of the end of the previous fiscal year).
4. KITZ (Thailand) Ltd. conducted a capital increase of 3 million bahts on December 2, 2020.
5. Hotel Beniya Co., Ltd. implemented a capital reduction without compensation of ¥440 million on December 22, 2020, lowering its capital to ¥50 million.

(5) Major businesses (as of December 31, 2020)

Major products and businesses of the Group

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

(6) Major sales offices and plants (as of December 31, 2020)

(i) Major sales offices and plants of the Company

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

(ii) Major sales offices and plants of subsidiaries

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

Notes:

1. The "location" for KITZ SCT Corporation indicates the location of its plant.
2. KITZ Micro Filter Corporation moved its head office to Chino-shi, Nagano Pref. from Suwa-shi, Nagano Pref. as of October 1, 2020.

(7) Status of employees (as of December 31, 2020)

(i) Employees of the corporate group

Business segment	Number of employees	Year-on-year change
Valve Manufacturing business	4,666	+29
Brass Bar Manufacturing business	233	-4
Other	82	-6
Corporate (common)	109	+23
Total	5,090	+42

Notes:

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

(ii) Employees of the Company

Number of employees	Year-on-year change	Average age	Average number of years of service
1,383	+56	40.7	14.7

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

(8) Major lenders of the corporate group and amount of debt (as of December 31, 2020)

(Units: Millions of yen)

Name	Outstanding debt
Sumitomo Mitsui Banking Corporation	5,921
MUFG Bank, Ltd.	3,914
Mizuho Bank, Ltd.	3,250
The Hachijuni Bank, Ltd.	929
The Yamanashi Chuo Bank, Ltd.	904

2. Status of the Company

(1) Status of shares (as of December 31, 2020)

(i) Total number of authorized shares: 400,000,000 shares

(ii) Total number of issued shares: 90,120,989 shares

Notes: 1. Following the cancellation of treasury stock on October 23, 2020, the total number of issued shares fell 10,000,000 shares.

2. Total number of issued shares shown above does not include 275,522 shares of treasury stock that were held as of the end of the fiscal year under review.

(iii) Number of shareholders: 11,226

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

(iv) Major shareholders (top 10 shareholders)

Name	Investment	
	Shareholdings (thousands)	Holding ratio (%)
Custody Bank of Japan, Ltd.	8,208	9.11
The Master Trust Bank of Japan, Ltd.	5,398	5.99
Kitazawa-kai Stock Ownership Plan	4,757	5.28
Nippon Life Insurance Company	4,303	4.78
Sumitomo Life Insurance Company	3,426	3.80
Kitazawa Ikueikai Foundation	3,411	3.79
KITZ Corporation Trading Partner Stock Ownership Plan	3,151	3.50
Sumitomo Mitsui Banking Corporation	2,553	2.83
KITZ Corporation Employee Stock Ownership Plan	2,030	2.25
SECOM General Insurance Co., Ltd.	1,702	1.89

Notes:

- The Company held 275 thousand shares of treasury stock as of December 31, 2020. The total number of shares used to calculate the holding ratio does not include treasury stock.
The Company has adopted a BIP trust, and the Master Trust Bank of Japan, Ltd. holds 477 thousand shares in the trust. These 477 thousand shares are not included in the concerned treasury stock.
- The above number of shares held includes shares associated with trust operations as follows:
Custody Bank of Japan, Ltd. 8,208 thousand shares
The Master Trust Bank of Japan, Ltd. 5,398 thousand shares
- The number of shares held by Sumitomo Life Insurance Company includes 1 thousand shares in the variable insurance account and 15 thousand shares in the separate account.
- JTC Holdings, Ltd., Japan Trustee Services Bank, Ltd., and Trust & Custody Services Bank, Ltd. merged on July 27, 2020. The trade name of the resulting company was changed to Custody Bank of Japan, Ltd.

(2) Matters regarding subscription rights to shares (as of December 31, 2020)

Not applicable

(3) Officers of the Company (as of December 31, 2020)

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

Name	Position and area of responsibility in Company	
Yasuyuki Hotta	President and Chief Executive Officer	(President, Chief Executive Officer)
Toshiaki Natori	Director	(Vice-President, Executive Officer, Division Manager, Corporate Planning Division, Supervisor of related businesses (Brass Bar Manufacturing business, service business))
Toshiyuki Murasawa	Director	(Managing Executive Officer, Division Manager, Corporate Administration Division, Supervisor of Internal Audit Office, internal controls, ESG, and Group's risk management)
Makoto Kohno	Director	(Managing Executive Officer, Unit General Manager, Flow Control Business Unit)
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 and Yutaka Fujiwara as independent officers with the Tokyo Stock Exchange as prescribed by the Securities Listing Regulations of the same Exchange.
- The Company has registered outside Audit & Supervisory Board Members Tatsuhiko Takai, Shuhei Sakuno, and Ayako Kobayashi as independent officers with the Tokyo Stock Exchange as prescribed by the Securities Listing Regulations of the same Exchange.
- The changes in Directors during the fiscal year under review are as follows:

New appointment as Director

Name	Position upon assuming office	Date of assuming office
Yukino Kikuma	Outside Director	June 29, 2020

- The major changes in Directors' areas of responsibility during the fiscal year under review are as follows:

Name	Areas of responsibility after change	Areas of responsibility before change	Date of change
Toshiaki Natori	Director, Vice-President, Executive Officer, Division Manager, Corporate Planning Division, Supervisor of related businesses (Brass Bar Manufacturing business, service business) and ESG	Director, Vice-President, Executive Officer, Division Manager, Corporate Planning Division, Supervisor of related businesses (Brass Bar Manufacturing business, service business)	January 1, 2021
Toshiyuki Murasawa	Director, Managing Executive Officer, Division Manager, Corporate Administration Division, Supervisor of Internal Audit Office and internal controls	Director, Managing Executive Officer, Division Manager, Corporate Administration Division, Supervisor of Internal Audit Office, internal controls, ESG and Group's risk management	January 1, 2021

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

(ii) Summary of liability limitation agreements

In order to limit the liability of directors (excluding persons who are executive directors; likewise, hereinafter in this paragraph) and Audit & Supervisory Board members to a reasonable extent and ensure that they fully perform the roles expected of them, the Company has, pursuant to the stipulations of Article 427, Paragraph 1 of the Companies Act, included provisions in its Articles of Incorporation to the effect that the Company can conclude agreements with its directors and Audit & Supervisory Board members limiting their liability under Article 423, Paragraph 1 of the same Act provided that the director or Audit & Supervisory Board member concerned has undertaken his or her duties in good faith and has not committed any gross errors. Based on these provisions, the Company has concluded agreements with each of its directors and Audit & Supervisory Board members. Based on the concerned agreements, the amount of liability is limited to five (5) million yen or the amount prescribed by laws and regulations, whichever is higher.

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

Position	Name	Name of organization in which concurrent position is held	Concurrent position
Director	Toshiaki Natori	KITZ Micro Filter Corporation	Director
		KITZ Metal Works Corporation	Director
		Hotel Beniya Co., Ltd.	Director
	Toshiyuki Murasawa	KITZ Micro Filter Corporation	Audit & Supervisory Board Member
		KITZ Metal Works Corporation	Audit & Supervisory Board Member
		Hotel Beniya Co., Ltd.	Audit & Supervisory Board Member
	Makoto Kohno	KITZ SCT Corporation	Director
		KITZ Micro Filter Corporation	Director
		KITZ Corporation of Shanghai	Director
		KITZ Corporation of America	Director
		KITZ Corporation of Europe, S.A.	Director
		KITZ Europe GmbH	Director
		Perrin GmbH	Director
		KITZ Corporation of Asia Pacific Pte. Ltd.	Director
		Cephas Pipelines Corp.	Director
Standing Audit & Supervisory Board Member	Masahiko Kondo	Toyo Valve Co., Ltd.	Audit & Supervisory Board Member
		KITZ SCT Corporation	Audit & Supervisory Board Member
		KITZ Micro Filter Corporation	Audit & Supervisory Board Member
		Hotel Beniya Co., Ltd.	Audit & Supervisory Board Member
		KITZ Corporation of Taiwan	Audit & Supervisory Board Member
		KITZ Corporation of Kunshan	Audit & Supervisory Board Member
		KITZ SCT Corporation of Kunshan	Audit & Supervisory Board Member
		Kitazawa Museum of Art	Auditor
	Taro Kimura	Shimizu Alloy Mfg. Co., Ltd.	Audit & Supervisory Board Member
		KITZ Metal Works Corporation	Audit & Supervisory Board Member
		KITZ Corporation of Jiangsu Kunshan	Audit & Supervisory Board Member
		KITZ Corporation of Lianyungang	Audit & Supervisory Board Member
		KITZ Corporation of Shanghai	Audit & Supervisory Board Member

Notes:

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

(Name)

Toyo Valve Co., Ltd.

Shimizu Alloy Mfg. Co., Ltd.

KITZ SCT Corporation

KITZ Corporation of Taiwan

KITZ Corporation of Jiangsu Kunshan

KITZ Corporation of Kunshan

(Business)

Sales, marketing and distribution of valves

Manufacturing and sales of valves

Manufacturing and sales of valves and fittings for semiconductor production equipment

Manufacturing and sales of valves

Manufacturing and sales of valves

Manufacturing and sales of valves

KITZ SCT Corporation of Kunshan	Manufacturing and sales of valves and fittings for semiconductor production equipment
KITZ Corporation of Lianyungang	Manufacturing and sales of valves
KITZ Corporation of Shanghai	Sales, marketing and distribution of valves
KITZ Corporation of America	Sales, marketing and distribution of valves
KITZ Corporation of Europe, S.A.	Manufacturing and sales of valves
KITZ Europe GmbH	Sales, marketing and distribution of valves
Perrin GmbH	Manufacturing and sales of valves
KITZ Corporation of Asia Pacific Pte. Ltd.	Sales, marketing and distribution of valves
Cephas Pipelines Corp.	Manufacturing and sales of valves

2. Of the major concurrent positions held by Audit & Supervisory Board Member Masahiko Kondo, the concurrent position of Auditor of Kitazawa Museum of Art is a significant concurrent position.

(iv) Total Remuneration paid to Directors and Audit & Supervisory Board Members in the fiscal year under review

Position	Number of persons	Amount of remuneration (millions of yen)
Director	8	138
Audit & Supervisory Board Member	5	53
Total	13	192

Notes:

- The annual limit of remuneration for Directors and Audit & Supervisory Board Members has been resolved at the General Meeting of Shareholders as follows:
Remuneration for Directors (excluding the remuneration and bonuses paid to Directors who concurrently serve as employees for their services as employees)
Not more than ¥400 million a year (including an amount of up to ¥70 million for Outside Directors) (105th Ordinary General Meeting of Shareholders held on June 25, 2019)
Remuneration for Audit & Supervisory Board Members
Not more than ¥100 million a year (105th Ordinary General Meeting of Shareholders held on June 25, 2019)
- As of the end of the fiscal year under review, there were eight (8) Directors and five (5) Audit & Supervisory Board Members, a total of thirteen (13).
- The above amounts do not include the portion of employee salaries, bonuses, and share-based payments paid to Directors who concurrently serve as employees.
The amounts of the portions of employee salaries, bonuses, and share-based payments paid to Directors who concurrently serve as employees were ¥24 million, ¥11 million, and ¥1 million, respectively.
- The amount of remuneration includes ¥19 million of bonuses to executive officers (Directors and Audit & Supervisory Board Members), which was recorded in the fiscal year under review as “accrued bonuses to directors,” and ¥17 million of share-based payments recorded in the fiscal year under review as “allowance for stock benefit for directors and operating officers.”
- Of the above amount, a total of ¥29 million was paid to four (4) Outside Directors and a total of ¥21 million was paid to three (3) Outside Audit & Supervisory Board Members.

(v) Matters regarding outside directors

a. Significant concurrent positions in or relationships with other companies

- Outside Director Kazuyuki Matsumoto concurrently holds the position of Outside Director of TOPCON CORPORATION. There is no special interest between TOPCON CORPORATION and the Company.
- Outside Director Minoru Amoh concurrently holds the position of Outside Director of Otsuka Chemical Co., Ltd. and External Director of HEXEL Works, Inc. There is no special interest between these companies and the Company.
- Outside Director Yutaka Fujiwara concurrently holds the position of Outside Director of Nabtesco Corporation and outside Audit & Supervisory Board Member at Konoike Transport Co., Ltd. There is no special interest between these companies and the Company.
- Outside Director Yukino Kikuma is concurrently an attorney at MATSUO & KOSUGI, a law office that has concluded a legal counsel agreement with the Company. The total amount of fees (consulting fees, legal advising fees, etc.) that the Company pays to the law office is less

than 1% of the Company's annual consolidated net sales for the fiscal year under review. Outside Director Yukino Kikuma concurrently holds the position of Outside Director of ALCONIX CORPORATION. The ALCONIX group conducts business with the Company Group. The amount of transactions of castings and materials that the Company Group purchases from the ALCONIX group is less than 2% of the Company's annual consolidated net sales for the fiscal year under review. The amount of transactions of products that the Company Group sells to the ALCONIX group is less than 1% of the Company's annual consolidated net sales for the fiscal year under review. Also, Outside Director Yukino Kikuma concurrently holds the position of outside director of KOSÉ Corporation and Takihyo Co., Ltd. There is no special interest between these companies and the Company.

- 5) Outside Audit & Supervisory Board Member Shuhei Sakuno concurrently holds the position of Outside Audit & Supervisory Board Member at JAPANACE Co., Ltd. There is no special interest between JAPANACE Co., Ltd. and the Company.
- 6) Outside Audit & Supervisory Board Member Ayako Kobayashi is concurrently an attorney (partner) at KATAOKA & KOBAYASHI LPC. There is no special interest between KATAOKA & KOBAYASHI LPC and the Company.

b. Significant activities during the fiscal year under review

Position	Name	Significant activities
Director	Kazuyuki Matsumoto	Kazuyuki Matsumoto attended all 11 of the Board of Directors' meetings held in the fiscal year under review, and expressed his opinions during deliberations as necessary.
Director	Minoru Amoh	Minoru Amoh attended all 11 of the Board of Directors' meetings held in the fiscal year under review, and expressed his opinions during deliberations as necessary.
Director	Yutaka Fujiwara	Yutaka Fujiwara attended all 11 of the Board of Directors' meetings held in the fiscal year under review, and expressed his opinions during deliberations as necessary.
Director	Yukino Kikuma	After being newly elected at the Ordinary General Meeting of Shareholders held June 29, 2020 and assumed the position, Yukino Kikuma attended all 7 Board of Directors' meetings held in the fiscal year under review, and expressed her opinions during deliberations as necessary.
Audit & Supervisory Board Member	Tatsuhiko Takai	Tatsuhiko Takai attended all 11 of the Board of Directors' meetings held in the fiscal year under review, and expressed his opinions during deliberations as necessary. He also attended all 11 of the Audit & Supervisory Board meetings held in the fiscal year under review, and reviewed the method for auditing the full range of particulars connected with Directors' performance of their duties and matters concerning the performance of auditing duties.
Audit & Supervisory Board Member	Shuhei Sakuno	Shuhei Sakuno attended all 11 of the Board of Directors' meetings held in the fiscal year under review, and expressed his opinions during deliberations as necessary. He also attended all 11 of the Audit & Supervisory Board meetings held in the fiscal year under review, and reviewed the method for auditing the full range of particulars connected with Directors' performance of their duties and matters concerning the performance of auditing duties.
Audit & Supervisory Board Member	Ayako Kobayashi	Ayako Kobayashi attended all 11 of the Board of Directors' meetings held in the fiscal year under review, and expressed her opinions during deliberations as necessary. She also attended all 11 of the Audit & Supervisory Board meetings held in the fiscal year under review, and reviewed the method for auditing the full range of particulars connected with Directors' performance of their duties and matters concerning the performance of auditing duties.

(4) Status of Accounting Auditor

(i) Name

Ernst & Young ShinNihon LLC

(ii) Amount of remuneration

Amount of remuneration to be paid by the Company for services with respect to the current fiscal year	
a. Amount of remuneration to be paid for services stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act	¥69 million
b. Amount of remuneration to be paid for services (non-auditing services) other than those stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act	¥1 million
Total amount of money and other financial benefits to be paid to Accounting Auditor by the Company and its subsidiaries	¥96 million

Notes:

- In the audit contract between the Company and Accounting Auditor, remuneration paid for audits under the Companies Act and audits under the Financial Instruments and Exchange Act are not distinguished and cannot be practically separated.

Therefore, the amount of payment for both is shown in Amount of remuneration above.

2. The Company pays to the Accounting Auditor a consideration for services, such as the preparation of comfort letters in issuing corporate bonds, which are non-auditing services other than those stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act.
3. Significant overseas subsidiaries of the Company receive audits from auditors other than the Company's Accounting Auditor.

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

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

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

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

3. Corporate governance

(1) Basic approach to corporate governance

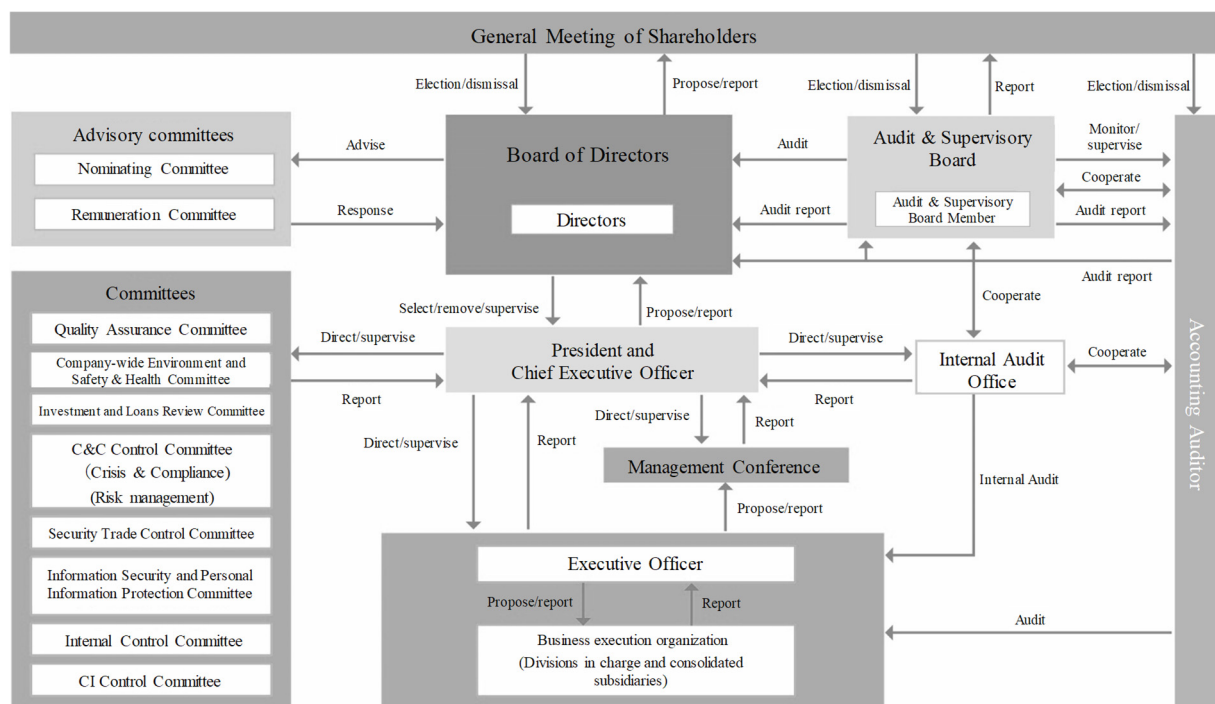
Under the corporate philosophy of continually enriching corporate value by offering originality and quality in all products and services, as a socially responsible corporation, the Company strives for management in the interest of shareholders and all stakeholders.

In order to increase management efficiency and to strengthen compliance, taking into consideration such factors as stakeholder demands and social trends, the Company strives to reinforce corporate governance through various measures to realize swift, efficient, sound, and transparent management.

(2) Corporate governance structure

The following is the Company's corporate governance structure.

[The Company's corporate governance]



[Institutional design of a company with board of auditors]

The Company has adopted an institutional design of a company with an Audit & Supervisory Board, and strives not only to conduct appropriate decision making and execution of business but also to create an organizational corporate governance system that holds rein on management, by concentrating authority and responsibility for business execution in the Board of Directors, the managerial decision-making body, and by having the Audit & Supervisory Board Members and the Audit & Supervisory Board, half of whose members are outside Audit & Supervisory Board Members, undertake highly effective supervision of the Board of Directors from an independent, objective perspective.

[Directors/Board of Directors]

The Company has a Board of Directors made up of eight (8) Directors (one (1) woman), four (4) of whom are Outside Directors.

The composition of the Board of Directors takes into consideration ensuring diversity in knowledge, experience, abilities, and other aspects in order to effectively achieve the roles and responsibilities of the Board of Directors. In addition, Outside Directors, which include not only people who possess rich experience with and knowledge of corporate management and but also people who are well versed in legal affairs, provide various advice and proposals related to general management.

For the Board of Directors, ordinary meetings are generally held once a month; earnings meetings, once a quarter; and extraordinary meetings, when necessary. In addition to open debate on not only decisions regarding important items related to business execution based on laws, regulations, and the Company's Rules of the Board of Directors but also other issues important for business, directors supervise each other's execution of duties.

Furthermore, the Company has adopted the executive officer system to ensure effective and swift business execution based on the Board of Directors' decisions and proceeds with delegation of authority to Executive Officers. All Executive Directors also serve as Executive Officers.

[Nominating Committee/Remuneration Committee]

As for personnel matters concerning Directors, Audit & Supervisory Board Members, and Executive Officers and remuneration of Directors and Executive Officers, the Board of Directors has established both a "Nominating Committee" and "Remuneration Committee" as voluntary advisory bodies to the Board of Directors in order to strengthen the independence, objectivity, and accountability of the Board of Directors and ensure impartiality and transparency.

Both the Nominating Committee and Remuneration Committee consist of three (3) or more members, including the President, and at least half of whom are Outside Directors. Members are selected by the Board of Directors. In addition, the chairperson of each committee is selected by a vote of the members from among the Outside Directors.

The Nominating Committee deliberates on issues such as the nomination of Director candidates, Audit & Supervisory Board Member candidates, and Executive Officers and training for future officer candidates based on the "Policy on Composition of the Board of Directors and Audit & Supervisory Board, and Policy on Selection/Removal of Officers (Directors, Audit & Supervisory Board Members, CEO, and Executive Officers)" stipulated by the Company and reports on the results of those deliberations to the Board of Directors.

The Remuneration Committee deliberates on the remuneration policy and amount of remuneration for Directors, Executive Officers, and similar parties and other important remuneration related topics based on the "Remuneration Policy" stipulated by the Company and reports on the results of deliberations to the Board of Directors.

In FY2020, the Nominating Committee met six (6) times and the Remuneration Committee, four (4) times.

[Management Conference]

The Company has established a Management Conference that consists of all Executive Officers and meets monthly.

The Management Conference deliberates on and makes decisions related to strategies to execute business decided upon by the Board of Directors, deliberates on the direction of and various measures related to important management issues based on Management Conference Rules, and makes appropriate decisions.

[Ensuring the effectiveness of the Board of Directors]

The Company conducts the “Questionnaire Survey on the Effectiveness of the Board of Directors” once a year and reports on the results to the Board of Directors in order to increase the effectiveness of corporate governance and improve the functioning of the overall Board of Directors.

This non-anonymous questionnaire, which targets all Directors and Audit & Supervisory Board Members, are distributed in written questionnaire and covers particularly important items based on the various principles of the Corporate Governance Code and is completed by Directors and Audit & Supervisory Board Members after receiving an explanation of points such as the purpose of the evaluation.

In addition to checking and evaluating the submitted results, the Board of Directors shares issues and deliberates on topics, such as future improvements, taking into consideration opinions on improving effectiveness.

The survey conducted in May 2020 included questions regarding formulating and implementing management strategies, the composition of the Board of Directors, officer nomination/compensation, audits, Outside Directors, invigorating Board of Directors deliberations, and responding to shareholders and other stakeholders. The results indicated that the Board of Directors was considered to generally be effective, but there were opinions regarding plans to develop successors for the CEO and other officers and improving diversity of the Board of Directors.

[Audit & Supervisory Board Members/Audit & Supervisory Board]

The Company has an Audit & Supervisory Board that is composed of five (5) Audit & Supervisory Board Members (one (1) woman), including three (3) Outside Audit & Supervisory Board Members.

As for the selection of Audit & Supervisory Board Members, at least one (1) member possesses abundant knowledge and experience related to finance, accounting, and legal issues, and Outside Audit & Supervisory Board Members are ones with extensive knowledge and experience of corporate management and ones well-versed in legal issues.

In addition to attending Board of Directors meetings and monitoring the state of Directors’ execution of their duties and the effectiveness of mutual supervision of management by Directors, Audit & Supervisory Board Members monitor the legality and appropriateness of the decision-making process and decisions, are aware that there are particularly high expectations for them to act in a manner that facilitates impartial and fair decision making regarding management by the Board of Directors, give consideration to the interests of shareholders and thus the Company, and provide opinions when necessary, thus appropriately fulfilling their role. Audit & Supervisory Board Members monitor Directors’ execution of duties by attending material meetings and exercising their right to conduct inspections, such as site visits of offices/subsidiaries, in accordance with the Auditing Standards of Audit & Supervisory Board Members developed by the Audit & Supervisory Board, audit plans, as well as division of duties. Furthermore, Audit & Supervisory Board Members verify that duty of diligence and other legal duties are fulfilled.

Ordinary Audit & Supervisory Board meetings are generally held once a month and extraordinary ones are held when necessary. The Audit & Supervisory Board monitors the state of execution of reporting duties of Executive Directors on the Board of Directors and the effectiveness of the mutual management supervisory function of Directors, particularly for Outside Directors and verifies checks of the legality and appropriateness of the decision-making process and content of decisions; audits of financial statements and other items; independence, qualifications, expertise and other aspects of the Accounting Auditor; the appropriateness, suitability, and effectiveness of audit quality; and the suitability and other aspects of the audit system, audit plan, and audit compensation.

[Tripartite Audit Assembly/Four-Party Audit and Supervision Meeting]

The Audit & Supervisory Board regularly holds the “Tripartite Audit Assembly,” attended by three (3) parties (Audit & Supervisory Board Members, Accounting Auditor and Internal Audit Office staff), receives reports on the state of audits, shares information on audits, exchanges opinions on issues such as main points of audits, and maintains close cooperation, which includes coordinating requests from Audit & Supervisory Board Members to the Accounting Auditor or Internal Audit Office.

As part of the “Tripartite Audit Assembly, the” Four-Party Audit and Supervision Meeting,” which is also attended by an Outside Director, is held several times a year, and at the meetings, efforts are made to share information and exchange opinions from an independent, objective perspective. The Audit & Supervisory Board also regularly holds informal meetings with the President and creates opportunities to exchange information and opinions with Executive Directors and Executive Officers concerning business-related matters.

[Independent Officers]

The Company's three (3) Outside Directors and three (3) Outside Audit & Supervisory Board Members meet the criteria for the independence of outside officers prescribed by the Tokyo Stock Exchange (hereinafter referred to as "Tokyo Stock Exchange Criteria for Independence") and are registered as such.

Furthermore, all of them meet the requirements of the Company's "Criteria for Determining the Independence of Outside Officers," which are stricter than the "Tokyo Stock Exchange Criteria for Independence." (Please refer to page 13)

[Accounting Auditor]

The Company has selected Ernst & Young ShinNihon LLC as its Accounting Auditor. The Accounting Auditor audits the financial statements (balance sheet, statement of income, statement of changes in net assets, notes to non-consolidated financial statements and the related supplementary schedules) for each fiscal year. As for the Accounting Auditor's audit plan, the Auditors Board Office staff and the Internal Audit Office staff attend discussions between the Accounting Auditor and Accounting and Finance Department, and decisions are made after taking into consideration their opinions.

Accounting Auditor candidates are nominated taking into consideration the evaluation of not only the independence, qualifications, expertise, and other aspects of the Accounting Auditor but also factors such as appropriateness, suitability, validity, effectiveness of audit quality, and the suitability and other aspects of the audit system, audit plan, and audit compensation, and nominations are submitted to the General Meeting of Shareholders after resolution by the Audit & Supervisory Board.

[Support system for the Audit & Supervisory Board Member audit]

As one part of the system of internal controls stipulated by the Companies Act, the Company has created the Auditors Board Office, assigns employees independent from director, and provides support to Audit & Supervisory Board Members in order to create a "mechanism that ensures Audit & Supervisory Board Member audits are done effectively."

The Auditors Board Office handles audit support operations so that Audit & Supervisory Board Member audits are effective and efficient, gathers useful information both inside and outside the Company and conducts related research, and provides Audit & Supervisory Board Members with information when necessary so that Audit & Supervisory Board Member audits properly conducted.

In addition, the Auditors Board Office functions as the secretariat of the Audit & Supervisory Board; holds meetings, including the Tripartite Audit Assembly, Four-Party Audit and Supervision Meeting; and provides other forms of support, including holding informal meetings to exchange opinions with the President, receiving reports by inviting members of the management team, such as Directors and Executive Officers, in a timely manner to Audit & Supervisory Board meetings, and creating communication opportunities.

[Outside Officers/Independent Officers/support system for Outside Officers]

As for support for Outside Officers, the Company has created a system that makes it possible for Directors and Audit & Supervisory Board Members to gain a full understanding of the management issues that the Company should handle by providing all Directors and Audit & Supervisory Board Members with not only information and material on proposals and other issues but also advance explanations before Board of Directors meetings. Furthermore, business executives, such as those in charge of the corporate planning area, attend Board of Directors meetings and provide explanations, etc., when necessary. There is also support so that if information obtained by Outside Officers is insufficient, they can obtain detailed information when necessary.

[Training for Directors and Audit & Supervisory Board members]

The Company provides support related to training for Directors and Audit & Supervisory Board Members. For Executive Directors and Standing Audit & Supervisory Board Member, the Company provides opportunities to participate in training offered by independent education organizations and management seminars on individual topics conducted by invited outside instructors after taking up their post or being nominated so that they can obtain necessary knowledge and improve themselves.

Furthermore, for Outside Directors and Outside Audit & Supervisory Board Members, support is provided that makes it possible to gain a deeper understanding of various topics, including the businesses, finances, organization, and other aspects of the Company and Group companies; the industry the Company operates in; the history, business profile, corporate philosophy, management strategies, long-term management vision, medium-term management plan, corporate governance system, and compliance promotion system of the Company, by creating opportunities to participate in tours and informal meetings with managers of the various sales offices and plants of the Company and Group companies and other events such as President Meeting of Group Companies and informal technical meetings within the Group.

In various ways, including the Questionnaire Survey on the Effectiveness of the Board of Directors, efforts are made to collect opinions regarding whether the content of training for Directors and Audit & Supervisory Board Members is appropriate and to make necessary improvements.

[Summary of internal controls]

The Company has created not only a system of internal controls in line with the Companies Act but also an internal control system in line with Financial Instruments and Exchange Act.

In line with the four (4) main purposes of the Companies Act—that is, “managing risks,” “promoting compliance,” “standardizing operations,” and “ensuring appropriate financial reporting”—the whole Group works to promote risk management and compliance, to create a system to appropriately evaluate and handle all operations related to business activities, and to create and operate a system to prevent false financial reports (earnings statements).

In line with the process for achieving the four (4) main purposes of the Financial Instruments and Exchange Act—that is, ensure “the effectiveness and efficiency of business operations,” “reliability of financial reporting,” “compliance with applicable laws and regulations relevant to business activities,” and “safeguard of assets”—and the basic internal control mechanisms based on the Business Accounting Council’s “Criteria for Evaluation and Auditing of Internal Controls over Financial Reports,” which is based on the same law, the Company implement internal controls related to financial reporting, and the Audit & Supervisory Board, Accounting Auditor, and Internal Audit Office work closely together and evaluate the overall effectiveness of internal controls.

The Internal Control Committee always inspects and strengthens the evaluation results of the effectiveness of internal controls, according to changes in the businesses and environment, to ensure that the Group’s internal control system works effectively.

[Internal Audit]

As for internal audits, the Internal Audit Office conducts audits of the operation and internal controls of the Company and its subsidiaries, to audit and confirm the internal control functions, as well as to monitor the overall state of internal controls and the appropriateness of operation processes. The results of audits, etc. are passed on to the President, Audit & Supervisory Board Members, and related divisions and follow-up for corrections is conducted. The results are reported to the Board of Directors as necessary.

There are also audits of material risks at subsidiaries in order to identify risks that each company and division faces, and support is provided to improve operations and build a compliance system so that risks can be mitigated or avoided.

[Compliance promotion system]

The Company recognizes that compliance is a “basic and necessary condition for a company’s sustainable growth,” and KITZ’s Statement of Corporate Mission, the Company’s corporate philosophy, gives “Do it True” as the first item in the Action Guide.

In order to do that, each Group company, including KITZ in 2002, established the “Crisis & Compliance Management Committee” (hereinafter, the “C&C Management Committee”), which is chaired by the President, and works to prevent management risks, respond to crisis, and implement compliance.

[Whistle-blowing hotline]

In order to promote compliance, the Company has established the Compliance Helpline as a desk for KITZ Group officers and employees who discover compliance violations to report and seek advice on the issue.

Operated and managed by the C&C Management Committee, the Compliance Helpline can be found in the Company, the various Group companies, and an independent attorney’s office. Regarding reports and requests for advice received through the Compliance Helpline, the C&C Management Committee of each Group company strictly maintains the confidentiality of whistleblowers, quickly conducts investigations, and implements appropriate corrective measures in a timely manner.

[Risk management]

The Company and Group companies strive to manage risks in order to control the various risks that have a dramatic impact on management.

As for concrete measures, the Management Conference extracts, analyzes and evaluates risks, and examines and implements countermeasures against risks based on the risk management guidelines and evaluation criteria stipulated by the C&C Management Committee; the process and results of investigations are reported to the Board of Directors; and the Board of Directors deliberates on and makes decisions regarding the designation of and implementation of countermeasures in response to major risks.

[Various committees supplementing internal control functions]

Operations of the various organizations are conducted in line with in-house rules related to official authority and draft proposals, and decisions by the Board of Directors of the Company and Group Companies are made in line with in-house rules related to the Board of Directors and Group companies.

Of those, for items designated particularly important from a company-wide perspective, the Company has created various expert committees, including ones related to internal controls, crisis response, risk management, compliance promotion, security trade controls, investment and loans review, and information security and personal information protection, as advisory bodies to the President so that sound, transparent, and appropriate decisions can be made.

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

The Company has not currently introduced defensive measures against hostile takeovers.

5. Policy concerning the Exercise of Rights in the Case that the Company's Articles of Incorporation Stipulate that the Board of Directors Determines Dividends 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.

As part of the fourth phase of the medium-term management plan, the Company raised the desirable level of payout ratio by 10% to about 35% of net income attributable to owners of parent from the previous level of about 25% to enhance the return of profit to shareholders through dividend payments.

Guided by the aforementioned policy, the Company resolved to pay a year-end dividend ¥4 per share for the year ended December 2020. Accordingly, the Company paid ¥9 per share as cash dividends for the fiscal year ended December 2020, including the interim payment (¥5 per share), and the consolidated dividend payout ratio came to 38.5%.

With the inclusion of the ¥1,756 million in treasury stock that the Company acquired pursuant to a resolution of the Board of Directors at a meeting held on March 13, 2020, the total amount of shareholder returns came to ¥2,567 million, and a consolidated total payout ratio of 121.5%.

Based on net income attributable to owners of parent as per the current consolidated financial forecasts, we forecast annual dividend for the next fiscal year to be ¥14 per share.

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

Consolidated Financial Statements

Consolidated Balance Sheet (as of December 31, 2020)

(Units: Millions of yen)

Item	Amount	Item	Amount
<i>Assets</i>		<i>Liabilities</i>	
Current assets	81,765	Current liabilities	23,332
Cash in hand and in banks	33,720	Notes, accounts payable–trade	5,693
Notes, accounts receivable–trade	16,209	Current portion of corporate bonds	474
Electronically recorded monetary claims	8,017	Short-term borrowings	6,979
Merchandise and finished goods	9,238	Current portion of long-term debt	2,733
Work in process	5,593	Income taxes payable	316
Raw materials and supplies	7,405	Consumption tax payable	704
Other	1,706	Accrued bonuses to employees	1,321
Less: Allowance for doubtful accounts	(127)	Accrued bonuses to directors	104
		Other	5,004
Fixed assets	58,916	Long-term liabilities	42,182
Property, plant and equipment	42,303	Corporate bonds	31,192
Buildings and structures	10,786	Long-term debt	6,888
Machinery, equipment and vehicles	13,166	Deferred tax liabilities	867
Tools, furniture and fixtures	5,303	Accrued retirement benefits to directors	263
Land	10,249	Allowance for stock benefit for directors and operating officers	182
Construction in progress	1,677	Retirement benefit liabilities	699
Other	1,119	Asset retirement obligations	417
Intangible assets	6,211	Other	1,671
Goodwill	395	Total liabilities	65,514
Other	5,816	<i>Net assets</i>	
Investments and other assets	10,401	Shareholders' equity	74,367
Investments in securities	6,465	Common stock	21,207
Retirement benefit assets	497	Capital surplus	5,726
Deferred tax assets	774	Retained earnings	47,925
Other	2,665	Treasury stock	(491)
Less: Allowance for doubtful accounts	(2)	Accumulated other comprehensive income	(74)
Total assets	140,681	Net unrealized gains on other securities	1,478
		Deferred gains or losses on hedges	(1)
		Translation adjustments	(1,683)
		Cumulative adjustments related to retirement benefits	132
		Non-controlling interests	874
		Total net assets	75,167
		Total liabilities and net assets	140,681

Consolidated Statements of Income (From April 1, 2020 to December 31, 2020) (Units: Millions of yen)

Item	Amount	
Net sales		84,245
Cost of sales		62,284
Gross profit		21,961
Selling, general and administrative expenses		18,209
Operating income		3,751
Non-operating income		
Interest and dividend income	177	
Subsidy income	196	
Other	262	636
Non-operating expenses		
Interest expenses	212	
Sales discount	220	
Losses on sales of notes receivable	36	
Exchange losses	387	
Loss on valuation of derivatives	212	
Other	148	1,217
Ordinary income		3,169
Extraordinary income		
Gain on sales of property, plant and equipment	44	
Gain on sales of investment securities	164	
Other	28	237
Extraordinary loss		
Losses on sales or disposal of property, plant and equipment	87	
Impairment loss	21	
Losses on temporary closure	35	
Other	22	167
Net income before income taxes		3,239
Income taxes (income, residential and enterprise taxes)	888	
Income tax adjustment	224	1,112
Net income		2,126
Net income attributable to non-controlling interests		12
Net income attributable to owners of the parent		2,113

Consolidated Statements of Changes in Net Assets (From April 1, 2020 to December 31, 2020)

(Units: Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of start of current fiscal year	21,207	5,674	54,404	(6,254)	75,032
Changes during fiscal year					
Dividends from surplus			(1,377)		(1,377)
Net income attributable to owners of the parent			2,113		2,113
Increase (decrease) in surplus of consolidated overseas subsidiaries and affiliates due to the change in the period of the fiscal year			284		284
Acquisition of treasury stock				(1,756)	(1,756)
Sales of treasury stock				19	19
Cancellation of treasury stock		(0)	(7,499)	7,499	–
Change of interest for transaction attributable to non-controlling parties		51			51
Items other than changes in shareholders' equity, net					
Total change during fiscal year	–	51	(6,479)	5,762	(664)
Balance as of end of current fiscal year	21,207	5,726	47,925	(491)	74,367

	Accumulated other comprehensive income					Non–controlling interests	Total net assets
	Net unrealized gains on other securities	Deferred gains or losses on hedges	Translation adjustments	Cumulative adjustments related to retirement benefits	Total accumulated other comprehensive income		
Balance as of start of current fiscal year	856	5	(316)	(3)	542	1,304	76,879
Changes during fiscal year							
Dividends from surplus							(1,377)
Net income attributable to owners of the parent							2,113
Increase (decrease) in surplus of consolidated overseas subsidiaries and affiliates due to the change in the period of the fiscal year							284
Acquisition of treasury stock							(1,756)
Sales of treasury stock							19
Cancellation of treasury stock							–
Change of interest for transaction attributable to non-controlling parties							51
Items other than changes in shareholders' equity, net	621	(6)	(1,367)	135	(617)	(430)	(1,047)
Total change during fiscal year	621	(6)	(1,367)	135	(617)	(430)	(1,711)
Balance as of end of current fiscal year	1,478	(1)	(1,683)	132	(74)	874	75,167

Non-consolidated Financial Statements

Non-consolidated Balance Sheet (as of December 31, 2020)

(Units: Millions of yen)

Item	Amount	Item	Amount
<i>Assets</i>		<i>Liabilities</i>	
Current assets	49,707	Current liabilities	20,767
Cash in hand and in banks	23,870	Accounts payable–trade	3,428
Notes receivable - trade	759	Current portion of corporate bonds	474
Electronically recorded monetary claims	5,328	Short-term borrowings	12,228
Accounts receivable - trade	6,692	Current portion of long-term debt	1,654
Merchandise and finished goods	2,734	Accrued bonuses to employees	482
Work in process	2,402	Accrued bonuses to directors	19
Raw materials and supplies	1,442	Other	2,479
Short-term loans receivable	5,435		
Other	1,044	Long-term liabilities	37,831
Less: Allowance for doubtful accounts	(2)	Corporate bonds	31,192
Fixed assets	60,770	Long-term debt	5,174
Property, plant and equipment	15,921	Allowance for stock benefit for directors and operating officers	182
Buildings	2,515	Other	1,281
Structures	391	Total liabilities	58,599
Machinery and equipment	3,775		
Tools, furniture and fixtures	4,476	<i>Net assets</i>	
Land	3,758	Shareholders' equity	50,431
Construction in progress	888	Common stock	21,207
Other	116	Capital surplus	5,715
Intangible assets	5,304	Legal capital surplus	5,715
Investments and other assets	39,544	Retained earnings	24,001
Investments in securities	4,473	Other retained earnings	24,001
Stocks of subsidiaries and affiliates	28,574	Retained earnings brought forward	24,001
Long-term loans receivable	6,776	Treasury stock	(491)
Deferred tax assets	191	Valuation and translation adjustments	1,446
Other	1,968	Net unrealized gains on other securities	1,448
Less: Allowance for doubtful accounts	(2,442)	Deferred gains or losses on hedges	(1)
Total assets	110,478	Total net assets	51,878
		Total liabilities and net assets	110,478

Non-consolidated Statements of Income (From April 1, 2020 to December 31, 2020)

(Units: Millions of yen)

Item	Amount	
Net sales		41,786
Cost of sales		31,268
Gross profit		10,518
Selling, general and administrative expenses		9,763
Operating income		755
Non-operating income		
Interest and dividend income	1,565	
Insurance income	19	
Exchange gains	14	
Other	111	1,711
Non-operating expenses		
Interest expenses	162	
Sales discount	123	
Other	313	598
Ordinary income		1,868
Extraordinary income		
Gain on sales of property, plant and equipment	0	
Gain on sales of investment securities	164	
Other	0	165
Extraordinary loss		
Losses on sales or disposal of property, plant and equipment	22	
Impairment loss	21	
Loss on valuation of investment securities	0	
Loss on valuation of stocks of subsidiaries and affiliates	228	
Other	13	286
Net income before income taxes		1,746
Income taxes (income, residential and enterprise taxes)	118	
Income tax adjustment	191	309
Net income		1,436

Non-consolidated Statements of Changes in Net Assets (From April 1, 2020 to December 31, 2020)

(Units: Millions of yen)

	Shareholders' equity					
	Common stock	Capital surplus		Retained earnings	Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Other retained earnings		
				Retained earnings brought forward		
Balance as of start of current fiscal year	21,207	5,715	0	31,442	(6,254)	52,110
Changes during fiscal year						
Dividends from surplus				(1,377)		(1,377)
Net income				1,436		1,436
Acquisition of treasury stock					(1,756)	(1,756)
Sales of treasury stock					19	19
Cancellation of treasury stock			(0)	(7,499)	7,499	—
Items other than changes in shareholders' equity, net						
Total change during fiscal year	—	—	(0)	(7,440)	5,762	(1,678)
Balance as of end of current fiscal year	21,207	5,715	—	24,001	(491)	50,431

	Valuation and translation adjustments			Total net assets
	Net unrealized gains on other securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of start of current fiscal year	847	5	852	52,962
Changes during fiscal year				
Dividends from surplus				(1,377)
Net income				1,436
Acquisition of treasury stock				(1,756)
Sales of treasury stock				19
Cancellation of treasury stock				—
Items other than changes in shareholders' equity, net	600	(6)	594	594
Total change during fiscal year	600	(6)	594	(1,084)
Balance as of end of current fiscal year	1,448	(1)	1,446	51,878

Auditor's Reports

Accounting Audit Report on the Consolidated Financial Statements

Independent Auditor's Report (Translation)

February 19, 2021

To the Board of Directors
KITZ Corporation

Ernst & Young ShinNihon LLC
Tokyo, Japan

Hideyuki Inoue Certified Public Accountant
Designated and Engagement Partner
Yuhei Ohno Certified Public Accountant
Designated and Engagement Partner

Audit Opinion

Pursuant to Article 444, Item 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 April 1, 2020, through December 31, 2020.

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, 2020, in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due

to fraud or error, design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Conflicts of Interest

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

Accounting Audit Report on the Non-consolidated Financial Statements

Independent Auditor's Report (Translation)

February 19, 2021

To the Board of Directors
KITZ Corporation

Ernst & Young ShinNihon LLC
Tokyo, Japan
Hideyuki Inoue Certified Public Accountant
Designated and Engagement Partner
Yuhei Ohno Certified Public Accountant
Designated and Engagement Partner

Audit Opinion

Pursuant to Article 436, Item 2, Paragraph 1 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 107th fiscal year from April 1, 2020, through December 31, 2020.

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, 2020, in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

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

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

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

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

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

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

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

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

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

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

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

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

Conflicts of Interest

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

Audit Report of the Audit & Supervisory Board

Audit Report

With respect to the Directors' performance of their duties during the 107th business year (from April 1, 2020 through December 31, 2020), the Audit & Supervisory Board has prepared this audit report after deliberations based on the audit report prepared by each Audit & Supervisory Board Member, and hereby reports as follows as the consensus of opinion of the Audit & Supervisory Board Members.

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

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

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

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

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

2. Results of Audit

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

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

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

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

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

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

3. Decision to Re-elect the Accounting Auditor

As a result of its review, the Audit & Supervisory Board has determined that Ernst & Young ShinNihon LLC should be re-elected as the accounting auditor for the 108th fiscal year ending December 31, 2021.

February 22, 2021

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