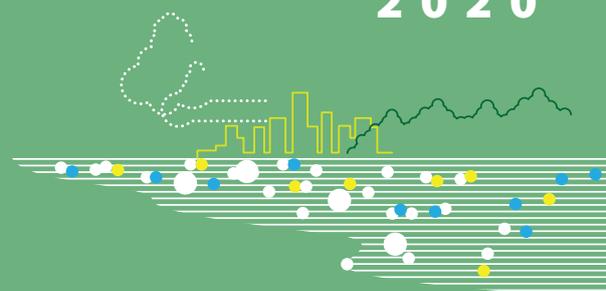


KITZ Group Safety and Environmental Report Digest

2020



The KITZ Group incorporates an ESG standpoint in its management policies to achieve medium-to long-term sustainable growth and solve a variety of issues afflicting the global environment and society.

ESG-centered initiatives and SDGs

Further strengthening the ESG strategy was one of the priorities of the 4th Medium-Term Management Plan, which became effective in fiscal 2019. In March 2020, we visualized the purpose of the SDGs which are closely related to KITZ's most important initiatives. While continuing to improve the initiatives undertaken up to now, we will work towards achieving SDGs in view of a sustainable future by accelerating sustainability management.

Main items	Sub items	Specific actions	SDGs
Environment Contributing to the preservation of the global environment through business activities	1. Development and supply of environmentally friendly products and services	1) Development of environmentally friendly materials like lead-free and cadmium-free materials 2) Development of sterilization/purification equipment 3) Provision of products complying with RoHS directives and REACH regulations 4) Development of products for the clean energy sector	
	2. Promotion of reduction, reuse and recycle of industrial waste	1) Promotion of activities to reduce green house gases and CO ₂ emissions causing global warming. 2) Limiting the discharge of environmentally hazardous substances	
	3. Prevention of environmental pollution at Group and global level	1) Identification of chemicals containing harmful substances and promotion of their replacement 2) Visualizing the environment-related laws and regulations of countries where we have bases and taking measures to comply with those laws and regulations	
Social Valuing human resources, safety, and local communities	1. Promoting the active participation of diverse human resources (diversity & inclusion)	1) Introducing and establishing a personnel system for making work easier 2) Initiatives aimed at ensuring equal pay for equal work 3) Promoting the active participation of female employees 4) Promoting the active participation of senior human resources 5) Promotion and training of global human resources 6) Enhancement of systems for promoting a healthy work-life balance	
	2. Fostering a corporate culture that values safety, health and human rights	1) Developing a working environment where it's safe and healthy to work 2) Thorough enactment of policies to prevent prejudice, discrimination, human rights violations and unfair treatment based on nationality, religion, ethnic group, etc.	
	3. Appropriate business activities	1) Promotion of supply chain management through fair transactions 2) Pursuit of customer satisfaction by ensuring quality and safety	
	4. Social contribution activities	1) Promotion of social contribution activities	
Governance Fair and just management	1. Establishing a sound corporate governance system	1) Effective operation of the Nominating Committee and the Compensation Committee 2) Appointment of female officers 3) Strengthening of internal control (internal audit) based on the Companies Act in addition to the J-SOX Act	
	2. Improving management transparency and strengthening management monitoring systems	1) Sharing of information by holding a four-pillar audit/supervisory meeting through the addition of outside directors to three-pillar (auditors' committee, accounting auditor, internal audit office) audit meetings 2) Auditing and supervision of group companies by external officers 3) Strengthening of the Internal Audit Office	
	3. Improving the effectiveness of the Board of Directors	1) Strengthening governance and revitalizing the Board of Directors by appointing outside officers with a wide range of insight and experience 2) Implementation of performance evaluation for the Board of Directors and responding to related issues	

KITZ Group Principle of Environmental Activities

KITZ places the highest priority on safety and health in all of its activities based on the principle of showing respect for people. Group companies conduct extensive safety and health programs with the goal of zero accident.

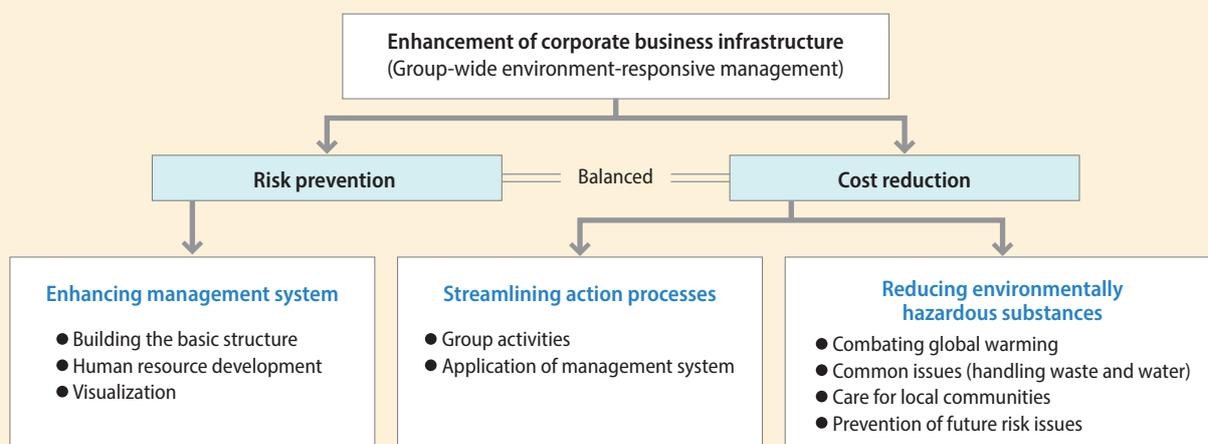
KITZ Group Companies: Environmental Action Policy

KITZ Group companies shall recognize environmental issues as an essential perspective of corporate management and every employee shall positively participate in the following activities.

1. Development and supply of environmentally friendly products and services
2. Effective use of resources
3. Promotion of reduction, reuse and recycle of waste
4. Prevention of environmental contamination

Concept and Initiatives for Environmental Management

In order to achieve the above target, KITZ will work on the basis of the concept of compatibility between “risk prevention” and “cost reduction”. The concept of “compatibility” here is based on the idea that an organization can reduce its future costs by proactively engaging in environmental activities now to prevent soil contamination and other damage; and that they can drastically reduce costs by minimizing their business-related waste. These will also result in widely giving back to society.



KITZ Group Safety and Health Fundamental Philosophy

KITZ places the highest priority on safety and health in all of its activities based on the principle of showing respect for people. Group companies conduct extensive safety and health programs with the goal of zero accident.

KITZ Group Safety and Health Fundamental Policies

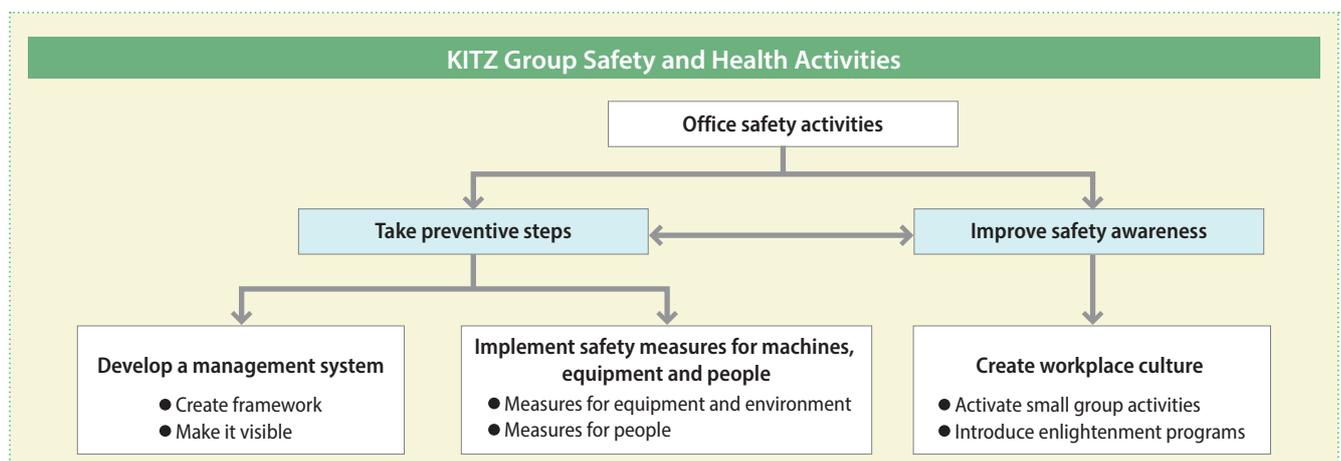
1. KITZ maintains stimulating and pleasant workplaces that contribute to the mental and physical wellbeing of all employees.
2. KITZ is dedicated to ensuring safety and health for all employees by complying with Japan's Industrial Safety and Health Act and other associated laws and regulations as well as by adhering to internal rules and standards.
3. KITZ improves safety and health management by educating and training all employees with regard to the knowledge and skills needed for safety and health programs.
4. KITZ is dedicated to ensuring the safety of its machinery and equipment so that employees can do their jobs without concern.
5. KITZ reduces exposure to risk factors with the goal of eliminating potential sources of danger and harm to employees in workplaces.

Take Preventive Steps and Improve Safety Awareness Through Group-wide Safety and Health Programs

The company will address safety from two directions: "Enhancement of safety activities and systematic incorporation of prevention measures into production lines" and "Promotion of volunteer activities at workplaces (bottom-up approach via small group activities)". Through this two-pronged approach, the company will encourage a change in every employee's mindset and increase employees' awareness with regard to safety, thereby reforming the corporate culture.

KITZ has formulated the following key actions as measures for employee safety and health with the aims of taking preventive steps for safety and improving safety awareness.

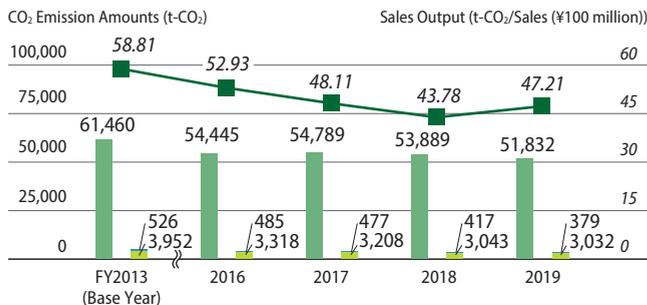
- Develop a management system (comply with safety and health related laws and regulations)
- Implement safety measures for machines, equipment and people (prevent similar accidents)
- Create workplace culture (promote zero accidents)



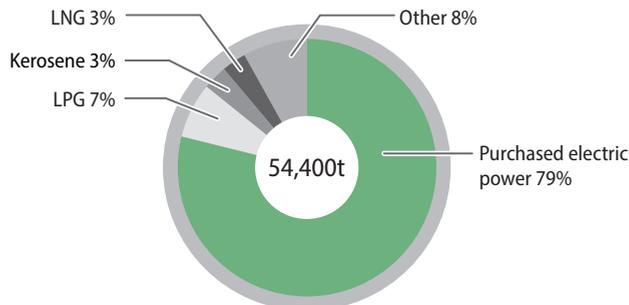
Main environmental and health/safety data

- Manufacturers (except for sales offices)
- Service companies
- Sales offices of manufacturers
- Consumption units at manufacturers and service companies (except for sales offices)

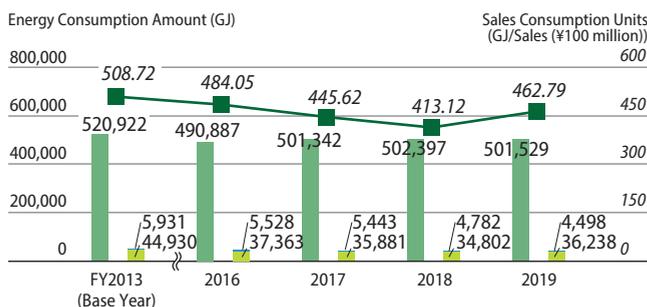
CO₂ Emission (ton- CO₂)



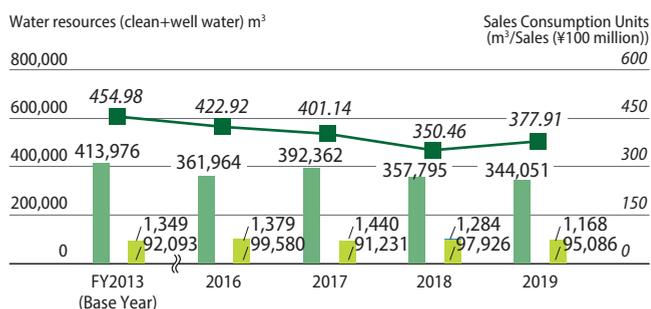
CO₂ emissions by energy source



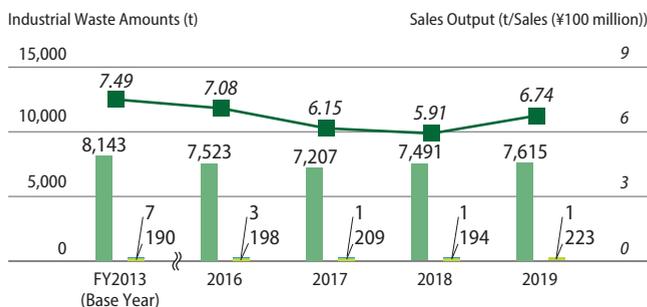
Energy Consumption (GJ)



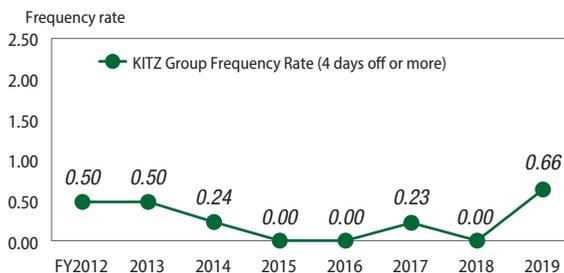
Water resources



Discharge of Industrial Waste (ton)

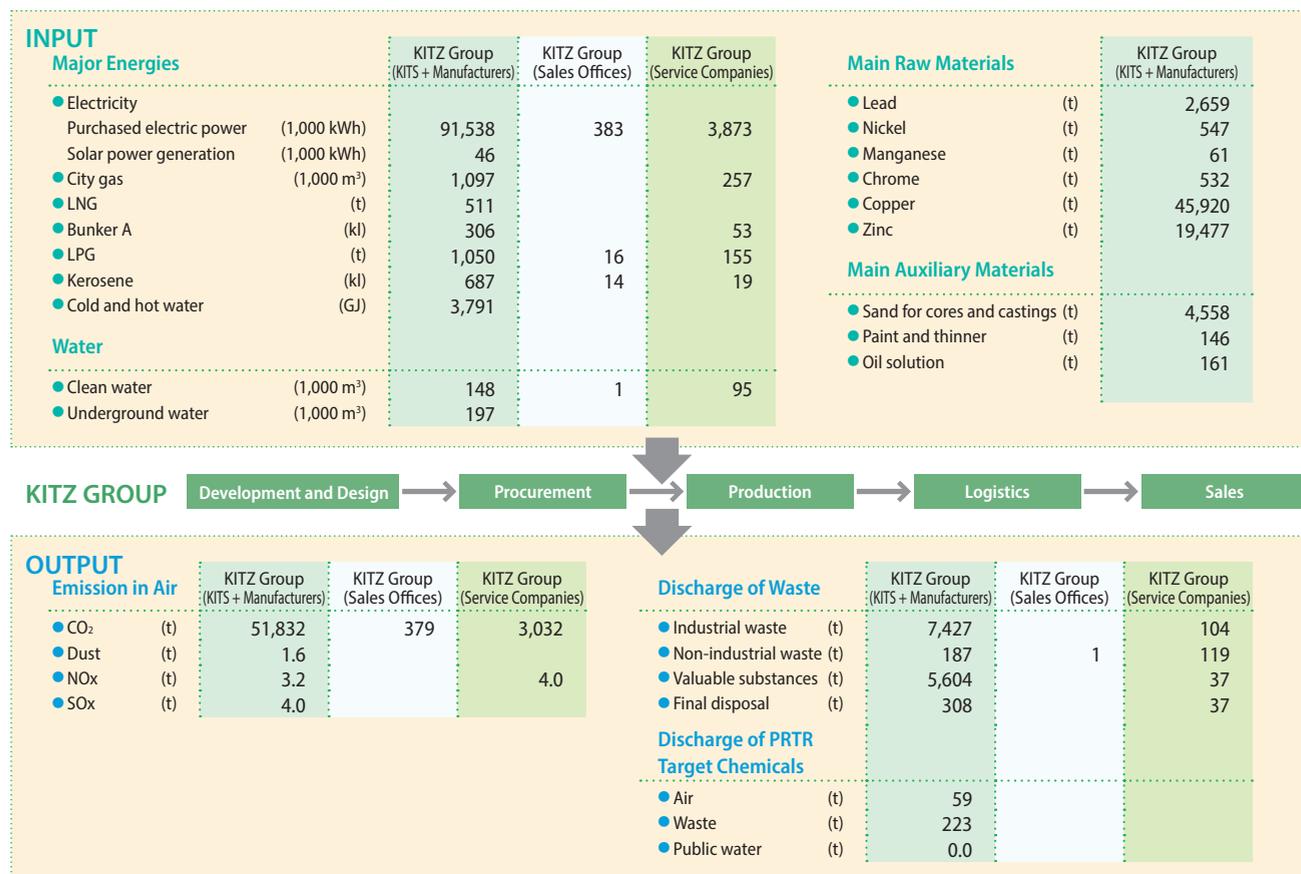


Trends in frequency rate



* KITZ and domestic manufacturing Group companies

Overall Image of Environmental Impact



Environmental Accounting

Environmental Conservation Costs

(Thousand of yen)

Category		Main actions	Capital investment	Expenditures
Cost for premises			158,235	653,530
Breakdown	Pollution control	Introduction, purchasing and maintenance of facilities	65,520	231,860
	Global environment protection	Introduction of facilities and equipment	92,334	223,876
	Resource circulation	Reduction, recycling and outsourced disposal of waste	380	197,794
Product recycling		Collection and recycling of used goods	0	13,335
Administrative duties		ISO-related works, environmental measurement and disclosure of environmental information	2,818	81,735
Research and development		Development of lead-free and other environmentally friendly products	0	70,808
Social activities		Promotion of greening activities	0	563
Damaged environment recovery		Purification of underground water	0	600
Other costs			0	0
Total			161,053	820,571

Total costs	Costs for environmental conservation	Total operation costs (A)
Total capital investment	1.2% against total operation cost (A)	13,617,042
Total R&D expenditures	2.7% against total operation cost (A)	2,611,849

Environmental Conservation Effects

Category	Numerical targets (Unit)	Results in FY2018	Results in FY2019	FY2019 less FY2018
Effects related with input resources	Consumed total energies (GJ)	537,199	531,715	(5,484)
	Consumed PRTR materials (ton)	6,195	2,428	(3,767)
	Consumed clean water (m ³)	253,822	243,056	(10,766)
	Consumed underground water (m ³)	201,899	196,900	(5,000)
Effects related with output waste and pollutants	Greenhouse gas emission (ton-CO ₂)	56,931	54,109	(2,822)
	Discharged or displaced chemicals (ton)	256	282	26
	Discharged total waste (ton)	7,685	7,761	76

Economic Effects of Environmental Conservation Activities

(Net financial gain)

(Thousands of yen)

Details of effects		Amount
Profits	Earned from recycling waste and used products	354,479
Saved expenditures	Saved by energy saving activities	(757,711)
	Reduced recycling expenditures	127,071
	Saved by waste reduction	(15,477)
Total		(291,638)

Scope of compilation is KITZ Corporation (Head Office, Nagasaka, Ina, Chino), KITZ Metal Works Corporation, KITZ Micro Filter Corporation, KITZ SCT Corporation, Shimizu Alloy Mfg. Co., Ltd., KITZ Engineering Service Co., Ltd. and Hotel Beniya

