Corporate Report 2018
Dependable supply of water to any location.
Uninterrupted supply of oil and gas.
Precision control systems for clean environments.

The KITZ Group helps enrich our world by producing precision valves to control the flow of water, air, oil and gas, all the fluids we need to sustain our industries, our communities and life itself.

KITZ professionals are in a constant state of challenge, designing and directing the science of fluid flow control to provide products and services that exceed customer expectations, to create innovations that will encompass new fields and new applications throughout the world and to help conduct the flow of civilization into the future.

Doing Our Part Today
Creating the Future
To Our Stakeholders

Message from the President

Message from the CFO

Business Summary and Strategy

Challenging New Possibilities
Valve Manufacturing Business
Message from Unit General Manager, Flow Control Business Unit
KITZ Group + Water
KITZ Group + Energy
KITZ — A Reliable Brand
Research and Development System Creating High Added Value
Production Systems That Assure High-Quality Products
Extensive and Strong Sales Network
As a Leading Company in the Valve Industry
Brass Bar Manufacturing Business

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Editorial Policy
The KITZ Group published Corporate Report 2018 to provide its shareholders, investors and other stakeholders with information about the Group’s initiatives toward sustainable growth. The report focuses on value creation in the short, medium and long term based on the framework presented by the International Integrated Reporting Council (IIRC).

Cautionary Note Regarding Forward-Looking Statements
This report contains forward-looking statements concerning future plans, measures and other matters that the Company believes are reasonable assumptions based on information that is currently available. These statements contain a number of risks and uncertainties. Therefore, actual results may differ materially from our expectations due to various reasons.
The KITZ Group’s Value Creation Process

Based on sound and highly transparent management, the KITZ Group strives to continuously enhance its corporate value through the manufacture and sales of valves utilizing the Group’s strengths. Through these efforts, the Group shall contribute to its shareholders, investors, customers, business partners and employees and to society in various ways and help to create a prosperous society.

The KITZ Group’s Strengths

- Offering a variety of products to multiple fields
- Integrated production system from materials to finished products
- Global sales networks
- Diverse human resources in the corporate culture capable of taking on challenges
- Environmental consciousness and harmonious coexistence with society
- Sound financial position

Value Creation Process

- Management strategy for realizing sustainable growth
- Valve manufacturing business that generates value as professionals in fluid flow control
キッツは、創造的かつ質の高い商品・サービスで企業価値の持続的な向上を目指し、ゆたかな社会づくりに貢献します。

To contribute to the global prosperity, KITZ is dedicated to continually enriching its corporate value by offering originality and quality in all products and services.

Do it KITZ Way

■ Do it True (誠実・真実)
■ Do it Now (スピード・タイムリー)
■ Do it New (創造力・チャレンジ)

Value Delivery

Corporate governance that realizes sound and highly transparent management
Pages 39-47

Education system that develops a motivated corporate culture
Pages 33-38

Creation of a comfortable living environment through support for the stable supply of water and energy

Customer/supplier confidence and coexistence with local communities

Development of global human resources and creation of a corporate culture in which employees are always motivated

Business activities that minimize the impact on the environment and strengthening of the environmental management system

Continuous enhancement of shareholder value
The Kitazawa Factory (now KITZ Corporation) was founded in 1951 when Japan was in the transition period from the chaotic aftermath of the postwar era to the approaching era of high growth. Guided by the founding principle of Toshio Kitazawa (1917-1997), the Company positioned integrated production as the basis of its operations, in which all processes are carried out under one roof, from materials to finished products and from casting through machining, assembly, inspection and shipment. Furthermore, the Company has built a structure that provides customers with meticulous service and post-sale follow-up. This insistence on “better quality” has been upheld and passed down as the cornerstone of the KITZ Group’s activities. The Group has grown to become one of the world’s pre-eminent corporate groups, developing a solid position as an all-round valve manufacturer that provides a wide variety of products to multiple fields.

**KITZ Group’s Growth Trajectory**

The Kitazawa Factory (now KITZ Corporation) was founded in 1951 when Japan was in the transition period from the chaotic aftermath of the postwar era to the approaching era of high growth. Guided by the founding principle of Toshio Kitazawa (1917-1997), the Company positioned integrated production as the basis of its operations, in which all processes are carried out under one roof, from materials to finished products and from casting through machining, assembly, inspection and shipment. Furthermore, the Company has built a structure that provides customers with meticulous service and post-sale follow-up. This insistence on “better quality” has been upheld and passed down as the cornerstone of the KITZ Group’s activities. The Group has grown to become one of the world's pre-eminent corporate groups, developing a solid position as an all-round valve manufacturer that provides a wide variety of products to multiple fields.

* Sales from 1951 to 1982: Non-consolidated

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**History**

1951
- Toshio Kitazawa founded the Kitazawa Factory.
- The Nagasaka Plant was completed and the manufacture and sales of copper valves started.
- Nationwid distributors’ association was organized, marking the establishment of a distribution system for the domestic market.

1959
- Started manufacturing brass rods.

1962
- Company name was changed to Kitazawa Valve Co., Ltd.
- Started manufacturing and selling ductile case iron valves and stainless steel valves.
- Started manufacturing and selling butterfly valves.

1967
- Started manufacturing and selling cast iron valves.

1968
- Started manufacturing and selling cast steel valves.

1969
- Listed on the Second Section of the Tokyo Stock Exchange.

1974
- KITZ became a registered trademark.

1977
- Yusuke Shimizu was appointed as President.

1978
- The Nagasaka and Ina plants obtained ISO 9001 quality management system certification, making KITZ the first Japanese company to receive this certification.

1980
- Spanish ball valve manufacturer ISO S.A. (currently KITZ Corporation of Europe, S.A.) joined the KITZ Group.

1982
- Japan’s first forged brass valves called FH and FS introduced.

1984
- An ergonomically designed handwheel, popularly known as the “CHRYSTHEMUM-HANDLE,” the corporate symbol, introduced for cast bronze valves.

1985
- Listed on the First Section of the Tokyo Stock Exchange.

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* Sales from 1951 to 1982: Non-consolidated
1992
- Changed name to KITZ Corporation and moved the head office to the Makuhari district of Chiba City

1995
- Shimizu Alloy Mfg. Co., Ltd. joined the KITZ Group, enabling the group to begin supplying products for water supply systems.

1999
- KEEPALOY environmentally friendly lead-free dezincification-resistant brass bars are developed and announced.

2001
- Kimio Kobayashi was appointed as President.
- Purchased the semiconductor related business from the former Benkan Group.

2004
- Toyo Valve Co., Ltd., another well-known Japanese valve manufacturer, joined the KITZ Group.

2005

2008
- Yasuyuki Hotta was appointed as President.

2009
- Perrin GmbH, a ball valve manufacturer in Germany, joined the KITZ Group.

2010

2015
- Indian industrial valve manufacturer Micro Pneumatics Pvt. Ltd. joined the KITZ Group.
- Brazilian industrial ball valve manufacturer Metalúrgica Golden Art’s Ltda. joined the KITZ Group.

2018
- Korean industrial butterfly valve manufacturer Cephas Pipelines Corp. joined the KITZ Group.
Looking at the KITZ Group by Numbers  (as of March 31, 2018)

**Net Sales**

124.5 Billion Yen

In the fiscal year ended March 31, 2018, in terms of net sales the valve manufacturing business accounted for 78.8%, the brass bar manufacturing business made up 18.9% and Other comprised 2.3%. In the future as well, KITZ will aim for further growth as an all-round manufacturer of fluid control devices centering on valves.

* For detailed information, please refer to the Message from the President on page 9

**Operating Income**

10.1 Billion Yen

KITZ strives to expand sales by quickly developing and launching a product lineup needed by customers in addition to existing products. KITZ also aims for sustainable growth in profits by reducing manufacturing costs through global procurement, in-house manufacture and increasing productivity.

**ROE**

8.7%

While aiming for a sustainable growth in profits, KITZ is also striving to further raise ROE. These efforts included the acquisition of 1,367,200 treasury shares in April 2017 and 2,693,100 treasury shares from December 2017 through February 2018.

* For detailed information, please refer to Message from the CFO on page 13.
CO₂ emissions

The KITZ Group has set target values for reducing CO₂ generated in business activities in an effort to help prevent global warming.

*1. Figures for CO₂ emissions and sales consumption units are taken from KITZ Corporation and domestic group companies.
2. For detailed information, please refer to Environmental Activities on page 48.

Global Network

In 1984, the KITZ Group established KITZ Corporation of America, a sales company in the United States, as its first overseas base. We currently have production and sales bases in 14 countries around the world as we build a global network.

*For detailed information, please refer to Extensive and Strong Sales Network on page 29.

Number of Employees (consolidated basis)

A diversity of human resources in the KITZ Group are playing active roles irrespective of gender, age and nationality. The number of employees is also increasing in tandem with an expansion in the size of the KITZ Group.

*For detailed information, please refer to Message from Director in Charge of Human Resources on page 35.

Total Number of Employees Taking Childcare Leave (cumulative total for KITZ Corporation)

Numerous employees take childcare leave and then return to their workplaces. Additionally, we are progressing with initiatives to create friendly working environments for each and every employee. These efforts include implementing shorter working hours and allowing employees to take paid holiday leave in hourly increments for child-rearing.

*1. Indicates the cumulative total number of employees taking childcare leave since 1995.
2. For detailed information, please refer to Initiatives to Encourage and Support Human Resources on page 34.
To Our Stakeholders

Message from the President

Aiming to enhance our corporate value by mobilizing the full potential of the KITZ Group

Yasuyuki Hotta
President and CEO

Corporate Report 2018
This year marks the third time KITZ Corporation has issued the Corporate Report after beginning in 2016. The report systematically integrates financial and non-financial information, and is designed as a communication tool to increase understanding in particular of the KITZ Group’s management strategy and growth potential.

The report references the framework presented by the International Integrated Reporting Council (IIRC) and is comprised of content relating to the KITZ Group’s value creation over the short, medium and long terms by way of unique stories.

KITZ uses the Corporate Report as a tool to interact with shareholders, investors and all other stakeholders, and will continue striving to further enhance corporate value.

KITZ Group Vision
Based on our Corporate Mission to continually enrich our corporate value by offering originality and quality in all products and services, KITZ has formulated an Action Guide known as “Do it KITZ Way,” which comprises “Do it True” (sincerity and truth), “Do it Now” (speed and timeliness) and “Do it New” (creativity and challenges). In order to realize these ideals, we will first ensure that each employee understands and puts

One Year in the KITZ Group

April 2017

April
Completed acquisition of 1,367,200 treasury shares.

May
Published the integrated report Corporate Report 2017.

June
Published the integrated report Corporate Report 2017.

June
Exhibited for the first time at Gastech Japan 2017.

June
KITZ SCT Corporation (semiconductors) starts operation of a new dedicated plant for system products.

June
Changed the number of Outside Directors to three, which makes up half of the six Directors on the Board of Directors.

July
The CLESTEC Series super-high-pressure ball valves for hydrogen stations win the Excellence in 15th Environmental and Equipment Design Award.

July
Published the integrated report Corporate Report 2017.

August
Published the integrated report Corporate Report 2017.

August
KITZ Corporation of Asia Pacific Pte. Ltd. opens representative office in the Philippines.

August
Briefing held for individual investors.
To Our Stakeholders

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Engineering Department established at KITZ (Thailand) Ltd.

Metalúrgica Golden Art’s Ltda. wins Best Brazil Brand Award (Valve sector) for five consecutive years.

Marked 25 years after changing the company name from Kitazawa Valve Co. Ltd to KITZ Corporation.

Completed acquisition of 2,693,100 million treasury shares.

Construction completed at the Nagasaka Plant of hydrogen stations that use compact package units.

Korean industrial butterfly valve manufacturer Cephas Pipelines Corp. joined the KITZ Group.

Announced a revision of sales prices in the domestic market.

Financial Results for the Year Ended March 31, 2018 (FY2017)

Consolidated net sales in FY2017 increased by ¥10,464 million from the previous fiscal year to ¥124,566 million on the back of sales growth in the valve manufacturing business and brass bar manufacturing business.

In the valve manufacturing business, demand was strong for semiconductor manufacturing equipment and building facilities in the domestic market. In overseas markets, sales for semiconductor manufacturing equipment increased in Asia while oil-related capital investment remained low. As a result, net sales increased by ¥6,396 million year on year to ¥98,162 million.

In the brass bar manufacturing business, net sales increased by ¥4,202 million to ¥23,535 million due primarily to a significant year-on-year rise in raw material market prices, which impacted sales prices.

Operating income also increased considerably. Segment operating income in the valve manufacturing business increased by ¥1,354 million compared with the previous fiscal year to ¥12,798 million owing mainly to the effects of efforts to enhance profitability and reduce costs in line with revised sales prices in Japan and of growth in sales for semiconductor manufacturing equipment, despite an increase in production costs following higher raw material prices.

Segment operating income in the brass bar manufacturing business amounted to ¥699 million, down ¥132 million year on year. Overall consolidated operating income increased by ¥1,188 million year on year to ¥10,117 million thanks to the contribution from enhanced profits in the valve manufacturing business. This was the first time we exceeded the ¥10 billion mark in operating income in 10 fiscal years since FY2007.

Ordinary income stood at ¥9,733 million, up ¥934 million in year-on-year terms. Net income attributable to owners of the parent increased by ¥1,117 million from the previous fiscal year to ¥6,518 million. This was due in part to the absence of extraordinary loss (impairment loss) associated with the transfer of trust beneficiary rights for real estate, which amounted to ¥3,598 million in the previous fiscal year, and to the recording of gains on sales of investment securities following the sale of a portion of our cross-held stocks during the fiscal year.

them into practice. We will also further enhance compliance by strengthening our internal control and legal compliance systems to become a company that garners even higher levels of trust.

We will also look to nurture competitive human resources with a worldview and knowledge, skills and education at a global standard level. To outstrip the global competition, we will promote the delegation of authority and clarify responsibilities to enable swift decision-making. By shortening lead times and improving yields, we seek to bolster productivity to the extent possible, while increasing the quality not only of our products but also our sales, services and other activities as a means to quickly satisfy levels of quality demanded by customers. KITZ will operate its business based on these concepts.

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**Targets (FY2016-FY2018)**

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Initial Plan</td>
<td>Results</td>
<td>Initial Plan</td>
</tr>
<tr>
<td>Net sales</td>
<td>111,500</td>
<td>114,101</td>
<td>115,000</td>
</tr>
<tr>
<td>Operating income</td>
<td>8,000</td>
<td>8,929</td>
<td>9,000</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>7,700</td>
<td>8,799</td>
<td>8,700</td>
</tr>
<tr>
<td>Net income attributable to owners of the parent</td>
<td>5,000</td>
<td>5,400</td>
<td>5,700</td>
</tr>
<tr>
<td>Operating income to net sales</td>
<td>7.2%</td>
<td>7.8%</td>
<td>7.8%</td>
</tr>
<tr>
<td>Overseas sales ratio</td>
<td>31.8%</td>
<td>29.7%</td>
<td>32.7%</td>
</tr>
<tr>
<td>ROE</td>
<td>6.6%</td>
<td>7.3%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>63.9%</td>
<td>61.9%</td>
<td>64.7%</td>
</tr>
</tbody>
</table>

- **Net sales by segments**
  - Valve manufacturing: 92,000, 91,766, 95,000, 94,000, 98,162, 100,000, 105,000
  - Brass bar manufacturing: 16,400, 19,333, 16,500, 20,000, 23,535, 16,500, 24,000
  - Other: 3,100, 3,002, 3,500, 3,000, 2,867, 3,500, 3,000

- **Operating income by segments**
  - Valve manufacturing: 11,000, 11,444, 11,900, 13,000, 12,798, 13,150, 13,900
  - Brass bar manufacturing: 250, 831, 350, 400, 699, 100, 600
  - Other: 100, 59, 150, 50, (28), 150, 50

**Progress of the Third Phase of the Medium-Term Management Plan and the FY2018 Management Plan**

The second year of the third phrase of our Medium-Term Management Plan (FY2017) commenced with the aim of achieving the goals of the final year of the plan (FY2018) one year ahead of schedule. We realized numerical targets for sales and profits owing to solid performance for building facilities and semiconductor manufacturing equipment, improved profitability in line with revised sales prices in Japan and activities to reduce costs. This was despite negative factors that included stagnation in oil-related capital investment in overseas markets and rising market prices for materials in the latter half of the fiscal year.

Since we have already achieved the initial numerical targets for FY2018 in FY2017, we have set even higher numerical targets for FY2018 as we look toward the goals of our “KITZ Global Vision 2020” Long-Term Management Plan. In Japan, we forecast a continuation of favorable conditions as demand for building facilities in the Tokyo metropolitan area are expected to remain strong and demand related to the Tokyo Olympics and Paralympics is projected to materialize in the second half of the fiscal year. Additionally, we can expect demand to recover overseas on the back of global economic resurgence and ongoing positivity in the semiconductor market. Despite concerns over climbing material prices and rising depreciation costs associated with aggressive capital investment, the business environment is seen to be positive on the whole.

**Toward “KITZ Global Vision 2020”**

Under the “KITZ Global Vision 2020” Long-Term Management Plan, we have set the target of attaining record-high operating income of ¥12,500 million (surpassing the previous high of ¥11,615 million in FY2007) in FY2020. To achieve this target we have designated building facility, petrochemistry and general chemistry, and clean energy (hydrogen and LNG), which are fields where we can leverage our strengths, as focused market fields and will concentrate the allocation of resources on these fields. Our policy is to strongly promote development of new products that match customer needs by providing a swift response, from market research through to development and market release of product groups based on our strategy for each focused market field. This fiscal year we added “semiconductors” to our core markets. Record-high
To Our Stakeholders

Business Summary and Strategy

Human Resources ESG of the KITZ Group

Data Section

sales and profits for semiconductor manufacturing equipment in FY2017 were the driving force underpinning consolidated results. The favorable conditions are forecast to continue going forward and we will respond to the burgeoning demand by increasing production capacity.

In order to be competitive on a global scale, it is essential that we further boost productivity. We will make strategic capital investment aimed at increasing efficiency, saving labor and driving business growth this fiscal year as well. In our brass bar manufacturing business, we decided to renovate aging machineries and consolidate production lines, and started making substantial investment in FY2017 in order to improve productivity and profitability. In development divisions, we commenced full-scale operation of a Product Lifecycle Management (PLM) system aimed at enhancing operational efficiency in design and development, and shortening delivery time. In the second half of FY2018, we plan to introduce a new enterprise resource planning (ERP) system that we have been working on for three years, and we are confident that the increase in operational efficiency and more advanced information processing that this brings will make a significant contribution to future growth.

KITZ Group Stance on ESG

The KITZ Group is strengthening initiatives concerning environmental, social and governance (ESG) issues in order to drive long-term growth, create value and continue as a company required by society. In terms of governance, we decided to employ Outside Directors for three of the six Director positions in June 2017, and by clearly separating oversight and execution functions we have created a more effective management structure. KITZ has formulated the “Criteria for Determining the Independence of Outside Directors,” whereby all of KITZ’s Outside Directors satisfy the criteria. Also, KITZ’s Outside Directors and Outside Audit & Supervisory Board Members all satisfy the independence criteria prescribed by the Tokyo Stock Exchange. The Nomination Committee and Executive Compensation Committee, which have a majority of Outside Directors, have been set up voluntarily. These bodies are working to ensure transparency in executive appointments and respective compensation.

In terms of the environment, we continuously promote CO2 reduction and are striving to ensure the effective use of resources, reduce, reuse and recycle waste, prevent environmental contamination, and develop and supply environmentally friendly products and services with the aim of becoming operations worthy of society’s confidence.

In terms of social contribution, we are improving our programs for human resources development with the aim of creating a motivating environment for employees and promoting the reform of personnel systems so that each person can maximize his or her potential. We seek to be of use to society and the community as a good corporate citizen. In addition to social contribution through business, in particular, we continue to implement social contribution activities relating to coexistence with local communities located near our business sites and to environmental protection.

Going forward, we aim to contribute to the resolution of various problems facing humankind and realize ongoing growth over the long term.

I ask for your continued support as we move ahead in these endeavors.
Reforms in Business Structure and Aggressive Investment toward Medium- and Long-Term Growth

Amid the ongoing globalization of business competition, the KITZ Group decided to concentrate management resources on the valve manufacturing business and brass bar manufacturing business, and has proceeded with the reforms in the business structure and aggressive investment aimed at medium- and long-term business growth.

In the valve manufacturing business, in addition to restructuring production bases in Japan, overseas we acquired valve manufacturers in India and Brazil in 2015 with the aim of cultivating the global market and realizing optimal production locations. In 2016, we acquired a Korean manufacturer of hollow fiber membranes to strengthen our filter business. In April 2018, we acquired a butterfly valve manufacturer in Korea to bolster our product lineup. Moreover, we made an investment to increase floor space in a factory for semiconductors, to meet strong demand, as well as steadily making capital investments to enhance productivity.

In the brass bar manufacturing business, we are making a large-scale investment to upgrade aging machineries to improve productivity and profitability.

In addition, we are investing in a new ERP system with the aim of reforming operating processes, visualizing information and management, and standardizing operations. This system is scheduled to begin operation in the latter half of FY2018.

Sound and Strong Financial Standing

The KITZ Group aims to both strengthen our financial standing and enhance shareholder return by working to drive business growth and boost invested capital and asset efficiency.

Specifically, we established and transferred trust beneficiary rights for Head Office real estate in FY2016 in addition to selling a portion of cross-holding investment securities holdings in order to improve capital efficiency and reduce risk. In FY2018, we are striving to reduce inventories, enhance the turnover rate and bolster the Cash Conversion Cycle (CCC). We also plan to further improve the inventory turnover rate by consolidating and modularizing products.

Besides this, we are examining and working toward our optimum capital composition to ensure a stable financial standing with the aim of enabling flexible capital procurement and to realize return on equity (ROE) above the return expected by shareholders and investors.

Consolidated shareholders’ equity at the end of March 2018 excluding non-controlling interests amounted to ¥72.5 billion, up ¥1.5 billion from the end of the previous fiscal year. The equity ratio incorporating total accumulated other comprehensive income came to 56.8%.

Fund Efficiency Improvement and Financing

The KITZ Group is building a framework for the flow of funds within the Group on a global basis. In concrete terms, we are introducing a new global Cash Management System (CMS) and Finance Scheme to go with the CMS that has been in operation in Japan. This will enable us to put surplus funds to practical use globally as well as keep credits and debts in balance more efficiently in the same currency and reduce currency risk.

The Company is also focusing on the cutback of funds on hand to reduce interest-bearing liabilities. The Company has signed a specified line of credit (commitment line) agreement...
for short-term borrowings totaling ¥4,000 million with its respective relationship banks to prepare for unexpected demand for funds.

Regarding the procurement of medium- and long-term funds, the Company is maintaining good relationships with the respective banks where it holds accounts. We are looking at procuring funds from capital markets and have procured funds from capital markets by way of publicly offered corporate bonds. We have attained an A- rating for these bonds from Rating and Investment Information, Inc. (R&I). The Company made a registration for a total issuance limit of ¥20 billion for the issue of new corporate bonds and in March 2018 issued ¥10 billion worth of corporate bonds for public subscription (redeemable in seven years) on the fourth occasion. To further raise trust as a long-term issuer, we have obtained an A rating from Japan Credit Rating Agency, Ltd. (JCR).

Building a Global Business Management Structure
The KITZ Group has developed multi-functional overseas bases while actively pursuing overseas M&A. Under these circumstances, strengthening the business management of overseas Group companies is becoming an increasingly crucial issue. Going forward, we will promote the further "visualization" of business conditions and issues at each company, strengthening and assuring the stability of our consolidated financial structure, ascertaining and responding to future risk, and strengthening the Group’s internal fund management.

Enhancing Shareholder Returns and ROE Target
The Company positions returning profits to shareholders as one of its highest priorities. The Company considers that a dividend payout ratio of about 25% of net income attributable to owners of the parent as a desirable level for cash dividends with consideration given to their consistency and stability. The Company paid a record high ¥17 per share as cash dividends for the year ended March 2018. The dividend payout ratio came to 26.0%. The Company has aimed for a consolidated total return ratio of around one third of net income attributable to owners of the parent. However, in the third phase of its medium-term management plan the Company intends to return more profits to shareholders by acquiring treasury stock more aggressively. Based on this policy, the Company acquired 1,367,200 shares of treasury stock in April 2017. Furthermore, from December 2017 through February 2018, the Company acquired 2,693,100 shares of treasury stock. As a result, the consolidated total return ratio was 80.0%. Of the treasury stock held, 10 million shares were cancelled in March 2018.

The Company also recognizes return on equity (ROE) as one of the key management indices. The Company will work to maintain profit growth by improving management efficiency through the concentration of management resources and expanding businesses. At the same time, the Company will make efforts from a medium- and long-term perspective to enhance invested capital efficiency with the aim of improving ROE from the current level of 8.7% to 9.1% in FY2018 and 10% in the future.
Business Summary and Strategy
Challenging New Possibilities

The KITZ Group takes on the challenge of new possibilities such as the development of environmentally friendly products. KITZ actively strives to achieve further growth by cultivating new markets.

Construction at Nagasaka Plant of Hydrogen Station Using Compact Package Units

Under the third phase of the Medium-Term Management Plan, KITZ has positioned clean energy (hydrogen, LNG) as one of focused market fields.

According to the Ministry of Economy, Trade and Industry’s roadmap, the plan is to develop 160 hydrogen stations by 2020, 320 by 2025 and 900 by 2030, but because, in the case of the general scale*1 hydrogen stations, both construction costs and operational costs are high relative to the number of clean energy vehicles on the road, it is therefore necessary to build hydrogen stations of a scale suitable for the size of the market as we move forward into the full-scale clean energy period.

KITZ has, at the Nagasaka Plant, constructed a hydrogen station that uses compact package units (compressor/accumulator units) smaller than that of a general hydrogen station*2, as well as has used fuel cell-powered vehicles and fuel cell-powered forklifts as company vehicles and demonstrating how they operate. The Company aims to accumulate technologies for future valve development and will continue to perform more demonstrations in the future, with a view to proposing compact, high functioning, inexpensive compact package units to the market.

The Company plans to use the hydrogen station together with the LNG satellite base in the Nagasaka Plant to conduct tours for our customers.

Engineering Department Established at KITZ (Thailand) Ltd. with the Aim of Product Development to Meet Local Needs

Based on our strategy, one of focused areas, KITZ operates our business by establishing a regional headquarters in Singapore, sales companies in Thailand and Malaysia and representative offices in Vietnam and the Philippines. The Engineering Department was established at KITZ (Thailand) Ltd., our production base in Thailand, in September 2017 to provide products and services to satisfy local customers’ needs.

Besides the development of products tailored to local quality and needs (in particular, improved design of commercial valves), technical support for sales in order to develop new users, custom product design and improved production technology, the Engineering Department is responsible for product enhancement and cost reduction support. It also has a role as an alternative satellite base for the Design Department in Japan in the case of disasters or other emergency situations.

The Engineering Department started out with eight staff members, and its first steps were to establish a 3D design business, to shorten the product development lead time through consistent management from design to mold production and to accumulate mold production technology and improve productivity. As its second steps, the department will engage in sales support and marketing activities in the ASEAN region.

*1: Scale capable of fully filling six fuel cell vehicles per hour
*2: Scale capable of fully filling two fuel cell vehicles per hour
What are Valves?
Valves are a general term for fluid control devices that have the function of flowing and stopping fluids (water, air, oil, gas, etc.) in pipes and controlling the flow.

The origin of valves dates back to woodcocks that were excavated from ancient Egyptian ruins dating from around 1000 BC. Around the mid-1800s, when boilers for spinning were imported, metal valves were used for the first time in Japan. At the start of the Meiji era, when water service and town gas service commenced, valve manufacture began in Japan.

Today, valves are connected with diverse pipes in a wide range of fields from those close to our daily life, such as water and sewage, hot-water supply, gas and air conditioning, to the production processes in industrial fields, such as oil, chemical and pharmaceutical products and food. Valves play an extremely important role. Although we are rarely aware of their existence in our daily life, valves strongly support our life behind the scenes.

As an All-Round Valve Manufacturer
The reason why the KITZ Group has become a world-leading corporate group is that we have established a position as an all-round valve manufacturer that provides diverse products in every field. Many manufacturers specialize in limited fields or produce and sell products by narrowing down materials and shapes, whereas the KITZ Group provides a lineup of products in a variety of shapes using various materials, such as bronze, brass, stainless steel, cast iron and carbon steel, and provides products globally to areas from the fields of our lives to industrial fields. These products are produced in an integrated production system, starting from materials. The KITZ brand is well established for its reliability.

FY2017 Results and FY2018 Targets
In the domestic market, conditions were favorable in valves for building facilities, particularly in the Tokyo metropolitan area, while demand for semiconductor manufacturing equipment increased markedly. In overseas markets, oil-related capital investment remained stagnant despite a mild recovery in crude oil prices and sales to the Americas and Europe decreased. Sales of valves for semiconductor manufacturing equipment increased in Asia in addition to Japan, however, more than offsetting the sluggish sales in the oil and gas sector. Although production costs increased due to the rise of material prices, the revision of selling prices in Japan, effect of cost reduction activities and increase of sales of valves for semiconductor manufacturing equipment had a positive impact on profits. As a result of these factors, net sales in the valve manufacturing business increased by 7.0% year on year to ¥98,162 million, while segment operating income increased

We support the stable supply of water and energy and improve an environment in which people can live with a sense of reassurance.

Toshiaki Natori
Director, Senior Executive Officer and Unit General Manager, Flow Control Business Unit
Looking ahead to FY2018, we expect the domestic market to remain robust, with a continuation of favorable conditions for building facilities in the Tokyo metropolitan area and the emergence of demand relating to the Tokyo Olympics and Paralympics in the second half of the fiscal year. We also expect demand to recover overseas on the back of global economic resurgence and project the favorable semiconductor market conditions to continue.

Going forward, we will continue with our policy to strengthen existing businesses as well as invest management resources into markets with growth potential. In the ASEAN market, we will continue accelerating the expansion of bases and bolster our marketing activities in each country. We will also augment our product lineup for the building facility market, where we can expect sales to grow. In addition to the effects of an upward revision in sales prices in Japan conducted in May this year to follow on from the rise in 2017, we will shift further to in-house manufacturing through vigorous capital investment and promote labor-saving. At the same time, we will further reduce costs mainly through product consolidation and modular design. In FY2018, we will aim to achieve more than ¥100 billion (¥105 billion) in net sales and ¥13.9 billion in operating income in the valve manufacturing business segment.

**Net Sales & Operating Income in Valve Manufacturing Business Segment**

* The operating profit of the valve business shows the figures before the elimination of corporate expenses, etc.

**Toward Medium- and Long-Term Growth**

We further increased floor space at a new dedicated facility for system products for semiconductor manufacturing equipment that started operation in June 2017 at KITZ SCT Corporation’s Nitta SC Factory to meet burgeoning demand. We also established a second factory at KITZ SCT Corporation of Kunshan, a production base in China.

In Asia, we established the local sales subsidiary KITZ Hong Kong Company Limited in order to further boost sales in the Hong Kong market. In the ASEAN region, a local sales subsidiary, KITZ Valve & Actuation (Malaysia) Sdn. Bhd., was established in Malaysia and a representative office of KITZ Corporation of Asia Pacific Pte. Ltd. was established in the Philippines. In addition, we newly established the Engineering Department at the production base KITZ (Thailand) Ltd. to provide products and services that match local users.

In April 2018, we acquired 100% of the stock of Korea-based Cephas Pipelines Corp., a manufacturer of industrial butterfly valves, and made it a subsidiary. Going forward, we will seek to expand sales of butterfly valves by creating a production system that leverages the strengths of both companies and further utilizing the KITZ global network.
Water is the source of life and essential for sustaining all lives on the earth. The KITZ Group helps to make people's daily lives more comfortable by supporting stabilized water supply through its safety-conscious products and services.

Evolution of Water Treatment Technology
The KITZ Group's history began with water products. Since we started producing bronze valves, we have been supplying water service valves that control distribution of water to homes, buildings and industrial facilities. Our products are now installed in waterworks, water reservoirs, sewage plants and water pipelines as well as millions of homes.

Working toward Solving Water-Related Issues
Today, we work actively on the development of environmentally friendly technologies, such as surface treatment technology to prevent elution of nickel and lead from valves, and lead-free copper alloy materials, and meet the international standards for water quality.

The KITZ Group is seeking new solutions for various water-related problems by harnessing the Group's combined capabilities, utilizing every group member's experience, know-how, technologies, products and services.
To Our Stakeholders

Business Summary and Strategy

Human Resources

ESG of the KITZ Group

Data Section

Houses

Pools and hot springs

Sewage plants

Valves for water supply systems
Made of special chemical ingredients to minimize or eliminate lead elution into tap water for protection of human health.

Valves for water heaters
Designed for easy installation on compact, space-saving type for water heaters.

Water conditioners for commercial applications
Unique water conditioners sterilize bacteria and decompose organic materials to chemically improve water quality for application to swimming pools, hot springs, fish farms and metal plating processes where water needs to be recycled.

Valves for sewage plants
An extensive lineup of valves including gate valves and ball check valves that are essential for treatment of sewage water.

Tap water filters for home use
Hollow fiber membranes purify tap water. Available in the tabletop type and the under-sink type.

Pools and hot springs

Sewage plants
Oil and Gas: The Valuable Energy Resources for Industry-Running
—— Providing Oil and Gas to Users in an Endless Stream ——

The KITZ Group provides a wide scope of products that play a key role in maintaining the flow of oil and gas—essential energy resources—to refineries, petrochemical plants, chemical plants and innumerable other industrial processes through oil and gas pipelines, loading/off-loading terminals and other modes of transportation.

Controlling the Flow of Fluids in Extreme Harsh Environments
For handling oil and gas, valves must be able to withstand severe conditions like extremely high temperatures and pressure with no possibility of failure. Before introducing any new product, the KITZ Group repeats stringent laboratory tests, analyses and evaluations based on actual on-site service environments. Only those products that have passed such verification procedures are added to our product lineup. The KITZ Group’s steel valves are in great demand for their reliability in the Middle East as well as along the U.S. Gulf Coast, where many of the world’s largest petrochemical processing plants are being operated. Many of our cryogenic service valves are installed at LNG loading/off-loading terminal processes in many locations, while fully-welded design ball valves efficiently serve natural gas transportation.

Product Development for a Clean Energy Society
The KITZ Group is also investing its resources in the development of environmentally friendly products. We were the first in Japan to develop ball valves for hydrogen stations that feed high-pressure hydrogen gas to fuel cell vehicles (FCVs), an important part of the next-generation transportation media.

Metal seated ball valves
Specifically prepared for severe service plant operations handling high temperature, highly corrosive fluids.

Carbon steel valves
Well reputed due to high cost performance and availability of a variety of materials including low and high alloy steel for high temperature, high pressure services.

Automated valves
Pneumatic and electric actuators mounted gate, globe, ball and butterfly valves for automated operation.

Actuated compact ball valves
Designed for pneumatic or electric operation of compact ball valves for small-sized in-process piping systems for light industries.

Three-piece trunnion mounted ball valves
Introduced for a broad range of applications in petrochemical processing and chemical plants where periodic valve maintenance is essential.

Stainless steel valves
Available with various alloy steel including super duplex stainless steel. In recent years, their market has been expanded to light industry and building construction business, thanks to their high cost performance.

Oil refineries and petrochemical plants
Thermal power plants

Hydrogen stations

LNG terminal and transportation facilities

Semiconductor manufacturing facilities

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Cyrogenic and low temperature service shut-off valves
Comprised of a fully-welded forged steel shell with double seals in all seal assemblies to guarantee leak-free control of fluid flow within pipelines.

Cyrogenic and low temperature service control valves
Stainless steel globe valves designed for automated precise control of flow rate for industrial low temperature fluids, under technical collaboration with Valtek Inc. USA (currently Flowserve Corp.).

High-pressure ball valves for hydrogen stations
High-pressure ball valves have been developed for hydrogen stations to supply fuel (hydrogen) to fuel cell vehicles.

Industrial filters
Recommended for micro-filtration of chemical solutions, compressed air and water, with our ultra-micropore hollow fiber membranes.

Valves for high-purity gas service
Featuring extra high durability with a choice of the stainless steel diaphragm valve series or the bellows seal valve series.

Fully-welded type pipeline ball valves
Comprised of a fully-welded forged steel shell with double seals in all seal assemblies to guarantee leak-free control of fluid flow within pipelines.

Stainless steel gate, globe and ball valves specifically designed for handling industrial low temperature fluids as low as -196°C including LNG and ethylene.

Stainless steel globe valves designed for automated precise control of flow rate for industrial low temperature fluids, under technical collaboration with Valtek Inc. USA (currently Flowserve Corp.).

Recommended for micro-filtration of chemical solutions, compressed air and water, with our ultra-micropore hollow fiber membranes.

Featuring extra high durability with a choice of the stainless steel diaphragm valve series or the bellows seal valve series.

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KITZ—A Reliable Brand

The KITZ Group provides a full lineup of products, and its quality is highly regarded by customers in Japan and overseas. Our 12 brands have a presence in virtually all markets and fields centered on the KITZ brand.

As an all-round player, KITZ provides countless product items worldwide, with particular strengths in building utility markets and petrochemical processing industries.

Toyo Valve Co., Ltd.
Toyo Valve was the first company in Japan to manufacture valves. The products are highly reputed in building utilities and fire prevention markets.

Shimizu Alloy Mfg. Co., Ltd.
SGS’s products range from valves for water supply systems to those for water purification systems.

Miyoshi Valve Co., Ltd.
Miyoshi Valve focuses on building utilities markets centering on water supply systems. Valves for turbo refrigeration units and regenerative air conditioning units are its unique products.

YKV Corporation
YKV was incorporated as a joint venture of KITZ Corp.; Yokogawa Electric Corp., an instrumentation device manufacturer; and U.S.-based Valtek Inc. (currently Flowserve Corp.), famous for control valve technologies. YKV produces control valves for various applications.

Perrin GmbH
Perrin is a German 2-way and multiport ball valve manufacturer focusing on customized products. High quality metal seated ball valves with hard facings made in their in-house coating facilities are one of the core products. Valves are typically being used for severe service applications in various materials.

"Jose"
A Spanish manufacturer of cast steel and stainless steel ball valves.

Micro Pneumatics Pvt. Ltd.
An automated ball valve and butterfly valve manufacturer for Indian industrial applications (chemicals, food and oil).

Metalúrgica Golden Art’s Ltda.
Industrial ball valve manufacturer in Brazil. It has lost-wax casting technology and its strength is integrated production from casting to processing and assembly.

Cephas Pipelines Corp.
Industrial butterfly valve manufacturer in South Korea. It has an abundant product range and high production capability for handling large diameters.

SGS
Kitz SCT manufactures valves and fittings for semiconductor manufacturers and other factories where high-purity fluid is handled.

KITZ Micro Filter Corporation
KITZ Micro Filter works on industrial precision filters and water conditioners.
A “CHRYSANTHEMUM-HANDLE®” is a symbol of KITZ, the brand of valve reliability.

Created in cooperation with Mr. Sori Yanagi (1915-2011), a prominent Japanese industrial designer. Pursues the ease of holding from the perspective of ergonomics. Because the shape of the finger-holds embodies plumpness that is reminiscent of large chrysanthemum petals, it is nicknamed the “chrysanthemum handle.” It was employed for the design of the handle for bronze valves in September 1980 and has gradually been applied to other products.
Research and Development System Creating High Added Value

In order to meet the diverse needs of the times, we take immense pride in producing fluid control devices delivering safety, durability and reliability.

R&D Concept
KITZ Group’s Product Development Department is proactive in its approach to R&D activities in line with its action guideline to “continuously provide customers with impressive and creative products, strengthen its technology structure and constantly improve corporate value.”

Core technologies
We integrate process technologies in the field of sealing, material and process engineering that serves as the core of our R&D operations.

Providing solutions
We focus on resolving customer problems and provide products and services that please our customers.

Speed and global network
We develop new products rapidly by utilizing the worldwide group network to respond to the diverse needs of customers.

Sealing Technology and Materials Development
Supporting Lifelines in a Wide Range of Fields
KITZ Corporation started operations from manufacturing general-purpose valves. Over the years, KITZ has continually gone a step ahead of the needs of emerging markets and developed high value-added products, advancing from manually operated shut-off valves to automated control valves, and from single valves to complex modular products.

What makes it possible is the sealing technology and material development. The sealing technology has been developed in a wide range of fields from low pressure to ultra-high pressure, from extremely low temperature to high temperature, with up to more than 90,000 products created. The Company has also, based on its know-how cultivated over the long period of its history, developed optimum metal materials and introduced new products through high-level casting technology. These technologies are still evolving.

Valve research and development process

- Product planning
- Material and process engineering
- Product development
- 3D-CAD
- Assessment of prototype
- Process design

Structural analysis
The optimal structure of the product is designed by using simulated fluid analysis, stress or other structural analysis.

3D prototype verification
Prototypes can be verified at an early stage using 3D printer modeling. Customers can check those prototypes by touch.
Earning the Trust of Users Globally with World-Class Valve Technologies

The Product Development Department at KITZ is engaged in research and development to provide value to customers in a wide range of fields, including building utilities, petrochemicals, clean energy, water treatment and semiconductors.

KITZ is guided by a market-driven approach to constantly provide customers with innovative, high-quality products. The KITZ Group works in unison to cultivate product development and production technologies that achieve high functionality and ultra-precision and nurtures the seeds of these technologies in today’s diversified business fields.

To maximize the synergy of the Group, engineers from Japan, Europe, the Americas and ASEAN collaborate to promote product development and design, utilizing networks such as groupware, and have established a technology structure for design at the optimum site worldwide. We also develop products with materials and specifications that are compatible with the markets and regulations in each country.

In response to the diverse needs of today’s world, each and every engineer, by raising the level of his or her skills and continuing to take up the daily challenge of value creation, is creating fluid control devices that are outstandingly safe, durable and reliable.

### Earning the Trust of Users Globally with World-Class Valve Technologies

#### Casting analysis
Design for an optimal mold for casting is planned using solidification analysis.

#### Mold design/production
The CAM* data used to design the molds is transferred to processing equipment, and molds are produced internally.

#### Reliability test
Testing and analysis is carried out under every condition of use.

- **Flow rate test**
  Evaluating differential pressures of fluids flowing in a piping system simulating on-site service conditions.

- **Cryogenic test**
  Liquefied natural gas (LNG) is a low-temperature fluid. We conduct tests to reproduce the low temperature conditions.

- **Fire test**
  We verify as to whether valve functions can be maintained, even if a fire occurs and the valve seal materials are burned out completely.

- **Blow-off test**
  Significant force is applied for high temperature and high pressure fluid flow control when valves are opened and closed. We verify the durability to ensure that valves can operate properly even under the conditions of application limits.

- **Low emission test**
  The Company exclusively retains a methane gas testing facility based on the API standard in Japan and performs demonstrations using leak tests with actual fluid.

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* Computer Aided Manufacturing
Production Systems That Assure High-Quality Products

The KITZ Group’s manufacturing is based on the concept of delivering products when necessary and in the quantities required with better quality.

Integrated Production System That Provides Quality Control Starting from Castings

Based on integrated production, the KITZ Group positions castings (forge and foundry materials) that are valve materials as the core technology and produces them internally from castings. We have established an integrated production system in which our Group has its own casting facilities for the main valve materials such as bronze, casting iron, ductile, stainless steel and casting steel, thus putting in place a quality assurance system starting from materials. We also provide a wide variety of products in small quantities.

Production Method Based on KICS

What supports manufacturing operations based on the market-oriented concept is the production method according to the KITZ Innovative and Challenging System (KICS). KICS provides a mechanism of sending only good products to the subsequent process by producing each product one by one in the sequence of processes at the exact timing with which it can be sold. It also achieves the elimination of stagnation and waste in a series of processes from order receipt to production and delivery. Moreover, we strive to further reduce delivery times and reinforce production lines continuously by thoroughly implementing standard work and improving processes.

Initiatives for Cost Reductions

Under the third phase of the Medium-Term Management Plan, KITZ focuses on two policies, namely “Additional cost reduction by global procurement, in-house manufacture and increasing productivity” and “Aggressively make capital investments that generate profits.” In accordance with these policies, KITZ increased production capabilities by newly introducing processing facilities. KITZ also raised productivity by promoting labor-saving operations and by introducing two painting robots. In the future as well, we will proactively make capital investments that generate profits. Also, as a new initiative, KITZ is promoting the elimination and consolidation of the product lineup and the standardization of parts.

Painting robots introduced to Ina Plant

Stainless Steel Valve Manufacturing Process

1. Melting
   Raw materials are melted in high-frequency electric furnaces.

2. Ladling
   Melted metal is ladled for pouring.

3. Pouring
   Melted metal is poured into a casting mold. The melted metal flows into the cavity between the upper mold, the lower mold and the core.

4. Heat treatment (solution heat treatment)
   Raw materials are quenched after having been heated up to 1,100°C. This process forms a uniform metallic structure and makes mechanical properties such as tensile strength and elongation higher and ensures corrosion resistance.
KITZ Brand is Backed by Quality Management Systems

KITZ Corporation recognized the importance of conformance to the international standard on quality management systems earlier than anyone in the industry. In November 1989, KITZ became the first Japanese company to earn ISO 9001 certification. At present, all domestic and international production bases in the KITZ Group have been certified to this standard. In July 2001, KITZ Corporation was also certified, for the first time in the valve industry in Japan, in accordance with the Pressure Equipment Directive (PED) for CE marking required for European markets. KITZ plants in Taiwan, Thailand and China also have now obtained certification regarding PED as well.

In Japan, KITZ Corporation is approved by the Ministry of Economy, Trade and Industry as an authorized gas tester under the High Pressure Gas Safety Act. It supplies Japan Industrial Standards (JIS) certified products and complies with standards of the Japan Water Works Association. KITZ Corporation is also certified to display the API Monogram of the American Petroleum Institute Production Department.

Global Production Network: Manufacturing Facilities Located in Optimum Locations

The KITZ Group is building a structure for undertaking production in the most suitable locations for its operations around the world.

Under this structure, we produce high value-added products in Japan, while Japan also plays a crucial role as the command center for our global manufacturing activities. The KITZ Group now has international factories in Thailand, Taiwan, China, India, Spain, Germany and Brazil.

Acid pickling
Pickling castings in acid solution removes impurities such as oxidized scales on the casting surface caused by heat treatment and shot blasting. At the same time, a protective film is formed on the casting surface, enhancing corrosion resistance.

Machining
Castings are cut, drilled and processed with machines.

Assembly
Various parts and components are assembled to complete valves.

Pressure tests
Valves are pressurized with air and/or water and operated to verify that they satisfy the quality requirement.

Shipment
After coating and product protection measures are taken, satisfactorily tested products are gathered on a shipping platform under strict control and shipped in a timely manner to each designated destination.
Extensive and Strong Sales Network

Since its foundation, the KITZ Group has established a strong sales network covering all of Japan. Today, we are working on the development of a global sales network in order to meet customers’ requests with regard to quality, price, delivery and service.

Full Distribution System
We have developed a sales structure to respond to customer requests immediately through a strong distributors’ network covering all of Japan. These distributors and KITZ are connected via dedicated lines and the Internet. As a result, information on market demand is fed back directly to the production site, and this also achieves marked improvements in business efficiency and the acceleration of business. We have also adopted a pull production system, a system for setting a standard volume of distributor inventory for each product and replenishing the quantity shipped on a daily basis to maintain the inventory at a certain level. With this, distributors do not need to monitor the inventory volume of products for which standard inventory is set and can meet needs for rapid delivery.

Comprehensive After-Sales Service

KITZ Engineering Service Co., Ltd. (KESCO), our Group company, is in charge of after-sales service for products. Repairs and life extension of aging plants have been promoted at the existing plants in Japan in recent years, and there is an increasing awareness of maintenance. In this situation, KESCO serves as a maintenance department for KITZ and responds to diverse needs by taking advantage of KITZ’s sales network and various data. Additionally, it performs maintenance on valves and actuators of other domestic and overseas manufacturers. The company also provides efficient, comprehensive maintenance service in locations nationwide in cooperation with the service center and subcontractors.

In addition to valve maintenance, KESCO provides technical consultations and analysis of specifications regarding fluid control, valve automation and remodeling and dispatches routine repair managers and other engineers to plants.
Establishment of Three Bases in Asia

In the Chinese market, the Group company, KITZ Corporation of Shanghai, with offices in Shanghai, Beijing, Shenzhen and Chongqing, conducts sales activities. KITZ Hong Kong Company Limited, a local sales subsidiary in Hong Kong, commenced operations in January 2018 to further expand sales in the Hong Kong market.

KITZ Corporation of Asia Pacific Pte. Ltd., the regional headquarters in the ASEAN region, has also, since its establishment in 2011, steadily expanded bases into Singapore, Thailand and Vietnam and conducted business. Representative offices were also established in Manila in the Philippines in August 2017. Thereafter, KITZ Valve & Actuation (Malaysia) Sdn. Bhd. was established in Johor Bahru, Malaysia, in December 2017. In this way, we are expanding our business locations.

The Company will continue to enhance and strengthen its overseas bases so as to provide products and services to satisfy local customers’ needs.
As a Leading Company in the Valve Industry

As a leading company in the valve industry, KITZ has cultivated advanced technology and a wealth experience over the course of many years. KITZ utilizes these to provide a wide range of services regarding valves to meet the diverse needs of customers.

Valve Technical Training for Customers
The KITZ Training Center was established in 1981 as Japan’s only permanent training center for valve technology, and it has been used by many people since then. In recent years, the industries using valves have experienced the significant advancement of new technology responding to more stringent environmental and safety standards, as well as automation technology to provide more advanced functions and save labor, and changes are occurring at an unprecedented speed. As training programs to support these advanced technologies, we provide a basic course for valves and a basic course for automated valves.

A number of attendees take these courses, including persons from trading companies handling valves, contractors, users, device manufacturers, plant-related companies and students. We help them enhance their skills through practical training on valve disassembly and assembly and pipes, and through lectures by engineers who have extensive practical experience.

Valve Meister System
KITZ introduced the Valve Meister System for certifying sales representatives who have reached a certain level of skills and knowledge regarding automated valves and metal materials for valves as Valve Meisters in FY2014. In order to become Valve Meisters, sales representatives must undergo technical education and training based on practices for about 18 months. Those who pass the certification test are awarded the title of Valve Meister.

We have already produced 29 Valve Meisters, and those Valve Meisters aim to act as concierges who respond to requests for consultations from customers, propose specific solutions and who can solve various issues together with customers.

Customer Satisfaction Survey
To provide better products and services, KITZ has conducted a customer satisfaction survey targeting more than 1,000 companies annually since 1997. Based on the results of the responses collected from customers and analyzed, we work toward additional improvements to further enhance customer satisfaction.

A report of survey findings is sent to the customers who responded.
Brass Bar Manufacturing Business

Manufacture and Sales of Brass Bars

Brass bars are widely used for machines, construction materials and other items.

**Widely Selling Brass Bars**
KITZ Metal Works Corporation conducts the wrought copper and copper alloy products business and serves as a supply base to provide brass bars to valve business operations, a major area of the KITZ Group. In addition, it manufactures and sells high-quality brass bars that are widely used as materials for faucet metal fittings and components for gas equipment and home appliance products. KITZ Metal Works increases the efficiency of the information flow from order receipt to delivery and achieves high quality and short delivery times.

**Development of Environmentally Friendly New Materials**
KITZ Metal Works actively works on the development and sales of new materials that are friendly to people and the environment, and meets regulations by utilizing the alloy technology that it has cultivated for many years. They include dezincification corrosion-resistant brass bars, lead-free brass bars and cadmium-free brass bars. In recent years, responding to the revised U.S. Safe Drinking Water Act, it developed the lead-free brass bar KEEPALLOY II (XA metal and XC metal) featuring improved recyclability and superior corrosion resistance, and launched sales.

**Further Enhancing Efficiency**
In July 2015, Hokutoh Giken Kogyo Corporation, a manufacturer of cutting and machined products for brass bars, joined the KITZ Group. Moreover, a new plant began operation in May 2016 to promote the integration of the KITZ Group’s brass cutting/forging processes into KITZ Metal Works to enhance the efficiency of the manufacturing process and increase earnings.

Also, KITZ Metal Works will eliminate and consolidate its brass bar production lines at existing plants over multiple years as it aims to further enhance the efficiency of business.

**Hotel Beniya is also a KITZ Group Company**
Suwa city, Nagano, is the birthplace of KITZ founder Toshio Kitazawa. Many of the offices and plants of the KITZ Group are located in the Suwa region today.

Hotel Beniya is a resort hotel where visitors can enjoy a variety of hot springs in the grand nature of Shinshu overlooking Lake Suwa. The hotel is not only used by tourists but also by local residents as a place for relaxation.
Human Resources
Initiatives to Encourage and Support Human Resources

KITZ is promoting various initiatives as means of ensuring that each and every employee is able to demonstrate his or her full potential.

Happy and Motivated Workplace
Based on the concept of “creating a workplace where employees are happy and motivated,” a task force team is being organized and activated across the Company’s divisions. Toward the creation of an environment where employees are more motivated in their work and the realization of a workplace where, in terms of systems and workplace environment, working becomes comfortable, various initiatives are undertaken, specifically, the exchange of opinions among team members; collecting of examples on work-style reforms; and study sessions in which employees put together ideas as a team and propose those ideas to the management team.

As part of the realization of the ideals of a “strong culture, strong organization” and “truly global company,” we began the shift to a new personnel system, the aim of which was for the Company to become a professional organization with business expertise that will never be overcome by competitors.

In accordance with their career plan, employees choose “expert roles” in which advanced professional skills and knowledge gained through the experience of working are demonstrated, and “global roles,” in which their aim is to create new added value and work in a professional role where they are globally active and a leading professional in the industry. The system allows employees to change their career course according to changes in the life stages of an individual.

Going forward, efforts will be made to enable a working style that is harmonious with family life and makes daily lives richer. Also, in the future the Company will continue to ensure that each and every employee reaches his or her full potential and is motivated in the workplace.

Work-Life Balance
KITZ is striving to enhance the work-life balance to enable each employee to work with high motivation and a sense of fulfillment. Each individual can build careers as company employees who execute their job responsibilities while fully deploying their capabilities. They can choose a diverse and flexible working style in accordance with changes in various stages of their personal lives, such as having to provide child care or nursing care.

- **Short Working Hours**
  Shortened working hours in which prescribed working hours are reduced, so as to allow employees to carry out childcare duties. In the past, they applied until a child was three-years-old, but the period was extended to until a child entered primary school.

- **Childcare Leave**
  A period of childcare leave can be acquired, at a maximum, up to the last day of March after a child turns one-year-old, or up to the day preceding the day he or she turns one-year and six-months old. Where there is a reason, however, that a child is not able to enter nursery school, the period can be extended up to when the child turns two years of age.

- **Re-Entry System**
  We have started a system that allows employees who have left the company for childbirth, child care, nursing of family members or relocation due to spouse’s business to resume work so long as they have registered in advance. This means that employees who have retired can once again get their career on track and make the best use of the skills they learned during their time with the company. The Company can also expect to see various benefits, including a reduced burden on education and training relative to hiring new recruits and mid-career workers.

  The Company is committed to the creation of an environment that is easier to work in, for example, a system that allows the acquisition of time units of paid holiday time, or where accumulated paid leave can be used as child care or nursing care leave.
Human Resources

Message from Director in Charge of Human Resources

We develop human resources who are able to compete worldwide and foster a corporate culture that keeps employees highly motivated.

Toshiyuki Murasawa
Director, Executive Officer and Division Manager, Corporate Administration Division

Desired Personnel

“Do it True” (referring to sincerity and the truth) is the first action guide at KITZ. Being sincere, being serious and complying with the rules and morals of society are the values that the KITZ Group considers to be the most important. We also consider these values to be the essence of KITZ’s outstanding corporate culture. The action guides that follow these are “Do it Now” (referring to speed and timeliness) and “Do it New” (referring to creative ability and challenges). We need ideas outside KITZ conventions and the ability to act to develop businesses faster than ever before and to meet market demands that are changing with breathtaking speed. We aim to be a professional group that boldly takes on new challenges and where employees can deploy their own latent creative powers.

For Competing Globally

Since the establishment of a sales subsidiary in the United States in 1984, KITZ has developed its business globally by successively setting up production bases and sales bases overseas while adding valve manufacturers in Spain, Germany, India and Brazil to the KITZ Group through M&A. At present, the KITZ Group operates bases in 14 countries worldwide. Employees working in countries other than Japan (including those on loan) account for 56.5% of the Group’s total workforce (as of March 31, 2018).

To undertake our global business with unprecedented speed, it will become increasingly important to understand a variety of cultures and diversity and to mutually collaborate with a diversity of people while working toward a single goal. We will promote the development of human resources who can think and act based on a broad perspective and who are able to compete globally.

As of March 31, 2018

<table>
<thead>
<tr>
<th>Country</th>
<th>Personnel Structure by Country</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>2,073 (43.5%)</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>931 (19.6%)</td>
<td></td>
</tr>
<tr>
<td>Taiwan</td>
<td>259 (5.4%)</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>145 (3.0%)</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>634 (13.3%)</td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>397 (8.3%)</td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td>33 (0.7%)</td>
<td></td>
</tr>
<tr>
<td>South Korea</td>
<td>56 (1.2%)</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>60 (1.3%)</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>138 (2.9%)</td>
<td></td>
</tr>
<tr>
<td>U.S.</td>
<td>33 (0.7%)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>3 (0.1%)</td>
<td></td>
</tr>
</tbody>
</table>
Expanding Global Recruitment Activities

In Japan in recent years, the effective ratio of job offers to job applicants has been high and the recruitment of human resources has become difficult. There is also concern that the labor force made up of young people will begin to decrease, and that we will see an era in which talent pool will be exceptionally difficult. The Company is therefore required to seek human resources in other countries and has participated for the first time in a recruitment event held in Singapore. The Company, as well as Thailand and Singapore sales subsidiaries, jointly introduced the company, and two persons were recruited.

Going forward, we intend to promote the development of new channels as a means of securing a diverse range of human resources in the future.

Approaches to Diversity

Companies need human resources with diverse personalities who can perceive various customer demands in order to amass such demands. From this point on, companies must also build systems for accepting diverse human resources, preparing a working environment in which each of them can display their strengths and enabling all employees to work energetically. We believe that we can enable employees to flourish in their jobs, feeling a sense of worth and pride, by extending this way of thinking.

KITZ is advancing the following initiatives to develop an environment that enables each employee to demonstrate his or her abilities to the maximum extent possible, irrespective of gender, age and nationality.

Human Resources Development

KITZ approaches training for its employees with “displaying human resources competence” and “displaying organizational capacity” as dual targets. KITZ is improving its programs for human resources development, such as programs for professional education based on duties and job classifications and programs for educating specially selected employees, with hierarchical education as a pillar. In addition, KITZ is developing a corporate culture that enables its employees to keep their motivation high by operating a target system for challenges and linking their development to their evaluation and treatment.

There is a saying that “companies depend on people.” In our view, reforms and the unquestionable social value of companies depend entirely on the actions, way of thinking and way of living of each of their employees.

Basic Training of Young Employees

Following the Company entrance ceremony in April, newly hired graduates participate in an introductory training course at the Head Office and the training center on proper etiquette as adult members of society and on job fundamentals. After this, they acquire fundamental knowledge about valves and learn about the basic thinking and behavior as KITZ employees at new employee training, including practical training at plants that is held. Employees hired for technical positions then learn about the basics of design, machine work and casting over a one-year period. They are officially assigned to positions when they have sufficiently acquired the fundamentals of monozukuri (manufacturing). Once assigned, a senior employee is appointed to each new recruit to provide individual support as part of a mentoring system, which assists in problem resolution in the career development of young workers and supports their growth.

Additionally, we also focus on providing language education to specially selected young employees. We are making efforts to improve their language skills with the aim of realizing smooth communications for overseas technical guidance and business meetings as well as presentations at academic conferences.

• The Right People in the Right Places
  Set organizational strategies and direction, specifically by closely determining whether employees are suitable for the relevant divisions and operations, assigning the right human resources in the right places and training them with care.

• Personnel System Reforms
  Provide equal opportunities to take on challenges and reform the personnel system to make jobs rewarding to employees.

• Changes in Corporate Culture and Mind
  Foster a corporate culture in which diverse employees are accepted while maintaining traditions from the point of foundation. Encourage a change from the way of thinking that traditional methods of doing things are a matter of course to the way of thinking that looks for new approaches at all times.

• Promoting the Active Participation of Woman
  Prepare systems and structures that enable women to display their abilities to their full potential.
KITZ provides us with opportunities to work on a global scale.

Roderick Andal Perez
Engineering Group, Customer Engineering Department
KITZ Corporation

All KITZ employees work hard and respect each other. I can work comfortably every day thanks to my friendly colleagues and good environment. Working for KITZ also means that we can have an opportunity to take an active role globally.

I reaffirmed my awareness of the importance of “human resources” for companies.

Yukiko Okabe
Manager of Human Resource Development Group
General Administration and Human Resource Department
KITZ Corporation

By being reassigned to the Human Resource Department, I reaffirmed my awareness of the importance of “human resources” for companies. In performing my day-to-day tasks, I always think about what we can do as a company and what we need to do for employees so that KITZ becomes a company where each of our diverse human resources can shine even brighter.

I find my job rewarding when improvements can be observed.

Junya Minami
Production Engineering, Nagasaka Plant
KITZ Corporation

My job is to make improvements to raise production efficiency. I find my job rewarding when improvements can be observed, for example, shortening the manufacturing process per product.

I try to convey my experience to other employees for their own development.

Maria Luisa Ribas Steegmann
Managing Director & President
KITZ Corporation of Europe, S.A.

I feel especially pleased when our team manages to overcome a major challenge to help other people so we can satisfy the needs of a customer. The trust placed in me to put me in charge of the management of one of its companies has helped me to grow professionally and improve in other areas during the past 10 years, and I try to convey my experience also to other employees for their own development.

I am inheriting the history and aspirations from the time of our founding with a tremendous sense of responsibility

Hiroshi Nozawa
Managing Director
KITZ Valve & Actuation (Thailand) Co., Ltd.

When I joined the Company, KITZ was already firmly positioned as a top manufacturer of valves in Japan. We are currently inheriting history from the time of our founding, as well as the aspirations since our establishment. I have crossed the ocean and have been charged with a tremendous sense of responsibility to enable this history to be passed on to future generations and connect it to the world. Taking on challenges while representing the Company is a great pleasure in working for KITZ.

I hope to keep improving my language skills and take on a job where English ability is required.

Marie Ueno
Project Sales Office 2, Project Sales Department
KITZ Corporation

I find a sense of satisfaction when receiving an order and delivering the product without any problems after a prolonged discussion on the specifications with the client. I hope to keep on improving my language skills and take on a job where English ability is required.

Diverse Human Resources in the KITZ Group

We introduce how employees work creating value at their own posts.
I intend to accumulate additional experience in casting here in Brazil and further raise my skills.

Yoshiki Sato
MTA Foundry Factory Chief Production Engineer
Metalurgica Golden Art’s Ltda.

Since joining the Company, I have been involved in casting, which represents the heart of manufacturing of valves. I assumed my post here in 2016 and am in charge of the foundry at Metalurgica Golden Art’s, Ltda., a valve manufacturer in Brazil that joined the Group through an M&A. I plan to accumulate additional experience here and acquire skills that will enable me to contribute to the KITZ Group.

I have a sense of satisfaction in serving as a bridge between two different cultures.

Shizuka Mita
Chief Accounting Officer
KITZ Corporation of America

I oversee all administrative, accounting and inventory-related functions. My position is very interesting as it involves so many different areas. I am often asked to assist with communication between KITZ Japan and KCA management. It is extremely important to understand one another correctly. I find this the most challenging and rewarding part of my job. Successfully coping with the economic and social challenges has also been very satisfying.

I would like to continue fulfilling the role of connecting people with people.

Makiko Shimoyama
General Affairs and Accounting Section, Management Department
KITZ SCT Corporation

I took childcare leave and then returned to my workplace. I have been blessed with an understanding boss and colleagues and am able to enjoy my job while achieving a balance between child-rearing and work. In the future as well, I would like to fulfill the role of connecting people with people while never forgetting my “feeling of gratitude,” “the desire to improve myself” and a “happy face.”

I will always have an unquenchable curiosity about valves.

Tomoharu Ishii
Manager of PCA Marketing Department
KITZ Corporation

I am involved in formulating strategies for capturing focused market fields and introducing new products. I make my best day-to-day efforts so that numerous parties and people related to KITZ, from partner companies and suppliers to end users, can feel a sense of joy. Valves are used in variety of industries and many kinds of technology are required for production. I will always have an unquenchable curiosity about valves.

I still cannot forget my supervisor’s words: “Do whatever you can do.”

Yuuki Ishihara
International Sales Department
KITZ Corporation

Just one and a half years after joining the company, I was placed solely in charge of a Taiwanese client. “Do whatever you can do” are unforgettable words that my supervisor said at that time. Our competitors exist all over the world. I work toward becoming a world-class salesperson who is more creative than those in competitive manufacturers around the world.

The more motivated you become, the more you can expand your own potential.

Sachiko Shiroki
Project Engineering Group 1, Project Engineering Department
KITZ Corporation

At KITZ, we do not have a negative way of thinking such as “women should act like women.” As long as you have the motivation, you can play an important role regardless of age and gender. I want to further expand my potential and use my skills to make a contribution to society.
ESG of the KITZ Group

*ESG: Environment, Social and Governance*
Board of Directors, Corporate Auditors and Executive Officers (as of June 26, 2018)

Directors

President
Yasuyuki Hotta
Born: June 18, 1955
Mar. 1978 Joined KITZ
Jan. 1997 Branch Manager, Chubu Branch, Sales Division
Apr. 2001 Plant Manager, Nagasaka Plant
Oct. 2001 Managing Executive Director, KITZ SCT Corporation
Jun. 2004 Representative Director and President, KITZ SCT Corporation
Apr. 2006 Managing Executive Officer, General Manager, Flow Control Business Division
Apr. 2007 Senior Executive Officer, General Manager, Flow Control Business Division
Jun. 2007 Director, Senior Executive Officer, General Manager, Flow Control Business Division
Jun. 2008 President and Chief Executive Officer, General Manager, Flow Control Business Division
Apr. 2009 President and Chief Executive Officer (present position)

Director
Toshiaki Natori
Born: January 20, 1957
Mar. 1980 Joined KITZ
Oct. 1999 Plant Manager, Chino Plant, Production Division
Apr. 2004 Managing Executive Director, KITZ Metal Works Corporation
Jul. 2009 Representative Director and President, KITZ Metal Works Corporation
Apr. 2010 Executive Officer, Division Manager, Production Division
Jun. 2011 Director, Executive Officer, Division Manager, Production Division
Apr. 2012 Director, Executive Officer and Division Manager, Production Division
Apr. 2013 Director, Managing Executive Officer, Unit General Manager, Flow Control Business Unit
Apr. 2014 Director, Senior Executive Officer, Unit General Manager, Flow Control Business Unit (present position)

Director
Toshiyuki Murasawa
Born: February 9, 1959
Mar. 1981 Joined KITZ
Apr. 2001 General Manager, Corporate Planning Department
Apr. 2009 Executive Officer, General Manager, Corporate Planning Department
Oct. 2011 Executive Officer, Division Manager, Corporate Planning Division
Apr. 2016 Executive Officer and Division Manager, Corporate Administration Division
Jun. 2016 Director, Executive Officer, Division Manager, Corporate Administration Division (present position)

Outside Director
Kazuyuki Matsumoto
Born: September 21, 1945
Apr. 1970 Joined Teijin Seiki Co., Ltd. (currently Nabtesco Corporation)
Jun. 2001 Director, Teijin Seiki Co., Ltd.
Sep. 2003 Executive Officer, Nabtesco Corporation
Jun. 2004 Director, Nabtesco Corporation
Jun. 2005 Representative Director, President & CEO, Nabtesco Corporation
Jun. 2011 Chairman, Nabtesco Corporation
Jun. 2013 Advisor, Nabtesco Corporation, Outside Director, TOPCON CORPORATION (present position), Director of KITZ (present position)

Outside Director
Minoru Amoh
Born: December 9, 1951
Apr. 1979 Joined Du Pont Far East, Inc. Japan Representative Office (currently DuPont Kabushiki Kaisha)
Mar. 2000 Director, DuPont Kabushiki Kaisha
Mar. 2002 Managing Executive Director, DuPont Kabushiki Kaisha
Mar. 2004 Senior Executive Director, Regional Director, Asia-Pacific Region, Engineering Polymer Business Division, DuPont Kabushiki Kaisha
Jul. 2005 Director, Vice President, DuPont Kabushiki Kaisha
Sep. 2006 Representative Director, President, DuPont Kabushiki Kaisha
Jan. 2013 Representative Director, Chairman, DuPont Kabushiki Kaisha, President, DuPont Asia Pacific Limited
Sep. 2014 Honorary Chairman, DuPont Kabushiki Kaisha
Jun. 2015 Director of KITZ (present position)
Mar. 2016 Statutory Auditor, Otsuka Chemical Co., Ltd. (present position)

Outside Director
Yutaka Fujiwara
Born: April 20, 1951
Apr. 1974 Joined MODEC, Inc.
Apr. 1987 Joined The Yasuda Trust & Banking Co., Ltd. (currently Mizuho Trust & Banking Co., Ltd.)
Jun. 1996 General Manager, Chicago Branch, Yasuda Trust & Banking Co., Ltd.
Aug. 1998 Joined OMRON Corporation
Jun. 2005 Executive Officer, General Manager, Financial IR Department, OMRON Corporation
Mar. 2007 Executive Officer, General Manager, Group Strategy Department, OMRON Corporation
Dec. 2008 Managing Officer, General Manager, IR & Corporate Information Department, OMRON Corporation
Jun. 2013 Outside Director, Nabtesco Corporation (present position)
Jun. 2017 Director of KITZ (present position)
Audit & Supervisory Board Members

Standing Audit & Supervisory Board Member
Masahiko Kondo
Born: September 8, 1952
Aug. 1977 Joined KITZ
Dec. 1991 Joined KITZ
Jul. 2000 General Manager, General Administration and Human Resource Department
Jun. 2008 Standing Audit & Supervisory Board Member, Mitsui Mining & Smelting Co., Ltd.
Apr. 2004 Executive Officer, General Manager, General Administration and Human Resource Department
Apr. 2011 Executive Officer, Deputy Division Manager, Corporate Administration Division
Apr. 2010 Executive Officer, Deputy Division Manager, Corporate Administration Division
Jun. 2012 Director, Executive Officer, Division Manager, Corporate Administration Division
Jun. 2015 Audit & Supervisory Board Member of KITZ (present position)
Jun. 2016 Standing Audit & Supervisory Board Member of the Company (present position)

Reasons for Appointment of Directors and Audit & Supervisory Board Members

<table>
<thead>
<tr>
<th>Name</th>
<th>Term of Office</th>
<th>Reason for Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Masahiko Kondo</td>
<td></td>
<td>Taro Kimura has many years of experience in managing the Company’s accounting and financial operations. As an executive officer in charge of corporate administrative divisions that oversee Group companies, he developed the Company’s internal control system, strengthened its internal audit function and promoted the building of its risk management system. It was decided and is expected that his knowledge and experience in risk management as well as in accounting and finance will be reflected in the audits of the Company.</td>
</tr>
<tr>
<td>Tatsuhiko Takai</td>
<td>3 years</td>
<td>Tatsuhiko Takai took charge of accounting operations for Mitsui Mining &amp; Smelting Co., Ltd. for many years and successively assumed the position of Chief Financial Officer, etc., having accumulated a considerable amount of knowledge in finance and accounting. It was also decided that his extensive experience as a Standing Audit &amp; Supervisory Board Member of the said company will be reflected in the audits of the Company.</td>
</tr>
<tr>
<td>Shuhei Sakuno</td>
<td>1 year</td>
<td>Shuhei Sakuno has broad experience in corporate administration operations that supervise the Yokogawa Electric Corporation group companies and possesses a considerable amount of knowledge in finance and accounting operations. He also possesses knowledge related to corporate governance acquired through his experience in developing internal control, risk management and internal audit systems. Therefore, it was decided that his extensive experience will be reflected in the audits of the Company.</td>
</tr>
<tr>
<td>Minoru Amoh</td>
<td>3 years</td>
<td>Minoru Amoh has long been active as an executive of DuPont K.K., which has businesses around the world, and has high principles based on his abundant corporate management experience. It was decided that he also will contribute to increasing the value of the KITZ Group.</td>
</tr>
<tr>
<td>Kazuyuki Matsumoto</td>
<td>5 years</td>
<td>Kazuyuki Matsumoto has long been active as an executive of Nabtesco Corporation and, in addition to having rich experience as a corporate executive, has broad insights on technical strategies. It was decided that he also will contribute to increasing the value of the KITZ Group.</td>
</tr>
<tr>
<td>Yutaka Fujiwara</td>
<td>1 year</td>
<td>Yutaka Fujiwara has a wealth of knowledge as an executive officer in charge of finance and IR departments at listed companies that include financial institutions. He has a high level of knowledge of corporate management with global perspectives due to his experience from being posted overseas. Therefore, it was decided that he also will contribute to increasing the value of the KITZ Group.</td>
</tr>
<tr>
<td>Masahiko Kondo</td>
<td>2 years</td>
<td>Masahiko Kondo is involved in management of the Company as a Director in charge of corporate administrative divisions which bring the Group companies together and has pushed for strengthening management infrastructure and has built and pushed for the strengthening of the Group’s risk management system. It was decided and is expected that his knowledge and experience in business management, labor, accounting and finance will be reflected in the audits of the Company.</td>
</tr>
<tr>
<td>Taro Kimura</td>
<td>1 year</td>
<td>Taro Kimura has many years of experience in managing the Company’s accounting and financial operations. As an executive officer in charge of corporate administrative divisions that oversee Group companies, he developed the Company’s internal control system, strengthened its internal audit function and promoted the building of its risk management system. It was decided and is expected that his knowledge and experience in risk management as well as in accounting and finance will be reflected in the audits of the Company.</td>
</tr>
</tbody>
</table>

Outside Audit & Supervisory Board Member
Tatsuhiko Takai
Born: February 3, 1952
Jul. 1974 Joined Mitsui Mining & Smelting Co., Ltd.
Jun. 2008 Standing Audit & Supervisory Board Member, Mitsui Mining & Smelting Co., Ltd., Outside Audit & Supervisory Board Member, MESCO, Inc.
Jun. 2007 Chief Financial Officer, Senior Executive Officer, General Manager, Finance Department of Mitsui Mining & Smelting Co., Ltd.
Jun. 2004 Executive Officer, General Manager, Finance Department, Mitsui Mining & Smelting Co., Ltd., Outside Audit & Supervisory Board Member, MESCO, Inc.
Jun. 2011 Outside Audit & Supervisory Board Member, Nakabetsu Corrosion Protecting Co., Ltd.
Jun. 2015 Audit & Supervisory Board Member of KITZ (present position)

Outside Audit & Supervisory Board Member
Shuhei Sakuno
Born: February 17, 1954
Apr. 1977 Joined Yokogawa Electric Works Ltd. (currently Yokogawa Electric Corporation)
Oct. 1999 General Manager, Affiliated Company Supervision Office, Yokogawa Electric Corporation
Apr. 2005 Vice President, General Manager, Accounting & Treasury Center, Corporate Administration Headquarters, Yokogawa Electric Corporation
Jun. 2008 Senior Vice President, General Manager, Audit and Compliance Headquarters, Yokogawa Electric Corporation
Jun. 2016 Audit & Supervisory Board Member, Yokogawa Solution Service Corporation (present position)
Jun. 2017 Audit & Supervisory Board Member of KITZ (present position)

Outside Audit & Supervisory Board Member
Taro Kimura
Born: August 4, 1959
Dec. 2000 Joined KITZ
Jun. 2001 General Manager, Accounting & Finance Department
Apr. 2010 General Manager, Accounting Supervisory Department, Corporate Administration Division
Apr. 2011 Executive Officer, Deputy Division Manager, Corporate Administration Division
Jun. 2017 Standing Audit & Supervisory Board Member of the Company (present position)

Takahiro Natori has been the Executive Officer in charge of production areas and President of a Group company. He has supervised valve manufacturing business from 2011. It was decided that his knowledge and experience also will contribute to increasing the value of the KITZ Group.

Yutaka Fujiwara has a wealth of knowledge as an executive officer in charge of finance and IR departments at listed companies that include financial institutions. He has a high level of knowledge of corporate management with global perspectives due to his experience from being posted overseas. Therefore, it was decided that he also will contribute to increasing the value of the KITZ Group.

Yasuyuki Hotta was named President and Chief Executive Officer of the Company in 2008. He has shown strong leadership as the top executive and has pushed strengthening the globalization and corporate governance of the KITZ Group. It was decided that this knowledge and experience will contribute to increasing the value of the KITZ Group.

Toshiaki Natori has long been active as an executive of Nabtesco Corporation and, in addition to having rich experience as a corporate executive, has broad insights on technical strategies. It was decided that he also will contribute to increasing the value of the KITZ Group.
Executive Officers

President and Chief Executive Officer
Yasuyuki Hotta

Senior Executive Officer
Toshiaki Natori

Executive Officer
Toshiyuki Murasawa

Executive Officer
Kazuhiko Shimodaira
Born: May 31, 1953
Mar. 1977 Joined KITZ
Nov. 1999 General Manager, Legal and Intellectual Property Department
Apr. 2009 Executive Officer, General Manager, Legal and Intellectual Property Department, Management Division
Apr. 2011 Executive Officer, General Manager, Legal Department (present position)

Executive Officer
Tetsuo Sakane
Born: July 23, 1955
Mar. 1980 Joined KITZ
Apr. 2001 Branch Manager, Chugoku Branch, General-purpose Valve Division
Apr. 2014 Executive Officer, Division Manager, Domestic Sales Division (present position)

Executive Officer
Yoriyuki Koyama
Born: March 9, 1959
Mar. 1984 Joined KITZ
Apr. 2007 General Manager, Production Engineering Department, Production Division
Apr. 2013 General Manager, Production Engineering Center, Production Division
Apr. 2015 Executive Officer, Division Manager, Customer Support Division (present position)

Executive Officer
Kenji Katsuragi
Born: October 31, 1956
Jun. 1999 Finance Director, Panasonic Australia Pty. Ltd.
May. 2006 Group Manager, Overseas Department System Group, Panasonic Corporation
Jan. 2008 Vice President, Panasonic Consumer Electronic Company, a division of Panasonic North America Corp.
Oct. 2009 Auditor, Audit Department, Panasonic Corporation
Apr. 2011 General Manager, Overseas Finance Center, Panasonic Corporation
Jan. 2012 Director, CFO, Panasonic Europe Ltd.
Aug. 2016 Joined KITZ
Apr. 2017 Executive Officer, Deputy Division Manager, Corporate Administration Division (present position)

Executive Officer
Kazuhiko Hirabayashi
Born: August 6, 1959
Mar. 1982 Joined KITZ
Apr. 2004 General Manager, Production Planning Department, Production Division
Apr. 2012 Deputy Division Manager, Production Division
Apr. 2013 Executive Officer, Division Manager, Production Division (present position)

Executive Officer
Yukinari Koide
Born: January 15, 1959
Mar. 1982 Joined KITZ
Aug. 1999 Managing Director, Miyoshi Valve Co., Ltd.
Dec. 2004 Branch Manager, Chubu Branch, Domestic Sales Division
Apr. 2008 General Manager, Sales Planning Department, Domestic Sales Division
Apr. 2013 General Manager, Business Planning Department, Flow Control Business Unit
Apr. 2015 Executive Officer, Division Manager, IT Control Division (present position)

Executive Officer
Hitoshi Kurihara
Born: December 14, 1957
Mar. 1981 Joined KITZ
Mar. 1998 Branch Manager, Chugoku Branch, Commercial Valve Division
Apr. 2003 Branch Manager, Tokyo Branch, Commercial Valve Division
Apr. 2005 Executive Officer, Division Manager, Domestic Sales Division
Jun. 2012 Director, Executive Officer, Division Manager, Sales Division
Apr. 2014 Chairman, KITZ Corporation of Asia Pacific Pte. Ltd.
Apr. 2017 Executive Officer, Division Manager, Corporate Planning Division (present position)

Executive Officer
Masaru Takusagawa
Born: October 4, 1962
Mar. 1991 Joined KITZ
Apr. 2004 General Manager, Development Department 3, Engineering Division
Apr. 2007 General Manager, Research Department, Engineering Division
Apr. 2008 General Manager, Engineering Department 2, Engineering Division
Apr. 2010 General Manager, Product Development Department, Engineering Division
Apr. 2015 General Manager, Production Engineering Center, Production Division
Apr. 2017 Executive Officer, Division Manager, Product Management Center (present position)
Corporate Governance

Basic Policy
KITZ's corporate philosophy is pursuing the sustainable improvement of its corporate value by providing creative and high-quality products and services. As a company having social responsibility, the Company works to achieve management in consideration of its shareholders and all other stakeholders.

Moreover, the Company works to realize management that is prompt, efficient, sound and highly transparent and strives to strengthen compliance by taking various measures to enhance its corporate governance.

Board of Directors, Directors
KITZ's Board of Directors assumes fiduciary responsibility to shareholders and discusses and makes decisions on major management issues, including management policy, medium-to long-term management plans and business plans for each fiscal year, aiming to achieve the sustainable growth of the KITZ Group and a medium-to long-term improvement in its corporate value. The Board of Directors supervises business execution and is responsible for building the entire Group's internal control system.

The Board of Directors consists of six members: three Executive Directors and three Outside Directors. In principle, a meeting of the Board of Directors is held every month, where the members discuss issues prescribed in the Rules of the Board of Directors and make resolutions. The members conduct vigorous discussions on other important management issues as well. To facilitate decision-making and clarify executive responsibilities, the term of office of the Directors is one year.

The Outside Directors have a great deal of experience in corporate management and a broad range of knowledge. They participate in the Board of Directors' business decisions. They provide appropriate advice for the Company's business judgments and supervise the execution of operations.

Each year, the Board of Directors conducts a survey of Directors and Audit & Supervisory Board Members on the effectiveness of the Board of Directors and is constructively discussing issues to improve the effectiveness based on the results of the survey.

Audit & Supervisory Board and Its Members
KITZ’s Audit & Supervisory Board supervises the process of the Directors’ decision-making and the performance of their duties in accordance with the Audit & Supervisory Board Members’ auditing standards and auditing plans created by the Audit & Supervisory Board under laws and regulations, the Articles of Incorporation and internal regulations. The board receives quarterly reports from the Accounting Auditor about the results of accounting audits. To promote collaboration among the three audits consisting of the internal audit, the Accounting audit and the Audit & Supervisory Board audit, the outside accounting auditor, the Audit & Supervisory Board Members and the internal audit departments regularly convene the “Three Party Audit Meeting” and provide reports and exchange opinions for frequent and direct collaboration. Also, the “Four-Party Audit and Supervision Meeting” has been put in place, with independent Outside Directors along with the above three parties and is regularly convened to ensure collaboration.

The Audit & Supervisory Board Members attend the meetings of the Board of Directors and monitor and examine the status of the Board of Directors’ decision-making and respective Director's performance of their obligation to supervise. They attend also other important meetings and visit offices and subsidiaries to carry out audits. They supervise the Directors’ performance of their duties by obtaining information from the Directors, Executive Officers and employees.

The Audit & Supervisory Board consists of four Audit & Supervisory Board Members: two full-time members and two outside members. In principle, a meeting of the Audit & Supervisory Board is held every month.

The Outside Audit & Supervisory Board Members have a great deal of experience in corporate management and a broad range of knowledge. They carry out audits from a neutral and objective perspective to enhance the soundness of management. At least one Audit & Supervisory Board Member who has strong expertise about finance and accounting is to be appointed.

To support the Audit & Supervisory Board Members’ performance of their duties, the Audit & Supervisory Board has established The Auditors Board Office, whose full-time staff gather information and conduct surveys in accordance with the directions of the Audit & Supervisory Board Members and cooperate with the Accounting Auditor and the Internal Audit Office.

Management Conference, Executive Officers
In principle, KITZ holds a meeting of the Management Conference consisting of Executive Officers (including Executive Directors) every month to determine policies on major management issues through strategic and multilateral discussions. KITZ is reviewing its standards for proposals to the Board of Directors and is transferring authority to the Executive Officers so that the Board of Directors can focus on the discussion of major issues relating to general management, including management policy and business plans.

Appointments of Directors, Audit & Supervisory Board Members and Executive Officers
Candidates for appointments as Directors, Audit & Supervisory Board Members and Executive Officers are selected by the Nomination Committee (advisory body to the Board of
Directors), which consists of a majority of Outside Directors, from diverse perspectives that include character, ability, judgement, experience, expertise, achievements, fairness and age. Based on submitted reports, candidates are selected by the Board of Directors. If Audit & Supervisory Board Member candidates are appointed, the Audit & Supervisory Board needs to agree on them.

Independence of Outside Directors
The Board of Directors has formulated the “Criteria for Determining the Independence of Outside Directors.” All KITZ’s Outside Directors and Outside Audit & Supervisory Board Members satisfy the criteria. Also, KITZ’s Outside Directors and Outside Audit & Supervisory Board Members all satisfy the independence criteria prescribed by the Tokyo Stock Exchange. The Company registers its independent officers with the Tokyo Stock Exchange.

Compensation for Directors and Executive Officers
KITZ introduced a performance-based stock compensation plan for Directors (excluding Outside Directors) and Executive Officers. Under this plan, compensation for Directors and Executive Officers is based on so-called “stock compensation” whereby shares in the Company are granted as part of traditional monthly remuneration and bonuses in accordance with business performance. This is aimed at making the correlation between the remuneration of Directors and Executive Officers and KITZ’s stock value more clear and raising awareness of contributions to an improvement in results in the medium to long term and an increase in KITZ’s corporate value. Bonuses shall be paid if certain conditions prescribed in internal regulations are met and reasonable profits are earned. The source of bonuses is around 1% of net income attributable to owners of the parent. The Executive Compensation Committee (an advisory body to Representative Directors) has also been established, which consists of a majority of Outside Directors who discuss policies and details concerning executive compensation and report to the Representative Directors when necessary.

Matrix and History of Corporate Governance

<table>
<thead>
<tr>
<th>1990</th>
<th>2000</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Separation of supervision and execution</td>
<td>1999 Decreased to 12</td>
<td>2005 Decreased to 9</td>
</tr>
<tr>
<td>Introduce the Executive Officer System</td>
<td>1999</td>
<td></td>
</tr>
<tr>
<td>Number of Outside Directors</td>
<td>2001 One</td>
<td>2011 Two</td>
</tr>
<tr>
<td>Number of Outside Audit &amp; Supervisory Board Members</td>
<td>One</td>
<td>Two</td>
</tr>
<tr>
<td>Operation of the Board of Directors</td>
<td>2006 Term of office for Directors: 1 year</td>
<td>2016 Implemented self-evaluations on the effectiveness of the Board of Directors</td>
</tr>
<tr>
<td>Advisory Committees</td>
<td>1999 Established the Investment and Loans Review Committee</td>
<td>2007 Established the Internal Control Committee</td>
</tr>
<tr>
<td></td>
<td>2003 Established the C&amp;C Control Committee</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2004 Abolished the system for retirement bonuses for Executive Officers</td>
<td>2016</td>
</tr>
<tr>
<td></td>
<td>2010 Introduced a performance-based stock compensation plan</td>
<td></td>
</tr>
<tr>
<td>Integrated Report</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate philosophy</td>
<td>1992</td>
<td>2001 1st revision</td>
</tr>
</tbody>
</table>
Corporate governance has two aims, specifically, to prevent misconduct and to strengthen a company’s profitability. Permanence has become even more important than ever as a means to fulfill corporate social responsibility and survive over a long period, especially in times of future uncertainty and a fast-changing environment. On that point, KITZ has continued operating for more than 65 years.

Long-established companies have several common traits that include being customer-focused, enhancing and leveraging their own strengths, maintaining their immutable essence while adopting to change, being modest, appreciative and transparent, and building up management for the next generation. Keeping these ideas firmly in mind, as an Outside Director I believe it is essential to offer honest opinions based on diverse viewpoints that draw on my experience. Through this, I aim to support KITZ’s growth with sustainable profits as well as its evolution into a global company. Fortunately, KITZ’s business fields of “water” and “energy” are projected to grow over the long term. Going forward, I believe it will be critical to place value on contacts outside the company, to be conscious of actual customer issues, propose original solutions based on trial-and-error, and strive with customers to raise the degree of precision of these solutions.

I also think it will be important to make sure KITZ’s purposes for undertaking business and for whom the business is being undertaken are clearly understood at all times. In addition to this, it is vital to build a team that operates based on mutual trust and respect through communication, to prioritize and utilize management resources effectively and to normalize prompt communication of information, including negative information.

I hope that KITZ commits itself further to making swift decisions and acting in accordance with its Guidelines for Action, namely “Do it True,” “Do it Now” and “Do it New,” on which KITZ places enormous value.

I would like to support KITZ’s growth with sustainable profits and its further evolution into a global company.

Kazuyuki Matsumoto
Outside Director

Minoru Amoh
Outside Director

Kazuyuki Matsumoto
Outside Director

Yutaka Fujiwara
Outside Director
I will continue to make my utmost efforts as an Outside Director to earn the trust of all stakeholders.

Minoru Amoh
Outside Director

The important roles of outside directors are to offer different perspectives and thinking, provide an impetus to difficult decision-making and contribute to the selection of successors to key positions from the perspective of human resources development. I believe the essential points in operational management for ensuring that outside directors function effectively are to provide large volumes of information, give explanations in advance of board meetings, create opportunities for direct dialogue with management members at informal venues such as dinner meetings, secure venues for exchanging opinions about medium- and long-term strategies, and create numerous opportunities to visit manufacturing plants and branches. Also, I believe one of the important points in selecting the agenda of the board meeting is whether outside directors can provide added value or not.

In 2015, I assumed the duties as an Outside Director of KITZ. Through my involvement with the Board of Directors and observations of manufacturing plants, I have a strong sense that KITZ is sincerely building an extremely solid governance system and is assuring the transparency and objectivity of its management. In its medium- and long-term strategies, I commend KITZ’s efforts to actively ascertain changes in the market, pursue sustainable growth and achieve continuous improvements in corporate value.

Recently, moves toward corporate governance reforms are gathering pace. Let me stress three important points in undertaking these reforms. The first is to respect basic rules concerning the nomination of directors and executive officers. The second is to ensure “security protection.” The third is to select multiple outside directors. Applicable examples of these points in terms of nominating outside directors are ensuring that the company president and chairman do not have any personal friendly relationships with the candidate, nominating the candidate who is not persistent about compensation and protecting one’s self-interests, and assuring that the candidate has previous experience as an outside director.

I will continue to make every effort as an Outside Director to ensure that KITZ attains sustainable growth and earns the trust of all stakeholders.

I contribute to the long-term improvement of corporate value through frank opinions and advice.

Yutaka Fujiwara
Outside Director

A Corporate Governance Code was enacted in 2015, with its principal purpose being the prevention of corporate fraud and ensuring management transparency. The Code promotes the establishment of an optimal corporate governance system to increase long-term corporate value. I understand that its most important concept is the “separation between supervision of business and execution of business.” That means a clear separation and division of roles are required, in which the supervision of company management is delegated to the Board of Directors by the shareholders and the execution of business is delegated to Executive Officers under the President by the Board of Directors. The reality is, however, that a number of boards of directors in Japanese companies are occupied by more than a few internal directors who also serve as executive officers, making it rather difficult to achieve separation of the supervision of business and execution of business.

In contrast, three of the six Directors of KITZ are completely independent Outside Directors who have absolutely no conflict of interest with KITZ. The Outside Directors make up 50% of total Directors, and they are 100% independent. From all the approximately 3,500 listed companies, I believe that KITZ is one of the most advanced companies in terms of governance structure. To further increase the effectiveness of the Board of Directors, although KITZ already has an Audit & Supervisory Board, a Nomination Committee and an Executive Compensation Committee, which have a majority of Outside Directors, have been established to ensure transparency with regard to executive personnel affairs and remuneration. With regard also to resolutions of the Board of Directors, sufficient prior explanation is provided as necessary, which results in frank and productive discussions at the Board of Directors meeting.

So as to enhance the effectiveness of this well-established governance system, the responsibilities of the independent Outside Directors are, by maintaining the perspective of shareholders or other stakeholders at all times and exchanging frank opinions and advice, to keep in mind the contribution to long-term improvement of corporate value.
Internal Control System

KITZ recognizes that building and appropriately managing an internal control system is the basic condition for meeting the expectations and trust of shareholders and all the other stakeholders, and the important responsibility of the Board of Directors. KITZ has formulated a basic policy to achieve this and is working to develop and operate the internal control system to ensure the entire Group maintains proper operations.

In addition, we have created a framework for identifying problems and making improvements relating to business execution processes, and independent initiatives and inspections are conducted within each department of the Group. The system is strengthened as needed. Audits are conducted on the status of development and operation of the internal control system, with the details verified by the Board of Directors.

Promotion of Compliance and Risk Management

Promotion of Compliance
KITZ believes that compliance management is a basic and essential condition for the company to develop sustainably. KITZ has established KITZ' Statement of Corporate Mission, which describes its corporate philosophy. The top line of its guidelines for action says "Do it True." The Company takes steps to raise awareness of compliance and improve knowledge about compliance.

Risk Management
KITZ believes that controlling a variety of risks associated with corporate activities is a significant challenge for management. The entire Group works to determine and analyze a variety of risks in business activities appropriately, considers initiatives to prevent and control the emergence of risk and carries out the initiatives. The Group also works to develop a system to respond to crises promptly and appropriately.

C&C Control Committee
In 2002, KITZ established a C&C (Crisis & Compliance) Control Committee. The committee formulates policies and takes steps for the prevention of the occurrence of management risk, response to crises and thorough compliance management.

Compliance Education
For thorough compliance management, KITZ has created a Compliance Guidebook, which is commonly used within the Group. The guidebook describes the importance of compliance management, basic policy, the code of conduct related to compliance, a whistle-blower hotline, compliance education and disciplinary action to violators. Guidebooks are distributed to the officers and employees of KITZ and the Group companies.

To raise awareness of compliance and improve knowledge about compliance, the Company plans educational seminars about laws and regulations and legal affairs every year.

Establishment of a Whistle-Blower Hotline
To gather internal information that cannot be obtained through the ordinary internal control system and compliance system, KITZ has established and operates a whistle-blower hotline. Through the hotline, the Compliance Information Desk (internally referred to as “CID”) receives information on violations of the code of compliance, including compliance with laws and regulations, from the officers and employees of KITZ and its Group companies.

Besides each Group company, KITZ and its corporate lawyer's office each has a CID, which can be commonly used within the Group. When the CID receives information, the confidentiality of the informer is protected, and the C&C Control Committee chaired by the president of each Group company will take appropriate steps promptly.

Protection of Personal Information
In December 2004, KITZ established its personal information protection policy and started to take measures to protect personal information. The Company carefully manages personal information.
Environmental Activities

KITZ undertakes initiatives for the conservation of the environment in accordance with the KITZ Group Principle of Environmental Activities and the Environmental Action Policy.

### KITZ Group Principle of Environmental Activities

KITZ Group companies aspire to become operations worthy of society's confidence through the supply of environmentally friendly products and services and promotion of environment-responsive corporate activities.

### KITZ Group: 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

### Targets in Long-Range Management Projects

1. Enhancement of Environmental Management System
   
   We have completed certification for ISO 14001 at all production plants in Japan and will expand efforts to gain certification at overseas bases. We aim to complete acquisition at all overseas manufacturing bases in the near future and create an environmental management system befitting a truly global company.

   - ISO 14001 certification and control of environmental issues for overseas manufacturing operations
   - Construction of a management system for data related to the environment

2. Reduction in environmental impact and compliance with environment-related laws and regulations
   
   Besides complying with various environment-related laws and regulations for addressing environmental problems amid a tightening of restrictions worldwide, including in Japan, Europe, Asia and the United States, we also engage in activities to eliminate all environmental risk associated with our business activities.

   We are reducing consumption of energy and water used for our business activities and reducing the discharge of carbon dioxide, industrial waste and chemical pollutants from our business operations. We will effectively use finite resources while extensively eliminating waste to reduce environmental impacts in terms of total volume and basic units.

   - CO₂ emissions
     Reduce CO₂ emission volume per unit of production (t/100 million yen) by 10% in 2020 from the figure in 2013.
     \[(\text{Emission volume per unit of production: } 58.81 \text{ in 2013} \rightarrow 52.71 \text{ in 2020})\]

### Initiatives to Accomplish Targets

KITZ will conduct activities aimed at realizing the aforementioned goals based on a policy of achieving a balance between risk prevention and cost reduction. This balance is based on our philosophy of reducing costs and making a broad contribution to society by preventing soil contamination through proactive environmental activities to curb potential future costs and thoroughly reducing waste from business activities.
Development and Supply of Environmentally Friendly Products and Services

KITZ has formulated its own independent environmentally friendly development policies and environmental impact reduction guidelines and works to develop products that minimize environmental impacts based on medium- and long-term perspectives.

Highly Corrosion-Resistant Alloy Steel Valves for Seawater Desalination Plant

These highly corrosion-resistant alloy steel valves utilize a dual-phase alloy (Super Duplex material (SDPV)). Offering superior corrosion resistance compared with aluminum bronze alloys that were widely used as conventional products, these valves are being used at seawater desalination plants in Japan and overseas.

Compact Water Purifier for Water Works — Water Purification Equipment Contributing to the Use of Water in Mountainous Areas

This water purifier deploys a membrane filtration method that utilizes long-term stable filtration performance capabilities and makes clogging unlikely. The purifier reliably removes impurities and protozoa such as chlorine-resistant cryptosporidium. It comes with a compact design and users can choose from a variety of models in accordance with the quantity of water to be treated and the raw water quality. The equipment can also respond to needs for unattended and automated operation and offers optimal effects in improving water quality in mountainous regions.

Effective Use of Resources

The main materials of valves are metals, which are natural resources. KITZ utilizes used scrap metal as part of raw materials for valves. KITZ also strives to recycle scrap and cutting chips generated in the production process by utilizing the know-how it has accumulated over many years. In addition, for casting sand to be used in the casting process, chunks are crushed, sorted and processed in the sand process for recycling. If casting sand is used repeatedly and becomes smaller than the standard particle diameter, it will become waste. However, casting sand that is disposed of will be used as auxiliary materials for cement. In this way, KITZ aims to achieve coexistence with the global environment and promotes the effective use of limited resources.

Reduction of Waste, Promotion of Recycling and Reuse

We are working to properly dispose of materials that we are unable to reduce (no generation or bringing in of waste), reuse (recyclable waste materials are returned to the production lines for reuse) or recycle (sort and recycle as resources). By thoroughly sorting waste material and recycling it as valuable resources, we are curbing the amount of waste materials generated.

In its production divisions, based on surveys and analyses of the volume of waste generated, KITZ is promoting efforts to reduce and reuse industrial waste materials, which consist mostly of waste materials generated by the KITZ Group’s production activities. Moreover, the Waste Material Management System, which manages the KITZ Group’s environment and safety-related information, enables KITZ to ascertain on a timely basis the entire waste-handling process, from the generation of waste to final disposal, and allows this information.
to be shared within the Group. For its waste handling system, KITZ has established a framework under which the waste disposal route is determined in advance and waste cannot be processed using any route other than the route specified in the consignment agreements.

Prevention of Environmental Contamination
Metal resources and casting sand, which are raw materials of valves, contain many Pollutant Release and Transfer Register (PRTR) target substances* such as lead, manganese, chrome, nickel and chromium oxide. The main types of substances discharged into the atmosphere are xylene and toluene from paints, thinners and stored gasoline while the main substance transferred externally is chromium oxide contained in casting sand.

To prevent environmental contamination caused by dangerous and toxic substances contained in chemical products, in addition to preventing contamination from PRTR target substances*, KITZ built the Chemical Substance Management System in 2000. KITZ is working to identify chemical products containing toxic substances and to use alternative substances as it strives to improve the safety of its valve products and reduce environmental impacts.

* These are substances recognized as being persistent in the environment over a wide area and that meet one of the following conditions that include “being harmful to human health and ecosystems,” “chemical substances that may easily form hazardous chemical substances through a naturally occurring chemical transformation” and “ozone layer destroying substances.”

- Usage Volume of PRTR Substances (top five types)

<table>
<thead>
<tr>
<th>Substance</th>
<th>Usage Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lead</td>
<td>2,979</td>
</tr>
<tr>
<td>Manganese</td>
<td>1,524</td>
</tr>
<tr>
<td>Chrome</td>
<td>517</td>
</tr>
<tr>
<td>Nickel (metal)</td>
<td>498</td>
</tr>
<tr>
<td>Chromium oxide</td>
<td>290</td>
</tr>
</tbody>
</table>

*KITZ also tabulates PRTR substances for which the annual handling volume is less than 1t and that have a content rate of less than 1%.

Greening of Logistics
To achieve environmentally friendly logistics, the KITZ Group companies mutually cooperate with transportation companies to carry out “joint deliveries,” which entails collection and delivery freight jointly, and “integrated deliveries,” which entails efficient transportation by loading different cargo outward and upon return. Through this approach, the KITZ Group is reducing CO2 emissions in its logistics operations. As specific approaches, KITZ delivers procured parts and materials upon return after deliveries of products to customers by using exclusive joint delivery with Group companies or the logistics network of transportation companies. Additionally, we are establishing delivery and procurement networks with high transport efficiency in the vicinity of our production plants. By taking these measures, we are reducing the duplication of transportation distances on main transport routes and improving the loading ratio.

As another important issue, stretch film used to prevent load shifting during the delivery of products and components becomes waste material upon reaching the shipping destination. KITZ is now concurrently using nets that can be used repeatedly for these deliveries. While performing various verifications for load shifting and other matters, KITZ is working to reduce the amount of its stretch film usage.

Moreover, KITZ also carries out transport utilizing returnable shipping boxes for some of its products and by doing so is reducing waste.

To reduce environmental impacts, KITZ will promote efforts to further reduce CO2 emissions and minimize shipping supplies.

Nagasaka Plant Wins Yamanashi Energy-Saving Smart Company Award
The Nagasaka Plant has won the 2017 Yamanashi Energy-Saving Smart Company Award. The Energy-Saving Smart Company Award is an award in which Yamanashi Prefecture publicly recognizes business owners who have proactively and continuously achieved outstanding results in their approach to saving energy. This year, one company was chosen for the grand award and five companies for an incentive award. The Nagasaka Plant won the prestigious grand award, having been highly commended for the results of its ongoing activities over six years in response to the Great East Japan Earthquake of 2011.
Communication with Our Stakeholders

KITZ provides opportunities for direct communication through activities to build relationships of mutual trust with shareholders and investors, as well as with other stakeholders including customers, business partners, employees and society. We feed back information obtained by constructive communication to the management team, and reflect the outcomes in efforts to improve the efficiency and transparency of management.

With Shareholders

We seek to disclose information at an early stage, wherein we send the notice of the annual general meeting of shareholders more than one week earlier than the legal requirement and the contents are posted on the website prior to sending. The English version can also be read on the website. We are preparing a system that enables our shareholders to exercise voting rights online for their convenience.

With Individual Investors

For the purpose of getting more people interested in becoming a KITZ shareholder, we hold briefings for individual investors multiple times a year. In addition, we are striving to improve the shareholder special benefit plan as well as to provide information on a timely basis both on the website and in the shareholder report.

With Institutional Investors

We hold results briefings for institutional investors and analysts on a quarterly basis. The president or executive officer explains the achievements and the medium- and long-term strategy.
With Customers

To introduce the KITZ Group’s products to a wider audience, we proactively exhibit at domestic and foreign trade shows and answer questions from customers who visit our booth.

With Business Partners

The meeting of presidents of domestic general distributors is held annually. We promote mutual understanding and further deepen our partnership with distributors.

With Employees

The management team including the president regularly visits manufacturing sites and promotes better understanding through communication with employees there.

We also hold internal IR briefings at our domestic branches and plants. We provide easy-to-understand explanations about our business results and medium- and long-term strategies.

With the Local Community

KITZ sponsors every year the spring-time high school Ina Ekiden participated in by top schools from all over Japan. The event is held in Nagano Prefecture where the Ina Plant is located. In 2017, in commemoration of the 40th year (men’s section), a monument was built at the Ina City athletics stadium. Each year, employees of the Ina Plant participate in this event as volunteers. This year, using casting technology, KITZ created and donated a plate engraved with the words “Start and Goal Point of Spring-time High School Ina Ekiden.”
Social Contribution Activities

KITZ focuses its various social contribution activities on areas including regional development (regional contribution), environment preservation, social and international contribution, and culture development.

Regional Development (Regional Contribution) and Environmental Preservation

Project for Regenerating Kujukuri Coastal Forest Preserve

In collaboration with the NPO Life Style Research Institute of Forests, we work on regenerating the forest preserve at Hasunuma Tonoshita coastal area (Kujukuri coastal area) in Sammu city, Chiba Prefecture, which was damaged by the tsunami caused by the Great East Japan Earthquake.

Regeneration of a Satoyama – Oomurasaki Forest

In an effort to regenerate a Satoyama (undeveloped village forest) to serve as a habitat for the giant purple Oomurasaki butterfly, Japan’s national butterfly and the symbol of Hokuto city, Yamanashi Prefecture, where the Nagasaka Plant is located, we participate in tree-planting activities sponsored by the NPO Oomurasaki Center.

Supporting Yamanashi/ Nagano Professional Sports Teams

A number of the KITZ Group’s business sites are located in Yamanashi and Nagano Prefectures, for example, the Nagasaka Plant in Yamanashi Prefecture and the Ina and Chino plants in Nagano Prefecture. KITZ supports professional sports teams in these areas by pouring its efforts into the development of local children. The Company has supported the Soccer J2 League Ventforet Kofu (Kofu City, Yamanashi Prefecture) since 2013, as well as the Matsumoto Yamaga FC (Matsumoto City, Nagano Prefecture) and the Volleyball V Challenge League IVC Nagano Tridents (Kamiina County, Nagano Prefecture) since 2018.
Social and International Contribution

Support for the Japan Para-Alpine Ski Team

KITZ is an official sponsor of the Alpine ski team, Ski Association of Japan for the Disabled. The purposes of this activity are to develop players that can excel in world-class events, including the Paralympics and the World Cup, and to help people with disabilities overcome their challenges and participate in society through skiing.

Photo by Hiro YAKUSHI

Introduction of TABLE FOR TWO Program

Our company cafeterias have introduced an activity that simultaneously seeks to eliminate hunger in developing countries and obesity and lifestyle-related diseases in developed countries. Each time an employee eats a meal from our healthy menu, we donate 20 yen out of the cost paid by an employee that is included in the price of the meal to support school lunch projects in developing countries in Africa.

Photo: TABLE FOR TWO

Support for Kitazawa Museum of Art

KITZ supports the activities of the Kitazawa Museum of Art located on the shores of Lake Suwa. The Kitazawa Museum of Art permanently displays excellent pieces of artwork, including some of the world’s best French glassworks made during the art nouveau era at the end of 19th century and modern Japanese paintings. These works are highly acclaimed both in Japan and overseas.
## Financial Data

### For the Year

<table>
<thead>
<tr>
<th></th>
<th>FY2007</th>
<th>FY2008</th>
<th>FY2009</th>
<th>FY2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>149,274</td>
<td>127,095</td>
<td>96,592</td>
<td>106,059</td>
</tr>
<tr>
<td><strong>Domestic Sales</strong></td>
<td>119,654</td>
<td>100,001</td>
<td>76,403</td>
<td>82,120</td>
</tr>
<tr>
<td><strong>Overseas sales</strong></td>
<td>29,620</td>
<td>27,094</td>
<td>20,188</td>
<td>23,938</td>
</tr>
<tr>
<td><strong>Valve Manufacturing Business</strong></td>
<td>99,118</td>
<td>89,627</td>
<td>70,611</td>
<td>76,098</td>
</tr>
<tr>
<td><strong>Brass Bar Manufacturing Business</strong></td>
<td>40,886</td>
<td>28,247</td>
<td>16,218</td>
<td>20,230</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>9,269</td>
<td>9,220</td>
<td>9,762</td>
<td>9,729</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>11,615</td>
<td>7,188</td>
<td>6,976</td>
<td>6,341</td>
</tr>
<tr>
<td><strong>Ordinary income</strong></td>
<td>10,525</td>
<td>6,475</td>
<td>6,248</td>
<td>5,929</td>
</tr>
<tr>
<td><strong>Net income attributable to owners of the parent</strong></td>
<td>6,290</td>
<td>3,396</td>
<td>3,079</td>
<td>3,063</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td>11,949</td>
<td>11,101</td>
<td>13,285</td>
<td>5,818</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td>(3,288)</td>
<td>(3,945)</td>
<td>(4,525)</td>
<td>(2,907)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td>(8,362)</td>
<td>(1,470)</td>
<td>(9,291)</td>
<td>375</td>
</tr>
</tbody>
</table>

### At Year-End

<table>
<thead>
<tr>
<th></th>
<th>FY2007</th>
<th>FY2008</th>
<th>FY2009</th>
<th>FY2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td>55,432</td>
<td>51,030</td>
<td>47,421</td>
<td>52,036</td>
</tr>
<tr>
<td><strong>Fixed assets</strong></td>
<td>53,877</td>
<td>50,071</td>
<td>50,112</td>
<td>48,101</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>109,310</td>
<td>101,101</td>
<td>97,533</td>
<td>100,138</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td>29,038</td>
<td>27,712</td>
<td>18,070</td>
<td>26,521</td>
</tr>
<tr>
<td><strong>Long-term liabilities</strong></td>
<td>26,933</td>
<td>22,476</td>
<td>25,616</td>
<td>20,184</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>55,972</td>
<td>50,189</td>
<td>43,686</td>
<td>46,705</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>53,337</td>
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### Per Share Data

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### Financial Indicators (%)

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Financial Data

- **EPS**
- **BPS**
- **Total Assets / ROA**
- **Cash Dividends Per Share / Payout Ratio**
- **Free Cash Flows**
- **Equity Ratio**
# Consolidated Balance Sheets

<table>
<thead>
<tr>
<th>Assets</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
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<tr>
<td><strong>Current assets</strong></td>
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<tr>
<td>Cash in hand and in banks</td>
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<td>18,620</td>
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<td>(39)</td>
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<table>
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<th>Liabilities</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
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<td><strong>Current liabilities</strong></td>
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<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>119,422</td>
<td>119,148</td>
<td>134,187</td>
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### Consolidated Statements of Income

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<td>Gross profit</td>
<td>29,922</td>
<td>31,696</td>
<td>34,106</td>
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<tr>
<td>Selling, general and administrative expenses</td>
<td>22,676</td>
<td>22,767</td>
<td>23,989</td>
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<tr>
<td>Operating income</td>
<td>7,245</td>
<td>8,929</td>
<td>10,117</td>
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<tr>
<td>Non-operating income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>39</td>
<td>97</td>
<td>92</td>
</tr>
<tr>
<td>Dividend income</td>
<td>179</td>
<td>211</td>
<td>139</td>
</tr>
<tr>
<td>Insurance income</td>
<td>131</td>
<td>133</td>
<td>136</td>
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<tr>
<td>Exchange gains</td>
<td>82</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>458</td>
<td>326</td>
<td>424</td>
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<tr>
<td>Total non-operating income</td>
<td>891</td>
<td>768</td>
<td>793</td>
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<tr>
<td>Non-operating expenses</td>
<td></td>
<td></td>
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<td>Interest expenses</td>
<td>219</td>
<td>254</td>
<td>226</td>
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<tr>
<td>Sales discount</td>
<td>386</td>
<td>376</td>
<td>382</td>
</tr>
<tr>
<td>Losses on sales of notes receivable</td>
<td>23</td>
<td>23</td>
<td>15</td>
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<tr>
<td>Exchange losses</td>
<td></td>
<td>19</td>
<td>208</td>
</tr>
<tr>
<td>Other</td>
<td>206</td>
<td>244</td>
<td>344</td>
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<td>Total non-operating expenses</td>
<td>836</td>
<td>898</td>
<td>1,177</td>
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<tr>
<td>Ordinary income</td>
<td>7,300</td>
<td>8,799</td>
<td>9,733</td>
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<tr>
<td>Extraordinary income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gains on sales of property, plant and equipment</td>
<td>85</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>Gains on sales of investment securities</td>
<td>75</td>
<td>2,097</td>
<td>869</td>
</tr>
<tr>
<td>Gains on business transfer</td>
<td>170</td>
<td></td>
<td></td>
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<tr>
<td>Other</td>
<td>6</td>
<td>40</td>
<td>1</td>
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<tr>
<td>Total extraordinary income</td>
<td>338</td>
<td>2,152</td>
<td>883</td>
</tr>
<tr>
<td>Extraordinary loss</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Losses on sales or disposal of property, plant and equipment</td>
<td>119</td>
<td>141</td>
<td>87</td>
</tr>
<tr>
<td>Impairment loss</td>
<td></td>
<td>3,756</td>
<td>386</td>
</tr>
<tr>
<td>Other</td>
<td>31</td>
<td>27</td>
<td>28</td>
</tr>
<tr>
<td>Total extraordinary loss</td>
<td>151</td>
<td>3,925</td>
<td>502</td>
</tr>
<tr>
<td>Net income before income taxes and minority interests</td>
<td>7,488</td>
<td>7,025</td>
<td>10,114</td>
</tr>
<tr>
<td>Income taxes (income, residential and enterprise taxes)</td>
<td>2,198</td>
<td>2,570</td>
<td>3,586</td>
</tr>
<tr>
<td>Taxes from past fiscal years</td>
<td></td>
<td>(622)</td>
<td></td>
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<tr>
<td>Income tax adjustment</td>
<td>284</td>
<td>(258)</td>
<td>(72)</td>
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<tr>
<td>Total income taxes</td>
<td>2,483</td>
<td>1,509</td>
<td>3,513</td>
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<tr>
<td>Net income</td>
<td>5,005</td>
<td>5,515</td>
<td>6,601</td>
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<tr>
<td>Net income attributable to non-controlling interests</td>
<td>90</td>
<td>115</td>
<td>82</td>
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<tr>
<td>Net income attributable to owners of the parent</td>
<td>4,915</td>
<td>5,400</td>
<td>6,518</td>
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</table>

### Consolidated Statements of Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>5,005</td>
<td>5,515</td>
<td>6,601</td>
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<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Net unrealized gains on other securities</td>
<td>(576)</td>
<td>(772)</td>
<td>307</td>
</tr>
<tr>
<td>Translation adjustment</td>
<td>(1,639)</td>
<td>(670)</td>
<td>767</td>
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<tr>
<td>Remeasurements of retirement benefits</td>
<td>(77)</td>
<td>(23)</td>
<td>(114)</td>
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<tr>
<td>Total other comprehensive income</td>
<td>(2,293)</td>
<td>(1,466)</td>
<td>959</td>
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<tr>
<td>Comprehensive income</td>
<td>2,712</td>
<td>4,048</td>
<td>7,560</td>
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<tr>
<td>(Breakdown)</td>
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<td></td>
<td></td>
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<tr>
<td>Comprehensive income attributable to owners of the parent</td>
<td>2,670</td>
<td>3,950</td>
<td>7,434</td>
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<tr>
<td>Comprehensive income attributable to non-controlling interests</td>
<td>41</td>
<td>98</td>
<td>125</td>
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</table>
### Consolidated Statements of Cash Flows

(Millions of yen)

<table>
<thead>
<tr>
<th>Operating Activities</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income before income taxes and minority interests</td>
<td>7,488</td>
<td>7,025</td>
<td>10,114</td>
</tr>
<tr>
<td>Depreciation</td>
<td>4,019</td>
<td>4,148</td>
<td>4,297</td>
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<tr>
<td>Amortization of goodwill</td>
<td>327</td>
<td>438</td>
<td>464</td>
</tr>
<tr>
<td>Exchange (gains) losses</td>
<td>79</td>
<td>37</td>
<td>15</td>
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<tr>
<td>Write-down of investments in securities</td>
<td>0</td>
<td>—</td>
<td>—</td>
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<tr>
<td>(Gains) losses on sales of investment securities</td>
<td>(75)</td>
<td>(2,082)</td>
<td>(869)</td>
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<tr>
<td>Increase (decrease) in provision for allowance for doubtful accounts</td>
<td>12</td>
<td>4</td>
<td>57</td>
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<tr>
<td>Increase (decrease) in accrued bonuses to employees</td>
<td>(66)</td>
<td>382</td>
<td>242</td>
</tr>
<tr>
<td>Increase (decrease) in retirement benefit liabilities</td>
<td>(60)</td>
<td>(62)</td>
<td>(138)</td>
</tr>
<tr>
<td>Increase (decrease) in accrued retirement benefits to directors</td>
<td>(111)</td>
<td>30</td>
<td>17</td>
</tr>
<tr>
<td>Increase (decrease) in allowance for stock benefit for directors</td>
<td>—</td>
<td>36</td>
<td>51</td>
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<tr>
<td>Increase (decrease) in provision of accrued bonuses to directors</td>
<td>11</td>
<td>(1)</td>
<td>16</td>
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<tr>
<td>Interest income and dividend income</td>
<td>(219)</td>
<td>(308)</td>
<td>(232)</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>219</td>
<td>254</td>
<td>226</td>
</tr>
<tr>
<td>(Gains) losses on sales or disposal of property, plant and equipment</td>
<td>33</td>
<td>127</td>
<td>74</td>
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<tr>
<td>Impairment losses of fixed assets</td>
<td>—</td>
<td>3,756</td>
<td>386</td>
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<tr>
<td>(Gains) losses on transfer of business</td>
<td>(170)</td>
<td>—</td>
<td>—</td>
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<tr>
<td>(Increase) decrease in notes and accounts receivable</td>
<td>835</td>
<td>(673)</td>
<td>(3,110)</td>
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<tr>
<td>(Increase) decrease in inventories</td>
<td>710</td>
<td>677</td>
<td>(1,961)</td>
</tr>
<tr>
<td>(Increase) decrease in other current assets</td>
<td>(28)</td>
<td>60</td>
<td>(980)</td>
</tr>
<tr>
<td>(Increase) decrease in accounts payable</td>
<td>(167)</td>
<td>(61)</td>
<td>781</td>
</tr>
<tr>
<td>Increase (decrease) in other current liabilities</td>
<td>(62)</td>
<td>843</td>
<td>(5)</td>
</tr>
<tr>
<td>Other</td>
<td>(72)</td>
<td>(76)</td>
<td>(472)</td>
</tr>
<tr>
<td>Subtotal</td>
<td>12,701</td>
<td>14,526</td>
<td>8,973</td>
</tr>
<tr>
<td>Interest and dividend income received</td>
<td>212</td>
<td>316</td>
<td>232</td>
</tr>
<tr>
<td>Interest expenses paid</td>
<td>(217)</td>
<td>(211)</td>
<td>(224)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(3,105)</td>
<td>(1,958)</td>
<td>(2,297)</td>
</tr>
<tr>
<td>Income taxes refund</td>
<td>—</td>
<td>286</td>
<td>256</td>
</tr>
<tr>
<td>Cash flows from operating activities</td>
<td>9,592</td>
<td>12,979</td>
<td>6,941</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Investing Activities</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from investing activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for purchase of property, plant and equipment</td>
<td>(4,343)</td>
<td>(4,476)</td>
<td>(5,149)</td>
</tr>
<tr>
<td>Proceeds from sales of property, plant and equipment</td>
<td>222</td>
<td>1,119</td>
<td>5</td>
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<tr>
<td>Payments for purchase of intangible assets</td>
<td>(1,125)</td>
<td>(1,956)</td>
<td>(3,128)</td>
</tr>
<tr>
<td>Payments for purchase of investments in securities</td>
<td>(470)</td>
<td>(21)</td>
<td>(20)</td>
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<tr>
<td>Proceeds from sales of investments in securities</td>
<td>110</td>
<td>3,422</td>
<td>1,191</td>
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<tr>
<td>Proceeds from collections of long-term loans receivable</td>
<td>1</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Payments for acquisition of subsidiaries’ shares resulting from changes in scope of consolidation</td>
<td>(3,732)</td>
<td>(211)</td>
<td>—</td>
</tr>
<tr>
<td>Proceeds from transfer of business</td>
<td>170</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>(594)</td>
<td>(17)</td>
<td>35</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>(9,763)</td>
<td>(2,141)</td>
<td>(7,066)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financing Activities</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from financing activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in short-term borrowings, net</td>
<td>418</td>
<td>(624)</td>
<td>(189)</td>
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<td>Proceeds from long-term debt</td>
<td>900</td>
<td>2,248</td>
<td>3,242</td>
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<tr>
<td>Repayment of long-term debt</td>
<td>(3,219)</td>
<td>(2,887)</td>
<td>(2,686)</td>
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<tr>
<td>Proceeds from issuance of bonds</td>
<td>11,520</td>
<td>1,821</td>
<td>9,940</td>
</tr>
<tr>
<td>Payments for redemption of bonds</td>
<td>(6,330)</td>
<td>(902)</td>
<td>(904)</td>
</tr>
<tr>
<td>Proceeds from sales of treasury stock</td>
<td>0</td>
<td>1</td>
<td>—</td>
</tr>
<tr>
<td>Payments for acquisition of treasury stock</td>
<td>(510)</td>
<td>(3,851)</td>
<td>(3,532)</td>
</tr>
<tr>
<td>Cash dividends paid</td>
<td>(1,406)</td>
<td>(1,380)</td>
<td>(1,414)</td>
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<tr>
<td>Cash dividends paid to non-controlling interests</td>
<td>(22)</td>
<td>(21)</td>
<td>(19)</td>
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<tr>
<td>Payments for acquisition of treasury stock</td>
<td>—</td>
<td>(1,037)</td>
<td>1,037</td>
</tr>
<tr>
<td>Other</td>
<td>(252)</td>
<td>(206)</td>
<td>(204)</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>796</td>
<td>(6,838)</td>
<td>5,267</td>
</tr>
</tbody>
</table>

Effect of exchange rate changes on cash and cash equivalents | (149)  | (250)  | 78  |

Net increase (decrease) in cash and cash equivalents | 475  | 3,748  | 5,220  |

Cash and cash equivalents at the beginning of the year | 12,575  | 13,050  | 16,799  |

Cash and cash equivalents at the end of the year | 13,050  | 16,799  | 22,019  |
Group Network

Domestic Network

KITZ Corporation

Head Office
1-10-1 Nakase, Mihama-ku, Chiba-shi, Chiba Pref. 261-8577, Japan
TEL: +81-43-299-0111

**Sales Bases**

**Hokkaido Regional Office**

Hokkaido Sales Office
KDX Sapporo Building, 4-1-2 Kita 7 Jo Nishi, Kita-ku, Sapporo-shi, Hokkaido Pref. 060-0807, Japan
TEL: +81-11-708-6666

**Tohoku Regional Office**

Tohoku Sales Office
Asahi Life Sendai Ichibancho Building, 2-7-17 Ichibancho, Aoba-ku, Sendai-shi, Miyagi Pref. 980-0811, Japan
TEL: +81-22-224-5335

**Kita-Kanto Regional Office**

Kita-Kanto Sales Office
Sakamoto-2 Building, 3-306-1, Miyaharacho, Kita-ku, Saitama-shi, Saitama Pref. 331-0812, Japan
TEL: +81-48-651-5260

**Niigata Sales Office**
Nissay Minamisasaguchi Building, 1-1-54 Minamisasaguchi, Chuo-ku, Niigata-shi, Niigata Pref. 950-0912, Japan
TEL: +81-25-243-3122

Tokyo Branch
Onward Park Building, 3-10-5 Nihombashi, Chuo-ku, Tokyo 103-0027, Japan

Tokyo Sales Office 1
TEL: +81-3-6836-1501

Tokyo Sales Office 2
TEL: +81-3-6836-1501

Air Conditioning and Instrumentation Office
TEL: +81-3-6836-1502

Tokyo Sales Promotion Group
TEL: +81-3-6836-1503

Industrial Sales Development Group
TEL: +81-3-6836-1501

Chiba Sales Office
1-10-1 Nakase, Mihama-ku, Chiba-shi, Chiba Pref. 261-8577, Japan
TEL: +81-43-299-1706

Yokohama Sales Office
Sankyo Yokohama Building, 5-85 Chojamachi, Naka-ku, Yokohama-shi, Kanagawa Pref. 231-0033, Japan
TEL: +81-45-253-1095

Chubu Branch
Gojinsha Meiki 3 Building, 3-9-37 Meiki, Nishi-ku, Nagoya-shi, Aichi Pref. 451-0045, Japan

Nagoya Sales Office 1
TEL: +81-52-562-1541

Nagoya Sales Office 2
TEL: +81-52-562-1541

Tokai Sales Office
Sumitomo Life Shizuoka Tokiwacho Building, 2-13-1 Tokiwacho, Aoi-ku, Shizuoka-shi, Shizuoka Pref. 420-0034, Japan
TEL: +81-54-273-7337

Hokuriku Sales Office
S.F Building, 4-7-14 Futakuchimachi, Toyama-shi, Toyama Pref. 939-8211, Japan
TEL: +81-76-492-4685

Koshin Sales Office
5125 Kanazawa, Chino-shi, Nagano Pref. 391-0012, Japan (located in Chino Plant)
TEL: +81-266-71-1441

Osaka Branch

Osaka Glen Check Building, 1-34-15 Shinmachi, Nishi-ku, Osaka-shi, Osaka Pref. 550-0013, Japan

Osaka Sales Office 1
TEL: +81-6-6541-1178

Osaka Sales Office 2
TEL: +81-6-6533-1715

Building Utility Products Group
TEL: +81-6-6541-1357

Air Conditioning and Instrumentation Office
TEL: +81-6-6533-0350

Chugoku Regional Office

Hiroshima Sales Office
NBF Hiroshima Tatemonchi Building, 2-27 Tatemonchi, Naka-ku, Hiroshima-shi, Hiroshima Pref. 730-0032, Japan
TEL: +81-82-248-5903

Okayama Sales Office
Mitsui Life Okayama Building, 8-29 Saiwaicho, Kita-ku, Okayama-shi, Okayama Pref. 700-0903, Japan
TEL: +81-86-226-1607

Kyushu Regional Office

Kyushu Sales Office
ZS Fukuoka Building, 3-4-2 Higashihie, Hakata-ku, Fukuoka-shi, Fukuoka Pref. 812-0007, Japan
TEL: +81-92-431-7877

Project Sales Dept.

Project Sales Office 1
TEL: +81-43-299-1719

Project Sales Office 2
TEL: +81-43-299-1719

Control Valve Sales Office
TEL: +81-43-299-1773
To Our Stakeholders

Business Summary and Strategy

Human Resources ESG of the KITZ Group

Data Section

To Our Stakeholders

Business Summary and Strategy

Human Resources ESG of the KITZ Group

Data Section

Project Sales Office 3
Osaka Glen Check Building, 1-34-15
Shinmachi, Nishi-ku, Osaka-shi,
Osaka Pref. 550-0013, Japan
TEL: +81-6-7636-1060

Water Supply Product Sales Dept.

Water Supply Product Sales Office
Albus Tachikawa Building, 2-3-28 Nishikicho,
Tachikawa-shi, Tokyo 190-0022, Japan
TEL: +81-42-595-9241

Kita-Kanto Water Supply Product Sales Office
Sakamoto-2 Building, 3-306-1, Miyahara-cho,
Kita-ku, Saitama Pref. 331-0012, Japan
TEL: +81-48-651-5260

Yokohama Water Supply Product Sales Office
Sankyo Yokohama Building, 5-85 Chojamachi,
Naka-ku, Yokohama-shi,
Kanagawa Pref. 221-0022, Japan
TEL: +81-45-253-1095

Kansai Water Supply Product Sales Office
Osaka Glen Check Building, 1-34-15
Shinmachi, Nishi-ku, Osaka-shi,
Osaka Pref. 550-0013, Japan
TEL: +81-6-7636-1061

Sales Supporting Group
1-10-1 Nakase, Mihama-ku, Chiba-shi,
Chiba Pref. 261-8577, Japan
TEL: +81-43-299-1760

International Sales Dept.
1-10-1 Nakase, Mihama-ku, Chiba-shi,
Chiba Pref. 261-8577, Japan
TEL: +81-43-299-1730

Product Management Center
Clean Energy Marketing Dept.
1-10-1 Nakase, Mihama-ku, Chiba-shi,
Chiba Pref. 261-8577, Japan
TEL: +81-43-299-1765

Production Bases and Training Center

Plants

KITZ Corporation Nagasaka Plant
2040 Nagasaka Kamijo, Nagasakacho,
Hokuto-shi, Yamanashi Pref. 408-8515, Japan
TEL: +81-551-20-4100

KITZ Corporation Ina Plant
7130 Higashiharuchika, Ina-shi,
Nagano Pref. 399-4496, Japan
TEL: +81-265-78-1111

KITZ Corporation Chino Plant
5125 Kanazawa, Chino-shi,
Nagano Pref. 391-0012, Japan
TEL: +81-266-82-0170

Training Center

KITZ Training Center
3332-1239 Kamisasao Shinohara,
Kobuchisawa-cho, Hokuto-shi,
Yamanashi Pref. 408-0041, Japan
TEL: +81-551-36-3971

KITZ Group
Toyo Valve Co., Ltd.
10-5, Nihonbashi 3-chome,
Chuo-ku, Tokyo, 103-0027, Japan
TEL: +81-3-6262-1652
(Sales of valves and system equipment)

Shimizu Alloy Mfg. Co., Ltd.
928 Higashinomachi, Hikone-shi,
Shiga Pref. 522-0027, Japan
TEL: +81-749-23-3131
(Manufacturing and sales of water works valves)

KITZ SCT Corporation
Omori-Hikashiguchi Building, 1-5-1
Omori kita, Ota-ku, Tokyo 143-0016, Japan
TEL: +81-3-6404-2171
(Manufacturing and sales of valves and fittings for semiconductor manufacturing equipment)

Miyoshi Valve Co., Ltd.
1-10-1 Nakase, Mihama-ku, Chiba-shi,
Chiba Pref. 261-8577, Japan
TEL: +81-43-299-1734
(Sales of valves for building utilities and freezing and refrigeration equipment)

YKV Corporation
1-10-1 Nakase, Mihama-ku, Chiba-shi,
Chiba Pref. 261-8577, Japan
TEL: +81-43-299-1773
(Manufacturing, sales and services of control valves for various applications)

KITZ Engineering Service Co., Ltd.
1-7-59 Akanehera, Narashino-shi,
Chiba Pref. 275-0024, Japan
TEL: +81-47-452-0585
(Maintenance services for valves)

KITZ Micro Filter Corporation
2983 Shiga, Suwa-shi,
Nagano Pref. 392-0012, Japan
TEL: +81-266-52-0002
(Manufacturing and sales of fluid separation products for filters and related products)
Overseas Network

**Marketing Bases, KITZ Corporation**

**India**

KITZ Corporation (India Liaison Office)
805 Meadows, Sahar Plaza, Off Andheri Kurla Road, Andheri East, Mumbai 400 059, India
TEL: +91-22-40154202

**U.A.E.**

KITZ Corporation (Dubai Liaison Office)
6EA501 Dubai Airport Free Zone, P.O. Box 293545, Dubai-U.A.E.
TEL: +971-4-701-7524

**Korea Group**

**Korea**

KITZ Corporation of Korea
10th Floor, Seoul Finance Center, 136, Sejong-daero, Jung-gu, Seoul, 04520, Korea
TEL: +82-2-6959-2450
(Sales of valves)

Cephas Pipelines Corp.
20 Hwajeonsandan 6-ro 54 beon-gil, Gangseo-gu, Busan, Korea
TEL: +82-51-290-3001
(Manufacturing and sales of industrial butterfly valves)

**Singapore**

Filcore Co., Ltd.
#3Ba-211, Shihwa Industrial Complex, 2185-2 Jeongwang-dong, Siheung-si, Gyeonggi-do, 15116, Korea
TEL: +82-31-433-3988
(Manufacturing and sales of hollow fiber membranes for water purifiers, water ionizers and bidets)

**Thailand**

KITZ Valve & Actuation (Thailand) Co., Ltd.
388 Exchange Tower, 17th Floor, Unit 1701-1, Sukhumvit Road, Klongtoey Sub-district, Klongtoey District, Bangkok 10110, Thailand
TEL: +66-2-663-4700
(Sales, marketing and distribution of valves)

KITZ (Thailand) Ltd.
426 Moo17 Bangna-Trad Rd., T. Bangsaathong, A. Bangsaathong, Samutprakarn 10570, Thailand
TEL: +66-2-315-3129~32
(Manufacturing and sales of copper alloy valves and butterfly valves)

**Malaysia**

KITZ Valve & Actuation (Malaysia) Sdn.Bhd.
No. 6, Jalan Teknologi Perintis, ½, Taman Teknologi Nusajaya, 79250 Iskandar Puteri, Johor Darul Takzim, Malaysia
TEL: +60-7-553-9731
(Sales and maintenance of valves)
Taiwan
KITZ Corporation of Taiwan
5-26 East Street, N.E.P.Z., Kaohsiung, Taiwan, R.O.C.
TEL: +886-7-361-1236
(Manufacturing and sales of stainless steel and carbon steel valves and joints)

China
KITZ Corporation of Kunshan
No.15 Taihu South Road Economic and Technology Development Zone, Kunshan, Jiangsu Province, P.R. China, 215300
TEL: +86-512-5763-8600
(Manufacturing and sales of stainless steel valves)

KITZ Corporation of Jiangsu Kunshan
No.188, Zhongyang Road, B Zone, Kunshan Comprehensive Free Trade Zone, Jiangsu Province, P.R. China, 215300
TEL: +86-512-5771-6078
(Manufacturing and sales of carbon steel valves)

KITZ Corporation of Shanghai
Room 1701-1704, International Corporate City, No.3000 North ZhongShan Rd., PuTuo District, Shanghai, P.R. China, 200063
TEL: +86-21-6439-1249
(Sales, marketing and distribution of valves)

KITZ Corporation of Lianyungang
No.16 Yun Yang Road, Lianyungang Economic and Technical Development Zone, Jiangsu Province, P.R. China, 222047
TEL: +86-518-8236-6061
(Manufacturing and sales of carbon steel valves)

KITZ Corporation of China
No.3-3, No.3 Road, Export Processing A Zone, Kunshan, Jiangsu, P.R. China, 215300
TEL: +86-512-5735-0700
(Manufacturing and sales of valves and fittings for semiconductor manufacturing equipment)

KITZ Corporation of Lianyungang
No.16 Yun Yang Road, Lianyungang Economic and Technical Development Zone, Jiangsu Province, P.R. China, 222047
TEL: +86-518-8236-6061
(Manufacturing and sales of carbon steel valves)

KITZ SCT Corporation of Kunshan
8-3, No.3 Road, Export Processing A Zone, Kunshan, Jiangsu, P.R. China, 215300
TEL: +86-512-5771-6078
(Manufacturing and sales of valves and fittings for semiconductor manufacturing equipment)

KITZ SCT Corporation of Jiangsu Kunshan
No.188, Zhongyang Road, B Zone, Kunshan Comprehensive Free Trade Zone, Jiangsu Province, P.R. China, 215300
TEL: +86-512-5771-6078
(Manufacturing and sales of carbon steel valves)

KITZ Corporation of Shanghai
Room 1701-1704, International Corporate City, No.3000 North ZhongShan Rd., PuTuo District, Shanghai, P.R. China, 200063
TEL: +86-21-6439-1249
(Sales, marketing and distribution of valves)

KITZ Corporation of Lianyungang
No.16 Yun Yang Road, Lianyungang Economic and Technical Development Zone, Jiangsu Province, P.R. China, 222047
TEL: +86-518-8236-6061
(Manufacturing and sales of carbon steel valves)

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8-3, No.3 Road, Export Processing A Zone, Kunshan, Jiangsu, P.R. China, 215300
TEL: +86-512-5771-6078
(Manufacturing and sales of valves and fittings for semiconductor manufacturing equipment)

KITZ Corporation of Shanghai
Room 1701-1704, International Corporate City, No.3000 North ZhongShan Rd., PuTuo District, Shanghai, P.R. China, 200063
TEL: +86-21-6439-1249
(Sales, marketing and distribution of valves)

KITZ Corporation of America
10750 Corporate Drive, Stafford, Texas 77477, U.S.A.
TEL: +1-281-491-7333
(Sales, marketing and distribution of valves)

KITZ Corporation of America
10750 Corporate Drive, Stafford, Texas 77477, U.S.A.
TEL: +1-281-491-7333
(Sales, marketing and distribution of valves)

Metalúrgica Golden Art’s Ltda.
Rua Getúlio Vargas 496, Bairro Renovação, Veranópolis, Rio Grande do Sul, Brazil, 95330-000
TEL: +55-54-3441-8900
(Manufacturing and sales of industrial ball valves)

Spain
KITZ Corporation of Europe, S.A.
Ramón Viñas, 8 08930 Sant Adrià de Besòs, Barcelona, Spain
TEL: +34-93-462-14-08
(Manufacturing and sales of stainless steel and carbon steel ball valves)

KITZ Europe GmbH
Siemensstraße 1, 61130, Nidderau, Germany
TEL: +49-6187-928-100
(Sales and marketing for Europe)

Germany
KITZ Europe GmbH
Siemensstraße 1, 61130, Nidderau, Germany
TEL: +49-6187-928-100
(Sales and marketing for Europe)

Perrin GmbH
Siemensstraße 1, 61130, Nidderau, Germany
TEL: +49-6187-928-0
(Manufacturing and sales of steel ball valves)
Corporate Data / Stock Information

Corporate Data  (as of March 31, 2018)

<table>
<thead>
<tr>
<th>Corporate Name</th>
<th>KITZ CORPORATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head Office</td>
<td>1-10-1 Nakase, Mihama-ku, Chiba-shi, Chiba Prefecture 261-8577, Japan  TEL: +81-43-299-0111</td>
</tr>
<tr>
<td>Established</td>
<td>January 26, 1951</td>
</tr>
<tr>
<td>Capital</td>
<td>21,207,084,670 yen</td>
</tr>
<tr>
<td>Fiscal Year-end</td>
<td>March 31</td>
</tr>
<tr>
<td>Stock Exchange Listing</td>
<td>First Section of Tokyo Stock Exchange (Code: 6498)</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>1,266 (Non-consolidated basis)</td>
</tr>
<tr>
<td>Business Activities</td>
<td>Manufacturing and sales of valves, other flow control devices, and related products</td>
</tr>
<tr>
<td>Independent Auditor</td>
<td>Ernst &amp; Young ShinNihon LLC</td>
</tr>
</tbody>
</table>

Stock Information  (as of March 31, 2018)

| Total Number of Authorized Shares | 400,000,000 shares |
| Shares Issued and Outstanding    | 97,672,560 shares |
| Notes: 1. The Company cancelled treasury stock on March 23, 2018, reducing the number of issued shares by 10 million. 2. The number of shares shown above does not include 2,723,951 shares of treasury stock that were held as of March 31, 2018. |
| Number of Shareholders           | 9,535               |
| General Meeting of Shareholders  | June                |
| Reference Dates                  | Date of resolution of meeting of shareholders: March 31 Year-end dividend: March 31 Interim dividend: September 30 In addition, a public announcement will be made in advance as necessary. |
| Public Announcement Method       | Electronic announcement However, announcements will be placed in the Nihon Keizai Shimbun in cases where it is not possible to make an electronic announcement. URL for announcements: http://www.kitz.co.jp/ |
| Share Unit Number                | 100 shares          |

Major Shareholders (top 10)

<table>
<thead>
<tr>
<th>Name</th>
<th>Shareholdings (thousands)</th>
<th>Percent of total shares issued (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Trustee Services Bank, Ltd.</td>
<td>9,905</td>
<td>10.14</td>
</tr>
<tr>
<td>Nippon Life Insurance Company</td>
<td>4,320</td>
<td>4.42</td>
</tr>
<tr>
<td>Kitazawa Agent's Stock Ownership Plan</td>
<td>4,281</td>
<td>4.38</td>
</tr>
<tr>
<td>GOVERNMENT OF NORWAY</td>
<td>3,964</td>
<td>4.06</td>
</tr>
<tr>
<td>SUMITOMO LIFE INSURANCE COMPANY</td>
<td>3,448</td>
<td>3.53</td>
</tr>
<tr>
<td>Kitazawa Ikueikai Foundation</td>
<td>3,411</td>
<td>3.49</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd.</td>
<td>2,998</td>
<td>3.07</td>
</tr>
<tr>
<td>KITZ Corporation Client Stock Ownership Plan</td>
<td>2,985</td>
<td>3.06</td>
</tr>
<tr>
<td>Sumitomo Mitsui Banking Corporation</td>
<td>2,553</td>
<td>2.61</td>
</tr>
<tr>
<td>STATE STREET BANK AND TRUST COMPANY</td>
<td>2,345</td>
<td>2.40</td>
</tr>
</tbody>
</table>

Notes: 1. The above list of major shareholders does not include the 2,723 thousand shares of treasury stock held as of March 31, 2018 and the total number of shares used to calculate percentage of shares also does not include the 2,723 thousand shares of treasury stock. The shares held within the BIP (Board Incentive Plan) trust accounts are not included in term-end treasury stocks. (329 thousand shares) 2. The above number of shares held includes shares associated with trust operations as follows: Japan Trustee Services Bank, Ltd.: 9,905 thousand shares The Master Trust Bank of Japan, Ltd.: 2,998 thousand shares 3. Shares held by Nippon Life Insurance Company include 17 thousand shares in the separate account for annuities. 4. Shares held by SUMITOMO LIFE INSURANCE COMPANY include 10 thousand shares in the variable insurance account and 29 thousand shares in the separate account.

Composition of Shareholders

- 0.6% Financial institutions
- 2.7% Individuals and others
- 11.9% Foreign investors
- 23.8% Other domestic companies
- 33.2% Treasury stocks
- 27.8% Financial instruments business operators
Outdoor Signboards of KITZ

To increase name recognition, KITZ installed company advertising signboards at Tokyo Dome, JR Tokyo Station and JR Kaihin Makuhari Station. We are carrying out company PR activities mainly in the Tokyo metropolitan area.

Kitz Website

Please access our website for smartphones that has been designed using large buttons for the main menu and is easy to browse.

http://www.kitz.co.jp/english/

http://www.kitz.co.jp/sp/en/

Stock Price Information