Corporate Report 2019
KITZ Valves, link to the future

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.
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 Value Creation Process

Value Delivery

Education system that develops a motivated corporate culture

Corporate governance that realizes sound and highly transparent management

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)

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

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

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.

キッツ宣言

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。

Kitz’ Statement of Corporate Mission

Action Guide

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)

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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 1983: Non-consolidated

Initial founding, and building a production and sales network
1951
- Toshio Kitazawa founded the Kitazawa Factory.
- The Nagasaka Plant was completed and the manufacture and sales of copper valves started.
1952
- Nationwide distributors’ association was organized, marking the establishment of a distribution system for the domestic market.
1959
- Started manufacturing brass rods.

Expansion of product range and growth into an all-round valve manufacturer
1962
- Company name was changed to Kitazawa Valve Co., Ltd.
1967
- Started manufacturing and selling ductile case iron valves and stainless steel valves.
1968
- Started manufacturing and selling butterfly valves.
1969
- Started manufacturing and selling cast iron valves.
1974
- Started manufacturing and selling cast steel valves.
1977
- Listed on the Second Section of the Tokyo Stock Exchange.
1978
- KITZ became a registered trademark.

Establishment of the trusted KITZ brand
1985
- Yusuke Shimizu was appointed as President.
1989
- The Nagasaka and Ina plants obtained ISO 9001 quality management system certification, making KITZ the first Japanese company to receive this certification.
1991
- Spanish ball valve manufacturer ISO S.A. (currently KITZ Corporation of Europe, S.A.) joined the KITZ Group.

History

1951
The Nagasaka Plant begins operation in Japan with just 12 employees in a small workshop, not a full factory.
1962
Japan’s first forged brass valves called FH and FS introduced.
1980
Introduced a cast bronze valves designed handwheel, “CHRYSANTHEMUM-HANDLE” (See page 32 Focus.)
1984
Listed on the First Section of the Tokyo Stock Exchange.
In October 1992, we changed our company name from Kitazawa Valve Co., Ltd. to KITZ Corporation, based on global recognition of the KITZ product brand. The name KITZ is a shortened version of the original name Kitazawa (Kitazawa).

Accelerating selection and concentration, and promoting globalization

- 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.

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

- 2002
  - Carried out impairment of assets and reconstructed poorly performing business operations

- 2004
  - Separated and reestablished the brass bar manufacturing and microfilter (MF) business as separate entities

- 2008
  - Yasuyuki Hotta was appointed as President.
  - Perrin GmbH, a ball valve manufacturer in Germany, joined the KITZ Group.

- 2009
  - Indian industrial valve manufacturer Micro Pneumatics Pvt. Ltd. joined the KITZ Group.

- 2015
  - 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.

Focus

In October 1992, we changed our company name from Kitazawa Valve Co., Ltd. to KITZ Corporation, based on global recognition of the KITZ product brand. The name KITZ is a shortened version of the original name Kitazawa (キタザワ).
Looking at the KITZ Group by Numbers (as of March 31, 2019)

Net Sales

136.6 Billion Yen

In the fiscal year ended March 31, 2019, in terms of net sales the valve manufacturing business accounted for 80.5%, the brass bar manufacturing business made up 17.3% and Other comprised 2.2%. 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

11.7 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.

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

ROE

7.4%

While aiming for a sustainable growth in profits, KITZ is also working to further increase ROE. These efforts included the acquisition of 2,000,000 treasury shares from August through September 2018, and an additional 100,200 treasury shares in March 2019. ROE for the fiscal year ended March 31, 2019 (FY2018) stood at 7.4% due to a fall in net income attributable to owners of the parent, as a result of impairment losses for goodwill and other intangible assets.

*For detailed information, please refer to the Message from the CFO on page 15.
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 50.

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 18 countries around the world as we build a global network.

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

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Looking at the KITZ Group by Numbers (as of March 31, 2019)

**CO₂ emissions**

56,931 t-CO₂

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**Global Network**

18 countries

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**Number of Employees (consolidated basis)**

4,945

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 Initiatives to Encourage and Support Human Resources on page 53.

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

158

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 childcare.

*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 53.
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 2019
Each year since 2016, KITZ Corporation has issued an integrated Corporate Report. 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.

Additionally, as well as seeking to ensure transparency in management, we will also continue to disclose information in an appropriate and timely manner not only via this Corporate Report but also using other tools, such as our website, securities reports, shareholder newsletter and environmental report digests, in order to ensure understanding of our initiatives to resolve social issues.

Corporate Report 2019

One Year in the KITZ Group

April 2018

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

May

- May
  - Presented with a letter of gratitude from the Japan Para-Ski Federation for continuous support as a corporate sponsor.

- May
  - Revised sales prices.

June

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

July

- July
  - Published the integrated report Corporate Report 2018.

- July
  - Held the Company’s first overseas investor relations (IR) roadshow in the United Kingdom, Switzerland and Germany.

August

- August
  - Renewed design of advertising signboards.

- August
  - Briefing held for individual investors.

- August
  - Augmented manufacturing facilities at Ina plant to enhance butterfly valve production capabilities.

September

- September
  - KITZ Corporation of Asia Pacific Pte. Ltd. opens representative office in the Indonesia
**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 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 the levels of quality demanded by customers. KITZ will operate our business based on these concepts.

**Financial Results for the Year Ended March 31, 2019 (FY2018)**

Consolidated net sales in FY2018 increased substantially by ¥12,071 million from the previous fiscal year to ¥136,637 million. In the valve manufacturing business, net sales increased by ¥11,806 million year on year to ¥109,969 million. This was the first time that net sales for the valve manufacturing business alone had exceeded ¥100,000 million. Sales increased year on year with respect to both the domestic and overseas markets. Although demand slowed in the fourth quarter, demand for semiconductor manufacturing equipment contributed to the increase, following on from the previous fiscal year. In the brass bar manufacturing business, net sales increased by ¥107 million, while net sales from other (service-related) businesses also increased by ¥157 million.

In terms of income and losses, in the valve manufacturing business, operating income increased by ¥2,140 million to an all-time record high thanks to an increase in income resulting from the increase in net sales and reductions in manufacturing costs as well as the effects of price revisions, despite increases in parts, secondary materials and logistics-related costs as well as sales, general and administrative expenses. In the brass bar manufacturing business, meanwhile, the effects of variations in the market price of raw materials resulted in a decrease of ¥412 million in operating income. In other (service-related) business operations, operating income turned into profitability due to an improvement in the performance of our hotel business, owing to an increase in the number of guests, and the effects of reducing expenses.

As a result of these increases and decreases, overall consolidated operating income increased by ¥1,595 million year on year to ¥11,713 million, surpassing the record of ¥11,615 million posted for FY2007 and setting a new record for operating income. Similarly, ordinary income increased by ¥2,150 million year on year to ¥11,883 million, surpassing the record of ¥10,652 million set in FY2006 and again setting a new record.

Net income attributable to owners of the parent stood at...
¥5,625 million, down by ¥892 million on the previous fiscal year due to posting of impairment losses for goodwill and other intangible assets (¥2,483 million).

**General Review of the Third Medium-Term Management Plan**

Since the first year of the third Medium-Term Management Plan (FY2016-18), we have successfully achieved the plan’s numerical targets for net sales and operating income ahead of schedule. Net sales for FY2018, the final year of the plan, surpassed the planned target by ¥16,637 million (13.9%). Operating income exceeded the planned target by ¥1,713 million (17.1%).

Under the third Medium-Term Management Plan, we have designated building facilities, petrochemicals and general chemicals, and clean energy (hydrogen and LNG), which are fields in which we can leverage our strengths, as focused market fields; and have also established a Product Management Center, as a practical organization from market research through to development and market release in a swift and streamlined manner. We are now in the process of building a framework for driving marketing and product development efforts on an individual focused market basis in order to strongly promote the further development of new products to match customer needs.

**Investments Aimed at Further Growth**

In the third Medium-Term Management Plan, we made active investments aimed at increasing efficiency, saving labor and driving business growth. In May 2019, we commenced operation of our new Enterprise Resource Planning (ERP) system, which we developed over the course of the past three years. 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. We believe that the increase in operational efficiency and more sophisticated information processing offered by these new systems will make a significant contribution to future growth. In the brass bar manufacturing business, we made the decision to update and replace antiquated machinery and to consolidate (and/or eliminate) production lines, and made large-scale investments to achieve this. These updated production facilities are expected to enter full-scale operation in the summer of 2019, and we believe that this will achieve improvements in both productivity and profitability.
Laying the Groundwork for Growth

In addition to our acquisitions of the butterfly valve manufacturer Cephas Pipelines Corp. and hollow-fiber membrane manufacturer Filcore Co., Ltd. (both South Korean companies), we have also established local sales subsidiaries in Malaysia, Vietnam, Hong Kong and South Korea. In order to meet burgeoning demand in the semiconductor market, we have constructed a new dedicated facility for system products at KITZ SCT Corporation’s Nitta SC Factory, which handles semiconductor business operations, as well as constructing a second factory at KITZ SCT Corporation of Kunshan (the company’s production base in China). We are currently advancing the construction of a new plant at KITZ Micro Filter Corporation, which is responsible for filter business operations.

Meanwhile, despite rapid changes in the external environment, we were forced to post impairment losses for goodwill and other intangible assets of Cephas Pipelines Corp. during the same fiscal year as the company’s acquisition. We will take this lesson to heart and make use of it in future acquisition audits and PMIs (Post-Merger Integrations).

Vision for 2030

In formulating the fourth Medium-Term Management Plan, we have set out a clear vision for 2030. In quantitative terms, we have set the targets of attaining an average annual growth rate of 4% for net sales, an average annual growth rate of 7% for earnings per share (EPS) and return on equity (ROE) of 12%. We want to make the fourth Medium-Term Management Plan a step toward growth with a view to achieving these targets.

KITZ Group Vision

1. 2030 Vision

- Provide world-class technology and engineering to customers and contribute to reducing environmental impact through energy shift and response to a recycling-oriented society.
- Use ICT to transform business models and strengthen product development capabilities to establish a strong position in growth markets.
- Supporting the development of global social infrastructure as well as the economic growth of all regions of the world.
- Based on fair and transparent rules, we aim to be a company in which employees can work better and safer and realize healthier lives.

2. Management Targets

- Synchronize business management information globally and carry out evolving group consolidated management.
- Allocate and utilize human resources, assets and funds from the perspective of group-wide optimization.
- Improve the visibility of the supply chain globally, incorporate simple decision-making into management, invest in labor saving, and improve labor productivity.

3. Numerical Target

- We have set the following quantitative targets for 2030, with the medium-to long-term goal of becoming the “World Strong No. 2” in the valve manufacturing business.

<table>
<thead>
<tr>
<th>Growth</th>
<th>Profitability</th>
<th>Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales Annual Growth Rate</td>
<td>EPS Annual Growth Rate</td>
<td>ROE</td>
</tr>
<tr>
<td>4%</td>
<td>7%</td>
<td>12%</td>
</tr>
</tbody>
</table>
The Forth Medium-Term Management Plan (FY2019-FY2021)

In the valve manufacturing business, we have established the slogan of aiming to be “World Strong No. 2” in the global market by 2030. In a world ranking of valve manufacturers (sales and based on KITZ estimates), the KITZ Group is currently part of a third-place group of four companies, which have virtually no differences in standing among them. We aim to raise our level and secure a strong second place in this world ranking. In order to achieve this, we will engage in various specific initiatives.

In the Japanese market, as an all-round valve manufacturer, products from our extensive lineup of valves are currently adopted by customers in a diverse range of markets. When viewed on an individual product-by-product basis, however, our products are not necessarily the top-ranking products in their category, and we believe that there is still room for us to expand our market share. In the fourth Medium-Term Management Plan, we will aim to deliver absolute value and unique solutions of the kind that only the KITZ Group can provide, in order to match the true needs of customers, and to secure the No.1 domestic share in each of the main valve type and material categories.

In overseas markets, although we currently hold a certain share in high-end (i.e., high-price and high-quality) markets in the Asian region, we have not yet achieved full-scale entry into the middle zone (medium price range) markets. We aim to punch a hole in these middle zone markets, which have the greatest market volume and are expected to pose a threat to the high-end markets in the near future. With a view to achieving this, in April 2019, we established the Sales Strategy Office for Commercial Valves in Asia, headed by our Director, Vice-President and Senior Executive Officer. In plant-oriented markets, we will work to bolster our MRO business operations (providing the necessary tools and consumables, etc., required for equipment maintenance, repair and operation) and our maintenance service network.

In the brass bar manufacturing business, we will aim to expand our profit margin by greatly improving productivity through the operation of new equipment and facilities, developing a more comfortable working environment and developing unique and distinctive materials. In other (service-related) businesses, specifically in the hotel business, we will work to establish a stable revenue structure by delivering moving experiences and comfortable stays to all customers.

In our management activities, we will advance the visualization of the entire Group through the utilization of our new Enterprise Resource Planning (ERP) system, and seek to improve and enhance our global capital management. We will also make proactive investments to alleviate bottlenecks in our existing operations. With regard to human resources development as well, we will work to train Group management personnel by enhancing the Group’s HR capabilities and continue to promote diversity.

### Targets (FY2019-FY2021)

<table>
<thead>
<tr>
<th></th>
<th>FY2018 (Results)</th>
<th>FY2019 (Plan)</th>
<th>FY2020 (Plan)</th>
<th>FY2021 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>136,637</td>
<td>133,000</td>
<td>138,000</td>
<td>144,000</td>
</tr>
<tr>
<td>Operating income</td>
<td>11,713</td>
<td>10,000</td>
<td>12,500</td>
<td>13,500</td>
</tr>
<tr>
<td>EBITDA</td>
<td>16,800</td>
<td>16,700</td>
<td>20,000</td>
<td>21,500</td>
</tr>
<tr>
<td>ROE</td>
<td>7.4%</td>
<td>8.3%</td>
<td>9.5%</td>
<td>10.0%</td>
</tr>
<tr>
<td>EPS (yen)</td>
<td>58.50</td>
<td>68.49</td>
<td>85.00</td>
<td>95.00</td>
</tr>
</tbody>
</table>

#### Net sales by segments
- Valve manufacturing: 109,969
- Brass bar manufacturing: 23,643
- Other: 3,025

#### Operating income by segments
- Valve manufacturing: 14,938
- Brass bar manufacturing: 23,643
- Other: 90

#### ROE by years
- FY2018: 7.4%
- FY2019: 8.3%
- FY2020: 9.5%
- FY2021: 10.0%
Change of Dividend Policy
Under the third Medium-Term Management Plan, the Company regarded a dividend payout ratio of around 25% of net income attributable to owners of the parent to be a desirable level for dividend payouts. Although in the past the Company had aimed to achieve a consolidated total return ratio of around one third of net income (including the acquisition of treasury shares), under the third Medium-Term Management Plan, the Company set a policy of improving returns to shareholders by working proactively to acquire more treasury shares. Based on this policy, and resolutions made by the Board of Directors, from FY2016 through FY2018, the Company acquired a total of 11,639,800 treasury shares.

In formulating the fourth Medium-Term Management Plan, the Company has revised its policy on dividend payouts. With regard to the dividend payout ratio, as of the fiscal year ending March 31, 2020 (FY2019), the Company will raise the desirable level for its dividend payout ratio by 10% from the previous level of around 25% to around 35%, with the aim of improving the level of returns to shareholders through dividends. The Company will consider future acquisitions of treasury shares taking into account various factors such as trends in the stock market, share prices and the amount of available capital.

KITZ Group Stance on ESG
KITZ has engaged in initiatives to tackle Environmental Social and Governance (ESG) issues with the aim of fulfilling its responsibilities as a manufacturer and becoming a company that is trusted by society. In the fourth Medium-Term Management Plan, we have highlighted ESG as a new key theme and laid out ESG-related issues. Moving forward, we aim to construct new mechanisms for implementing ESG-related activities, as we continue to drive the evolutionary improvement of our existing initiatives.

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.
Improving Cash Flow Generating Capabilities and Making Proactive Investments

In the KITZ Group’s third Medium-Term Management Plan, we achieved our targets for both net sales and operating income ahead of schedule, and posted record consolidated operating income of ¥11,700 million in FY2018. Since cumulative operating cash flow for the three-year period was positive at ¥29,900 million, it can be said that the KITZ Group’s ability to generate cash flow has greatly improved.

At the same time, we also made aggressive investments in medium- and long-term growth. In addition to establishing sales and marketing locations in various countries in the ASEAN region, we also acquired two manufacturers in South Korea. In the brass bar manufacturing business, we made large-scale investments to upgrade and replace aging machinery, with the aim of improving productivity. In May 2019, we commenced operation of our new ERP system, which is expected to enable timely access to the latest information globally, and to deliver various other benefits including improvements in operational efficiency.

Achieving a Sound Financial Standing and Improving Fund Efficiency

In finance, we sought to achieve a sound balance sheet by establishing and transferring trust beneficiary rights for Head Office real estate (liquidation) in FY2016 and posting extraordinary losses. Additionally, we are continuing to review our cross-held share holdings and sell some of our cross-held shares. We also built a framework for facilitating the global flow of funds within the Group by introducing a new global Cash Management System (CMS) in addition to our existing CMS that was already in operation in Japan.

With regard to the procurement of funds, in March 2018, the Company issued ¥10 billion in unsecured corporate bonds for public subscription (redeemable in seven years) for the fourth time in order to cater to burgeoning demand for funding for capital investments in equipment and facilities. Despite this, the Company has maintained a strong equity ratio of at least 55%.

Initiatives under the Fourth Medium-Term Management Plan

Recently, we have set new medium- and long-term numerical targets for 2030, with a return on equity (ROE) target of 10% for FY2021 and a long-term target of 12%.

In order to achieve these targets, in our valve manufacturing business, we will mainly work to increase competitiveness in the Japanese market, increase sales and profits for our overseas businesses and reduce costs, and will seek to improve operating income and EBITDA (earnings before interest, tax, depreciation and amortization). We will also continue to engage in proactive capital investment for purposes such as obtaining new technologies, streamlining production, responding to environmental concerns and expanding production capabilities, primarily overseas. We are also working to reduce inventories, enhance turnover rates and lead times, primarily in our Production Division, and improve our Cash Conversion Cycle (CCC). We have also launched a fund pooling system with Group companies in Japan, with the aim of further consolidating and improving the efficiency of Group funds. Additionally, we are seeking to achieve the visualization of Group company funds using the Global CMS system in...
order to improve fund efficiency.

The KITZ Group has developed multi-functional facilities around the world while actively pursuing overseas M&A, and strengthening the business management of overseas Group companies is becoming an increasingly crucial issue. Going forward, we will continue working to advance the "visualization" of business conditions and management issues, strengthen and assure the stability of our consolidated financial structure, ascertain and respond to future risks and enhance Group governance through fund management.

Ensuring Investment Returns and Agile Financing Capabilities

In order to achieve our medium- and long-term ROE targets and improve returns of profits to shareholders, it will become necessary to make some strategic investments in addition to ordinary capital investments in equipment and facilities. In order to achieve sustainable growth while at the same time preparing for the risk of tumultuous changes in the business environment, we believe that it will be necessary to develop an optimal capital structure including financing capabilities, in addition to ROE and other investment returns. Specifically, the Company recognizes the importance of ROE and other capital efficiency targets and will maintain an equity ratio of around 55% to 60% as an indicator of the ability to respond to business risks with the inclusion of risk levels to match its asset structure.

The Company will also maintain good relationships with banks where it holds accounts in order to ensure its ability to agilely procure funds. At the same time, in order to enable procurement of funds from financial markets by way of issuing publicly offered corporate bonds, it will work to attain an "A" rating for these bonds. The Company has already attained an A-rating for publicly offered corporate bonds from Rating and Investment Information, Inc. (R&I), and has made a registration for a total issuance limit of ¥20 billion for new corporate bonds. In order to further raise trust as a long-term issuer, it has also obtained an A rating from Japan Credit Rating Agency, Ltd. (JCR).

The Company is also cutting back on funds on hand. At the same time, as a preparatory countermeasure against the growing uncertainty in the global economy due to the trade frictions between the United States and China, and as a contingency against sudden and/or unexpected demands for funds, it has increased the total amount of short-term borrowing "commitment line" contracts at banks with which the Company holds accounts to a total of ¥10 billion (an increase of ¥6 billion on the previous fiscal year).

Improving Returns to Shareholders

The Company regards returning profits to shareholders as one of its priority management issues. In FY2018, the Company paid record-high dividends of ¥20 per share.

Between FY2016 and FY2018 the Company acquired a total of 11,639,800 treasury shares (valued at about ¥9.2 billion) based on resolutions by its Board of Directors. The total return ratio for this three year period was 82%. A total of 10 million treasury shares were cancelled in March 2018.

In formulating the fourth Medium-Term Management Plan, the Company placed greater importance on the return of profits to shareholders through cash dividends and raised the desirable level for its dividend payout ratio by 10% to around 35%. Moving forward, we will continue to enhance the return of profits to its shareholders, and to increase corporate value by working to improve the efficiency of invested capital from a medium-to long-term perspective.

Financial Strategy and Capital Policy

- **CAPEX**
  - New technologies (Automation, IoT, AI)
  - Rationalization of production and environmental measures
  - Increase production capacity especially in overseas plants
  - Brass bar manufacturing / New plant

- **Shareholder Return**
  - Dividend Ratio Change from 25% to 35%
  - Share repurchases will be reviewed as appropriate in consideration of investment funds and stock market conditions.

- **M&A, Loan Repayments**
  - Area strategy
  - Product and engineering strategy
  - Repayment of loan / CB

- **Flexible M&A**

- **ROE Target**: 10%(FY2021), 12%(FY2030)

- **Risk Management**: Capital adequacy ratio 55-60%
  - Commitment line from banks ¥10 billion (increased ¥6 billion from last year)

- **CB Rating**: Maintained A (Current R&I Rating: A, JCR Rating: A)
  - Shelf registration for bonds (R&I Rating: A)
Business Summary and Strategy
Business Highlights

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 maximizing the Group’s synergy.

KITZ Micro Filter Corporation
Growth of “Polyfix” Filters and Construction of New Plant
KITZ Micro Filter Corporation handles the KITZ Group’s filter business, providing hollow-fiber membrane filtration equipment for the filtration of gases and other fluids in a diverse range of fields, from household water purifiers to industrial-use filters. It does this based on a range of core technologies that includes proprietary hollow-fiber membrane manufacturing, assembly and assessment technologies. In particular, sales of the company’s “Polyfix” industrial-use filters are displaying solid growth. In terms of market conditions, as well, further increases in demand are expected, with 5% annual growth anticipated in semiconductor-related markets as represented by IoT, AI and robotics. KITZ Micro Filter has also designated the medical and healthcare-related field as a key focus market for the future, and is currently engaged in efforts to drive product and market development in this field.

Although the company was increasing production of its “Polyfix” filters in response to the expansion of semiconductor-related markets, it was already approaching the limits of its existing equipment, and also required the construction of a clean room as a production environment for medical devices. These factors led to the decision to construct a new plant. Construction work is currently underway, with the aim of commencing operation in September 2019.

The new plant is expected to facilitate greater exclusivity and streamlining of production lines, and greatly increase production capabilities. This, in turn, will enable KITZ Micro Filter to cater more swiftly to the needs of customers.

Shimizu Alloy Mfg. Co., Ltd.
Supporting Disaster-Stricken Regions with “Aqua Rescue” Water Purifiers
Shimizu Alloy Mfg. Co., Ltd. is a dedicated manufacturer of valves and water purifiers for water supply and sewage systems. It was founded in 1947, and has its head office and factory in Hikone, Shiga Prefecture, situated on the shores of Lake Biwa. Its valves for use in water supply delivery and distribution pipes boast the No. 1 share* in Japan based on units shipped. The company joined the KITZ Group in 1995, and plays a key role in the Group’s water business operations.

The period from late June through early July 2018 saw record heavy rainfall throughout Japan, particularly in the western part of the country, causing tremendous damage in many areas. Following on from its efforts in response to the 2016 Kumamoto Earthquakes, Shimizu Alloy Mfg. installed several of its “Aqua Rescue” water purifiers in disaster-stricken areas and conducted water supply disaster relief activities.

The “Aqua Rescue” system is a compact water purifier capable of handling a wide range of water sources, including water drawn from mountain streams, rivers and wells. The system can also be installed outdoors, and powered by compact generators in gymnasiums and other evacuation centers and rescue shelters. Additionally, the system’s fully automated control functionality allows it to operate unmanned after its initial installation and adjustment. Although originally developed for dedicated water supplies in small-scale settlements, Shimizu Alloy Mfg. hopes that it can continue to make useful contributions in various situations moving forward, both in temporary facilities and as emergency equipment in times of disaster.

*According to the results of inspections of water supply equipment by the Japan Water Works Association
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.

FY2018 Results and FY2019 Targets
In FY2018, conditions in the domestic market were favorable. In addition to continued strong performance in valves for building facilities, valves for the industrial market grew, taking a favorable turn as a result of active capital investment in manufacturing industries overall. Price revisions, which were carried out for the second consecutive year, also contributed. In overseas markets as well, sales recovered as inventory adjustments by distributors came to an end. Although the fourth quarter became an adjustment phase, the area that contributed most to business performance was that of valves for semiconductor manufacturing equipment. One notable factor was that demand for applications such as data centers, servers and smartphones remained strong, and investment in these areas continued.

In terms of profits and losses, in addition to increased sales and the effects of price revisions, we believe that cost reductions also had a major effect. In addition to our conventional
cost-cutting activities, we also made proactive capital investments leading to improvements in productivity, such as by upgrading and replacing manufacturing equipment and introducing robotic automation.

As a result of these efforts, net sales in the valve manufacturing business segment increased by 12.0% year on year to ¥109,969 million, exceeding ¥100,000 million for the first time. Operating income increased by 16.7% from the previous year to ¥14,938 million, also setting a new record.

FY2019 is the first year of the fourth Medium-Term Management Plan. While we expect domestic sales of valves for use in construction equipment and industrial markets to remain robust for the most part, we anticipate the subdued demand of valves for semiconductor manufacturing applications to continue for a while. In overseas markets, uncertainty will remain due to the U.S.-China trade frictions and other uncertain factors in overseas economies.

Under these conditions, we will continue to deliver value and solutions that match the true needs of our customers in Japan, as we seek to secure the No. 1 share for all main valve types and materials in the domestic market. In overseas markets, we will seek to increase our profits by punching a hole in the middle zone (middle price range) markets of the Asian region, into which we have not yet managed to make full-scale entry. Due to factors such as the decrease in sales of valves for use in semiconductor manufacturing equipment, and the increase in depreciation expenses resulting from the introduction of our new ERP system, which entered operation in May 2019, our FY2019 targets for the valve manufacturing business segment are to achieve net sales of ¥106,000 million and operating income of ¥13,500 million. While these figures represent a decrease in both sales and profits in comparison with the previous fiscal year, we will aim to definitely achieve these targets.

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

In addition to KITZ Corporation of Asia Pacific Pte. Ltd., our regional headquarters in the ASEAN region, establishing a new representative office in Indonesia, we have also transformed our Vietnam representative office, established in June 2016, into a corporate entity, which has now commenced business activities under the new name of KITZ Valve & Actuation Vietnam Co., Ltd.

At our Ina Plant, we made capital investments to augment our production capabilities for the manufacture of butterfly valves, and commenced initiatives to shorten lead times and reduce costs. We also made the decision to construct a new plant for KITZ Micro Filter Corporation, which handles the Group's filter business operations, in order to respond to increased production needs. Construction work at the new site is currently underway.

In the delivery of valves to a large-scale natural gas processing plant in the Middle East, completed in September 2018, we were able to exert Group synergies in joint work with our European locations, giving momentum to future project-based business operations.

In terms of initiatives in the field of clean energy, we constructed a hydrogen refueling station at our Nagasaka Plant utilizing compact package units, and are accumulating technologies for the future development of valves through the validation of its operation. Additionally, in February 2019, we introduced and began validation testing of the operation of a fuel cell powered forklift.

In ways such as these, I believe that we are surely and steadily laying the groundwork for growth in key focus areas and market fields.
Water: The Source of Life
—— Bringing Renewed Confidence to Water Usage ——

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

Tap water filters for home use
Hollow fiber membranes purify tap water. Used for water sources and purification systems.

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

Water conditioners for commercial applications
Groundbreaking water treatment devices that use a combination of ozone, UV light and photocatalysis, together with advanced oxidation treatment.

Valves for sewage plants
Gate valves, ball-check valves and other valves that are essential for treatment of sewage water.
Ensuring the Stable Supply of Energy
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 oil 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 our 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**
  - Offer high durability and are also capable of handling high temperature and corrosive fluids.

- **Carbon steel valves**
  - Suited for use under high temperature, high pressure conditions in various types of plants.

- **Automated valves**
  - Automated operation valves equipped with actuators.

- **Three-piece trunnion mounted ball valves**
  - Introduced for a broad range of applications in petrochemical processing and chemical plants.

- **Stainless steel valves**
  - Widely used in chemical plants and petrochemical industry due to their superior corrosion resistance.

- **Actuated compact ball valves**
  - Cater to automation needs for small-diameter piping on industrial production process lines.

- **Oil refineries and petrochemical plants**
To Our Stakeholders

Business Summary and Strategy

ESG of the KITZ Group

Data Section

Fully-welded type pipeline ball valves
Safety design ball valves guarantee leak-free control of fluid flow in pipelines.

Cyrogenic and low temperature service shut-off valves
Designed for handling ethylene and industrial low-temperature gas fluids in LNG production, intake, satellite terminals and various other applications.

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

High-pressure ball valves for hydrogen stations
Ultrahigh-pressure ball valves with excellent seal performance and durability, developed for use in hydrogen refueling stations.

Microfiltration Filters
Micro-pore, low-leaching hollow-fiber membrane filters make significant contributions in the semiconductor and medical fields.

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.

LNG terminal and transportation facilities

Thermal power plants

Semiconductor manufacturing facilities

Hydrogen stations
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
The 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 sealing technology and materials development. 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.

Sealing technology

Valve research and development process

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

2. 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 sites 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.

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.

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 the only methane gas testing facility based on the API standard in Japan and performs leak tests with actual fluid.
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 a 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.

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.

Toward a Manufacturing Workplace for Creating Added Value
KITZ is investing proactively in new production technologies and manufacturing processes, with the aim of achieving quality, prices, delivery periods and services that will guarantee the satisfaction of our customers. In addition to ongoing efforts in introducing robots to the manufacturing workplace, we are also applying and incorporating equipment management and image processing utilizing ICT and inspection methods leveraging sensor technologies. We are also seeking to improve and enhance our core technologies through the adoption of new casting methods and new materials research. Through these initiatives, we are driving the evolution of processes in the manufacturing workplace toward creating greater added value.
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.

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.
**Extensive and Strong Sales Network**

Since our 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.

**Finely-Tuned After-Sales Service**
After-sales servicing of KITZ products is handled by KITZ Engineering Service Co., Ltd. (KESCO).

In recent years, repairs and lifespan-extension of aging equipment and facilities are being carried out at existing plants throughout Japan, and awareness with regard to maintenance is increasing. KESCO serves as the KITZ Group’s maintenance division, servicing valves and actuators supplied by other manufacturers (both foreign and Japanese). KESCO also provides smooth, efficient, finely tuned maintenance services nationwide, working in conjunction with service centers and cooperative partners across Japan.
Developing and Strengthening Our Supply System

Prioritizing Key Regions and Important Countries

The KITZ market covers the entire globe, with priority given to the regions that have the greatest demand for KITZ products. Beyond the home market in Japan, our priority market zones are centered in the three key market regions of Europe, the Americas and ASEAN nations, and the two important countries of China and India.

Globally, we have established regional headquarters that provide the functions of sales, marketing, engineering, stock, maintenance and service for each area, and conduct business close to the region and provide products and services to satisfy local customers’ needs.

In addition to the representative offices in India and UAE, we have established sales bases in China, Hong Kong, Korea, Singapore, Thailand, Malaysia, Vietnam, the United States, Germany, Spain and Brazil and have developed global sales networks. In order to respond to individual requests from customers, we are endeavoring to develop the KITZ Official Modification Shop network for the modification and repair of valves.

Three Regional Headquarters

Europe
KITZ Europe GmbH
We set up KITZ Europe GmbH in Niddereu on the outskirts of Frankfurt, Germany, to implement our production and sales strategies focused on the European region as well as the Middle East and the CIS.

Americas
KITZ Corporation of America
Located in the state of Texas in the United States, KITZ Corporation of America carries out marketing and sales activities in North America as well as in Central and South American countries.

ASEAN
KITZ Corporation of Asia Pacific Pte. Ltd.
We operate KITZ Corporation of Asia Pacific Pte. Ltd. in Singapore as our marketing and sales promotion center for the ASEAN member countries.

Takayoshi Saito
Chairman

James Walther
President

Hiroshi Nozawa
Chairman & Managing Director

Expediting the Establishment of Bases in ASEAN Countries

Since its establishment in 2011, KITZ Corporation of Asia Pacific Pte. Ltd., the Group’s regional headquarters in the ASEAN region, has steadily expanded its bases into Singapore, Thailand, Vietnam, the Philippines and Malaysia. In June 2018, the company also opened a new representative office in Jakarta, Indonesia.

In December 2018, the company’s representative office in Vietnam, established in June 2016, was incorporated as a local corporate entity, which has now commenced business activities under the new name of KITZ Valve & Actuation Vietnam Co., Ltd. The establishment of this new company will enable the bolstering of sales activities and further expansion of the Group’s distributor network in the Vietnamese market.

The Company will accelerate expansion of its overseas bases so as to provide products and services to satisfy local customers’ needs.

Net Sales in Asian and Middle Eastern Markets in Valve Manufacturing Business Segment

(Billions of yen)

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<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
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<td>Sales</td>
<td>13.5</td>
<td>16.1</td>
<td>17.8</td>
<td>18.2</td>
<td>20.4</td>
<td>18.0</td>
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2019 FY
As a Leading Company in the Valve Industry

As a leading company in the valve industry, KITZ has cultivated advanced technology and a wealth of 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 is Japan’s only permanent training center for valve technology. Since its establishment in 1981, it has been used for in-house training of Group personnel, as well as by many other people from outside the KITZ Group. In recent years, the industries using valves have seen significant advances in new technology responding to more stringent environmental and safety standards, as well as automation 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 course participants acquire valve-related skills through practical hands-on training in areas such as valve assembly, disassembly and piping, and through lectures given by engineers with 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 actual practical methods for around 18 months. Our 33 certified Valve Meisters who have passed the certification test (as of April 2019) act as concierges who respond to requests for customer consultations, propose specific solutions and 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.

We ask customers to submit questionnaires regarding their level of satisfaction with regard to KITZ.
KITZ—A Reliable Brand

The KITZ Group provides a full lineup of products, and our 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.

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.
Brass Bar Manufacturing Business

Manufacture and Sales of Brass Bars

The KITZ Group operates a brass bar manufacturing business, manufacturing and selling brass bars and other fabricated brass products (cut and forged brass products). Brass bars are widely utilized for machines, construction materials and other applications.

What is Brass?
Brass is an alloy of copper (Cu) and zinc (Zn). Modifying the percentages of copper and zinc contained in the alloy and adding various other metallic elements makes it possible to produce numerous superb characteristics, such as electrical and thermal conductivity, corrosion resistance, plastic workability and machinability.

Brass Bar Manufacturing Business
KITZ Metal Works Corporation supplies the materials for brass valves, which are one of the KITZ Group’s mainstay products. It also manufactures and sells high-quality brass bars and fabricated items, which are used widely as materials for faucet metal fittings, and components in gas supply equipment, home appliances and auto parts. With the addition of Hokutoh Giken Kogyo Corporation (which manufactures machined and fabricated products) to the KITZ Group in July 2015, and with the commencement of operations at a new plant consolidating the KITZ Group’s brass machining and forging processes in May 2016, KITZ Metal Works is also expanding its business operations.

Development of Environmentally Friendly New Materials
Utilizing the alloy technology that it has developed over many years, KITZ Metal Works actively works to develop new materials that are friendly to people and to the environment, and that meet various regulations. These include dezincification corrosion-resistant brass bars, lead-free brass bars and cadmium-free brass bars. In March 2019, KITZ Metal Works developed and launched sales of the RC Metal bismuth-type highly corrosion-resistant lead-free brass bar, the RN Metal bismuth-type ultra-free-cutting lead-free brass bar and the new CD50 cadmium-free brass bar, which comply with environmental regulations.

Upgrading and Replacing Production Equipment
A portion of KITZ Metal Works’ manufacturing equipment was facing issues such as growing maintenance costs due to aging, as well as a decline in productivity. In order to resolve these issues and enhance its manufacturing capabilities, KITZ Metal Works is proceeding with the construction of a new plant, and the upgrade and/or replacement of its production equipment. Moving forward, by seeking to increase productivity and improve the quality of its products, the company will continue to cater further to the needs of customers through the stable supply of environmentally-friendly materials, for which growth in demand is expected in the future.
Brass Bar Manufacturing Process

1. Raw material composition and melting of raw materials
   The raw materials are melted in an induction furnace.

2. Continuous casting
   The molten alloy is cast into large ingots (called “slabs” or “cakes”) using either a water-cooled horizontal continuous casting machine or a vertical semi-continuous casting machine.

3. Cutting
   The slabs are cut into billets (intermediate products) of predetermined length ready for extrusion, using a large-scale cutting machine.

4. Heating and extrusion
   The billets are heated to the prescribed temperature, and extruded into rods or coils using an extruder.

5. Continuous pickling
   Oxides that have become attached to the surface of the alloy during the extrusion processes are removed by pickling.

6. Cold drawing
   The rods and/or coils are passed through the die of a drawing machine to finish them into brass bars with accurate shapes and dimensions.

7. Straightening and cutting
   Bends or curvature in the bars are straightened out using a straightener. The bars are then cut to the prescribed length.

8. Low-temperature annealing
   The bars are subjected to low-temperature annealing at the prescribed temperature in order to remove residual stress and to adjust their hardness.

9. Measurement, packing and shipping
   Completed bars are bundled and packed to the prescribed weight and/or quantity, before being delivered to customers.

Hotel Beniya is also a KITZ Group Company

Suwa, Nagano Prefecture, is the birthplace of KITZ founder Toshio Kitawaza. Many of the plants and offices of the KITZ Group are located in the surrounding area, including KITZ Corporation’s main Nagasaka, Ina and Chino plants, KITZ Metal Works and KITZ Micro Filter.

Hotel Beniya is one of the largest resort hotels in the Kamisuwa Onsen hot spring area and boasts a diverse range of spa facilities, including a hot spring bath with outstanding panoramic views and a fully-equipped ganbanyoku (hot stone spa). The hotel is used not only by tourists, but also by local residents as a place for relaxation.

Hotel Beniya also operates the Suwako Service Area on the Chuo Expressway (outbound) and the Tobu-yunomaru Service Area on the Joshin-etsu Expressway (inbound) serving food incorporating local specialty produce and selling local goods and souvenirs.
ESG of the KITZ Group

* ESG: Environment, Social and Governance
ESG Initiatives

By reflecting Environmental, Social and Governance (ESG) viewpoints in its business management activities, the KITZ Group is working to achieve sustainable medium- to long-term growth and to solve various problems faced by society and the global environment.

**Contribution to the Enrichment of Society**

KITZ aims to build relationships of trust with all of its stakeholders, including not only shareholders and investors but also customers, business partners, employees and society as a whole.

In order to achieve this, as highlighted in our corporate philosophy, the KITZ Statement of Corporate Mission, we believe in the importance of not only pursuing sales, profits and other financial performance indicators, but also the extent to which we can contribute to the creation of a richer society by offering creative and high-quality products and services.

In the fourth Medium-Term Management Plan, which begins in FY2019, we have highlighted further enhancement of ESG initiatives as a key theme. Moving forward, we will continue working to resolve the following ESG issues in order to become a more trusted company.

**E Environment**

Contributing to the Conservation of the Global Environment

- Development and provision of environmentally conscious products and services
- Promotion of reduction, reuse and recycling of industrial waste
- To prevent environmental pollution on a group-wide and global basis

**S Social**

Valuing Human Resources, Safety, and Local Communities

- Promoting diversity of human resources
- To foster a corporate culture that values safety, health, and human rights
- Contributions through business activities and social activities

**G Governance**

Fair Management

- Establishing a sound corporate governance system
- Improving management transparency and strengthening the management oversight system
- Strengthening the effectiveness of the Board of Directors

By reflecting Environmental, Social and Governance (ESG) viewpoints in its business management activities, the KITZ Group is working to achieve sustainable medium- to long-term growth and to solve various problems faced by society and the global environment.
Increasing Importance of ESG

There are a wide range of expectations placed on companies by society and responsibilities which companies must fulfill with respect to society. In recent times, initiatives to resolve social issues have been advancing at a rapid pace in countries around the globe, and the role of companies in these efforts is becoming increasingly important.

In order to achieve the creation of a sustainable society, it is essential for companies to achieve sustainable growth, while at the same time creating social value through the provision of solutions. We believe that doing so—and thereby becoming “a company that is essential to society”—will lead to an increase in KITZ’s corporate value. In order to sustainably increase corporate value, it is increasingly important for us to reflect and respond proactively to ESG viewpoints in our management activities. In recent years, there is a growing trend for institutional investors to consider a company’s ESG initiatives when making decisions regarding whether or not to invest in that company. It will also be necessary for us to respond to demands such as these.

ESG Initiatives

KITZ aims to fulfill its responsibilities as a manufacturer, and to become a company that is well trusted by society.

In terms of environmental issues, in addition to our continuous efforts to reduce CO2 emissions, we are also working to make effective use of resources, to promote the reduction, reuse and recycling of waste, to prevent environmental pollution and to develop and offer environmentally friendly products and services.

Regarding social issues, we are working to improve and enhance our human resources (HR) development programs, and advancing reforms to our personnel system to enable each and every individual employee to make the most effective use of their abilities, with the aim of creating an environment in which employees can feel that they are doing a worthwhile job. We also aim to be a good corporate citizen, and to be useful to society and local communities. We are therefore continuously working on activities for harmonious coexistence with local communities, particularly those in which our business sites are located, and environmental conservation activities, while making a social contribution through the provision of products and services.

In terms of governance, we have made efforts to clearly separate supervision and executive functionality by increasing our number of outside directors from two to three in June 2017 (currently, three out of seven directors are outside directors). We have also voluntarily established a Nomination Committee and an Executive Compensation Committee.

As highlighted in our corporate philosophy, the KITZ Statement of Corporate Mission, we believe in the importance of not only pursuing sales, profits and other financial performance indicators, but also the extent to which we can contribute to the creation of a richer society by offering creative and high-quality products and services.
over half the membership of which is accounted for by outside directors. By ensuring transparency with regard to the appointment and compensation of corporate officers, and through other efforts, we have worked to achieve a management system that pays consideration to all stakeholders, as a socially responsible company.

In July 2019, KITZ established a Sustainability Promotion Office under directorial administration. The office is now driving initiatives aimed at the achievement of the Sustainable Development Goals (SDGs) adopted by the United Nations.

**Promoting Internal Awareness Reforms**

Promoting Internal Awareness Reforms

In order to ensure recognition of the importance of ESG, and link that recognition on to concrete activities, we are working to further increase awareness within the company with regard to social issues.

Taking the example of HR, KITZ is striving to create an environment in which each employee can work with high motivation and a sense of fulfillment, and to enhance work-life balance to enable employees to choose flexible and diverse working styles to match their individual life stages and lifestyle changes. We also believe that the combination of diverse knowledge and values is a source of new ideas and creativity, and are working to create an environment in which employees can make maximum effective use of their abilities irrespective of differences in gender, age or nationality. We are also investing our energies into health and safety education, including compliance with health, safety and labor-related laws and internal regulations, to allow every employee to work with good health (both physical and mental) and peace of mind.

In addition, we are working to promote further internal awareness reforms by engaging continuously in awareness raising through holding lectures on themes such as compliance education, promoting diversity and career development and communicating information through internal newsletters.

**Aiming to Improve Non-Financial Performance**

We recognize the importance of disclosing non-financial information including ESG. In addition to mediums such as websites, integrated corporate reports, environmental report digests and shareholder newsletters, we are also endeavoring to build trusting by actively creating opportunities for direct dialogues with our stakeholders, including not only shareholders and investors but also customers, business partners, employees and society as a whole, through a range of activities. We take diligent note of the opinions obtained through these constructive dialogues, and reflect them in our initiatives with a view to improving efficiency and increasing transparency in business management.

Enhanced disclosure of information leads to objective evaluations. In addition to enabling us to see in which areas we are performing well, and in which areas there are insufficiencies, it also allows us to grasp external expectations toward KITZ. If we can bolster our initiatives and link them to actual results based on these insights, we believe that this will enable us to improve and enhance the content of information that we are able to disclose in the future, and lead to a positive cycle in which we will feel that we want to respond even further to the expectations of our stakeholders.

Moving forward, we will aim not only to simply disclose non-financial information, but also to further improve our performance in non-financial areas.
Board of Directors, Corporate Auditors and Executive Officers  (as of June 30, 2019)

Directors

President  Yasuyuki Hotta  
Bom: June 18, 1955  
Mar. 1978 Joined KITZ  
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  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, Division Manager, Corporate Administration Division  
Jun. 2016 Director, Executive Officer, Division Manager, Corporate Administration Division  
Apr. 2019 Director, Managing Executive Officer, Division Manager, Corporate Administration Division (present position)

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

Outside Director  Yutaka Fujiwara  
Born: April 20, 1951  
Apr. 1974 Joined MDEE, Inc.  
Apr. 1987 Joined The Yasuda Trust & Banking Co., Ltd. (currently Mizuhu Trust & Banking Co., Ltd.)  
Aug. 1994 Deputy General Manager, New York Branch  
Jun. 1996 General Manager, Chicago Branch  
Aug. 1998 Joined OMRON Corporation  
Jun. 2005 Executive Officer, General Manager, Financial IR Department  
Mar. 2007 Executive Officer, General Manager, Group Strategy Department  
Dec. 2008 Managing Officer, General Manager, IR & Corporate Information Department  
Jun. 2013 Outside Director, Nabtesco Corporation (present position)  
Jun. 2017 Outside Director of KITZ (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, Managing Executive Officer, 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  
Apr. 2019 Director, Vice-President and Senior Executive Officer, General Manager, Sales Strategy Office for Commercial Valves in Asia (present position)

Director  Makoto Kohno  
Born: March 10, 1966  
Apr. 1988 Joined KITZ  
Aug. 2008 General Manager, Project Sales Department, International Sales Division, Flow Control Business Unit  
Dec. 2011 General Manager, Project Management Department  
Apr. 2013 General Manager, Production Control Department, Production Division, Flow Control Business Unit  
Apr. 2015 General Manager, Business Planning Department, Flow Control Business Unit  
Apr. 2016 Executive Officer, Division Manager, Corporate Planning Division  
Apr. 2017 CEO & Managing Director, KITZ Corporation of Asia Pacific Pte. Ltd., Managing Director, KITZ Valve & Actuation Singapore Pte. Ltd.  
Apr. 2019 Managing Executive Officer, General Manager, Flow Control Business Unit  
Jun. 2019 Director, Managing Executive Officer, General Manager, Flow Control Business Unit (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  
Mar. 2002 Managing Executive Director  
Mar. 2004 Senior Executive Director, Regional Director, Asia-Pacific Region, Engineering Polymer Business Division  
Jul. 2005 Director, Vice President  
Sep. 2006 Representative Director, President  
Jan. 2011 Representative Director, Chairman, DuPont Kabushiki Kaisha, President, DuPont Asia Pacific Limited  
Sep. 2014 Honorary Chairman, DuPont Kabushiki Kaisha  
Jun. 2015 Outside Director of KITZ (present position)  
Mar. 2016 Statutory Auditor, Otsuka Chemical Co., Ltd.  
Mar. 2019 Outside Director (present position)
Audit & Supervisory Board Members

<table>
<thead>
<tr>
<th>Name</th>
<th>Years in Office</th>
<th>Reason for Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toshiaki Natori</td>
<td>8 years</td>
<td>He has driven the enhancement of corporate governance in an effort to achieve sound and highly transparent management, and has advanced the globalization of the KITZ Group. He can be expected to contribute to the supervision and execution of management, and to the enhancement of the critical decision-making and supervisory functions of the Board of Directors by leveraging his excellent business decision-making abilities based on his extensive knowledge and experience.</td>
</tr>
<tr>
<td>Shuhei Sakuno</td>
<td>2 years</td>
<td>He has rich experience in developing internal control, risk management and internal audit systems. His extensive experience will be reflected in the audits of the Company.</td>
</tr>
<tr>
<td>Taro Kimura</td>
<td>4 years</td>
<td>He has extensive experience as a Standing Audit &amp; Supervisory Board Member at said company, will be reflected in the audits of the Company.</td>
</tr>
<tr>
<td>Ayako Kobayashi</td>
<td>2 years</td>
<td>He has been active for many years as an executive of Nisshu K.K. and has sought to strengthen management infrastructure and has built and pushed for the strengthening of the Group's risk management system. His knowledge and experience will be useful in formulating and debating management strategies and supervising their execution.</td>
</tr>
<tr>
<td>Tatsuhiko Takai</td>
<td>4 years</td>
<td>He has been involved in the Sales and Production Divisions of the valve manufacturing business. He has experience as an executive officer responsible for the Corporate Planning Division, and also as head of an overseas Group company, and he will display strong leadership in running the valve manufacturing business. His extensive knowledge and experience will be useful in formulating and debating management strategies and supervising their execution.</td>
</tr>
<tr>
<td>Masahiko Kondo</td>
<td>2 years</td>
<td>He is involved in management of the Company as a Director in charge of the corporate administration areas which bring the Group companies together and has sought to strengthen management infrastructure and has built and pushed for the strengthening of the Group's risk management system. His knowledge and experience in business management, labor, accounting and finance will be reflected in the audits of the Company.</td>
</tr>
</tbody>
</table>
## Executive Officers

**President and Chief Executive Officer**

Jan. 15, 1959

**Vice-President and Senior Executive Officer**

Dec. 14, 1957

**Managing Executive Officer**

Feb. 2018

**Managing Executive Officer**

Apr. 2019

#### Executive Officer

<table>
<thead>
<tr>
<th>Name</th>
<th>Born</th>
<th>Joined KITZ</th>
<th>Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yasuyuki Hotta</td>
<td>July 23, 1955</td>
<td>Mar. 1980</td>
<td>Branch Manager, Suwa Plant, Production Division</td>
</tr>
<tr>
<td>Toshiaki Natori</td>
<td>Sept. 10, 1959</td>
<td>Apr. 2001</td>
<td>General Manager, Production Engineering Department, Production Division</td>
</tr>
<tr>
<td>Toshiyuki Murasawa</td>
<td>Mar. 9, 1959</td>
<td>Apr. 2007</td>
<td>General Manager, Production Engineering Department, Production Division</td>
</tr>
<tr>
<td>Makoto Kohno</td>
<td>March 9, 1959</td>
<td>Oct. 2008</td>
<td>General Manager, SC Manufacturing Department, Production Division</td>
</tr>
<tr>
<td>Yoriyuki Koyama</td>
<td>Oct. 10, 1959</td>
<td>Aug. 2006</td>
<td>Director, KITZ Micro Filter Corporation, Corporate Administration Division</td>
</tr>
<tr>
<td>Kenji Katsuragi</td>
<td>Oct. 4, 1962</td>
<td>Apr. 1983</td>
<td>Plant Manager, Suwa Plant, Production Division</td>
</tr>
<tr>
<td>Takahito Hirashima</td>
<td>Sep. 10, 1959</td>
<td>Mar. 1985</td>
<td>Director, KITZ Micro Filter Corporation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Jul. 2002</td>
<td>President and Chief Executive Officer, KITZ Micro Filter Corporation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Apr. 2004</td>
<td>Executive Officer, Division Manager, Engineering Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Apr. 2006</td>
<td>Executive Officer, Division Manager, Engineering Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Apr. 2011</td>
<td>Executive Officer, Division Manager, Engineering Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Jun. 2012</td>
<td>Executive Officer, Division Manager, Engineering Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Feb. 2018</td>
<td>Division Manager, Engineering Division</td>
</tr>
<tr>
<td>Kazuhiko Hirabayashi</td>
<td>Aug. 6, 1959</td>
<td>Mar. 1982</td>
<td>Branch Manager, Chugoku Branch, General-purpose Valve Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Apr. 2004</td>
<td>General Manager, Production Planning Department, Domestic Sales Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Apr. 2012</td>
<td>Director, Division Manager, Production Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Apr. 2013</td>
<td>Executive Officer, Division Manager, Production Division</td>
</tr>
<tr>
<td>Yukinari Koide</td>
<td>Jan. 15, 1959</td>
<td>Mar. 1981</td>
<td>Branch Manager, Chugoku Branch, Commercial Valve Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mar. 1998</td>
<td>Branch Manager, Tokyo Branch, Commercial Valve Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Apr. 2001</td>
<td>General Manager, Division Manager, Domestic Sales Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Apr. 2003</td>
<td>Executive Officer, Division Manager, Domestic Sales Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Jun. 2012</td>
<td>Director, Executive Officer, Division Manager, Sales Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Apr. 2014</td>
<td>Chairman, KITZ Corporation of Asia Pacific Pte. Ltd.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Apr. 2015</td>
<td>Executive Officer, Division Manager, Corporate Planning Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mar. 1998</td>
<td>Branch Manager, Tokyo Branch, Commercial Valve Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Apr. 2001</td>
<td>General Manager, Division Manager, Domestic Sales Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Apr. 2003</td>
<td>Executive Officer, Division Manager, Domestic Sales Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Jun. 2012</td>
<td>Director, Executive Officer, Division Manager, Sales Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Apr. 2014</td>
<td>Chairman, KITZ Corporation of Asia Pacific Pte. Ltd.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Apr. 2017</td>
<td>Executive Officer, Division Manager, Corporate Planning Division</td>
</tr>
<tr>
<td></td>
<td></td>
<td>May. 2006</td>
<td>Group Manager, Overseas Department System Group, Panasonic Corporation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Jan. 2008</td>
<td>Vice President, Panasonic Consumer Electronic Company, a division of Panasonic North America Corp.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Oct. 2009</td>
<td>Auditor, Audit Department, Panasonic Corporation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Apr. 2011</td>
<td>General Manager, Overseas Finance Center, Panasonic Corporation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Jun. 2012</td>
<td>Director, CFO, Panasonic Europe Ltd.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Aug. 2016</td>
<td>Joined KITZ</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Apr. 2009</td>
<td>General Manager, Legal Department</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Apr. 2012</td>
<td>General Manager of Legal and Compliance Department</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Jun. 2013</td>
<td>Executive Officer, General Manager of Legal and Compliance Department</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Apr. 2016</td>
<td>Executive Officer, General Manager, Legal Department</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Jan. 2018</td>
<td>Joined KITZ</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Apr. 2019</td>
<td>Executive Officer, General Manager, Legal Department, (present position)</td>
</tr>
</tbody>
</table>
Corporate Governance

In order to achieve sustainable growth and increase corporate value, KITZ will strengthen corporate governance to meet the expectations and trust of stakeholders.

Basic Policy and Structure
KITZ’s corporate philosophy is “To contribute to global prosperity, KITZ is dedicated to continually enriching its corporate value by offering originality and quality in all products and services.” We are committed to being socially responsible and operating the company in consideration of shareholders and all other stakeholders.

We are also committed to realizing company management that is prompt, efficient, sound and transparent and strengthening compliance by implementing various measures to enhance its corporate governance.

To enhance the function to appropriately supervise the Board of Directors and its execution of business, KITZ selected and appointed three outside directors. To reinforce the audit system, it also established the Audit & Supervisory Board, more than half (three) of whose members are outside auditors.

Moreover, the Nomination Committee and the Executive Compensation Committee, non-mandatory committees where outside directors constitute the majority, were established as advisory bodies to the Board of Directors to improve objectivity and transparency in the appointment of the candidates for directors/auditors and executive officers and the compensation for directors and executive officers. We believe that governance based on the Audit & Supervisory Board works effectively enough.

Each organization carries out its work according to the Work Authority Rules and the Rules for the Request for Approval and Decision Making. The decisions by the Boards of Directors in KITZ and its Group companies are made according to the Rules of the Board of Directors and the Group companies’ rules. In addition, a number of special committees regarding internal control, crisis management, risk control, promotion of compliance, security trade control, investment/financing screening and information security/personal information protection were established to discuss and evaluate important agendas that require appropriate decision-making about the operation of the Group companies.

Board of Directors

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

The Board of Directors consists of seven members: four executive directors and three outside directors. They discuss issues prescribed in the Rules of the Board of Directors and make resolutions. They also have honest and vigorous debates on other important management issues. To facilitate decision-making and clarify their responsibilities for business operation, the term of office of the directors is one year.

The outside directors have extensive experience in corporate management and a broad range of knowledge. They participate in the Board of Directors' judgment on business and decision-making, provide appropriate advice on the Company's judgment on business and supervise the execution of operations.

As a general rule, a regular meeting of the Board of Directors is held once a month, quarterly for the approval of the settlement of accounts and as required for extraordinary meetings. The meetings discuss issues prescribed by laws and regulations, as well as by the Rules of the Board of Directors, and make resolutions and supervise the execution of duties of Directors by receiving a regular report on the execution of business from each executive director.

### Evaluation of the Effectiveness of the Board of Directors

To improve the effectiveness of corporate governance and the functions of the Board of Directors, a questionnaire survey on the effectiveness of the Board of Directors is conducted among directors and auditors each year.

Based on the answers and opinions about the improvement of effectiveness in the future, the Board of Directors verifies the evaluation of current situation, shares issues and has honest and hot debates on the measures to be implemented for improvement.

In the questionnaire survey of the effectiveness of the Board of Directors conducted in May 2019, development and implementation of management strategy, constitution

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### Matrix and History of Corporate Governance

<table>
<thead>
<tr>
<th>1990</th>
<th>2000</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Separation of supervision and execution</strong></td>
<td>20 members of the Board of Directors as prescribed by the Articles of Incorporation</td>
<td>1999 Decreased to 12</td>
</tr>
<tr>
<td><strong>Number of Outside Directors</strong></td>
<td>One</td>
<td>2001 One</td>
</tr>
<tr>
<td><strong>Number of Outside Audit &amp; Supervisory Board Members</strong></td>
<td>One</td>
<td>2000 Two</td>
</tr>
<tr>
<td><strong>Operation of the Board of Directors</strong></td>
<td></td>
<td>2001 One</td>
</tr>
<tr>
<td><strong>Advisory Committees</strong></td>
<td>1999 Established the Investment and Loans Review Committee</td>
<td>2002 Established the C&amp;C Control Committee</td>
</tr>
<tr>
<td><strong>Compensation System</strong></td>
<td>2004 Abolished the system for retirement bonuses for Executive Officers</td>
<td></td>
</tr>
<tr>
<td><strong>Corporate philosophy</strong></td>
<td></td>
<td>2001</td>
</tr>
</tbody>
</table>

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2007 Established the Executive Compensation Committee, Two
2017 Established the Nomination Committee -
2016 Implemented self-evaluations on the effectiveness of the Board of Directors.

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43
of the Board of Directors, appointment of and compensation for directors, roles expected for outside directors, vitalization of discussion at Board meetings and response to shareholders and other stakeholders were asked. The result of the self-evaluation says that the effectiveness of the Board of Directors is ensured in general.

Audit & Supervisory Board

Composition and Activities of the Audit & Supervisory Board
The Audit & Supervisory Board of KITZ consists of five members: two full-time auditors and three outside auditors. Full-time auditors must be selected from personnel at KITZ who have abundant expertise and experience. At least one of them must have a thorough knowledge of finance and accounting.

Outside auditors are selected from those who have a substantial knowledge of finance, accounting, legal and corporate management.

Auditors carry out their assigned duties, including being aware that they are especially expected to take helpful actions for making fair and equitable decisions on corporate management in the phase of decision-making related to the execution of business at the meeting of the Board of Directors, taking shareholders’ benefit as well as the Company’s benefit into consideration, and expressing their opinions as required.

They also verify the legitimacy and appropriateness of decision-making processes and the decision itself and express their opinion as required, in addition to overseeing the fulfillment of executive directors’ duties to report and the effectiveness of the mutual-monitoring functions on corporate management among directors at the meetings of the Board of Directors.

As for the auditor’s audit, the Company demonstrates its investigation authority to oversee the execution of duties by directors, including attendance to important meetings and visiting audits to offices and subsidiaries, verifies the fulfillment of legal obligations that include the duty of care of a good manager and has the necessary discussions at meetings of the Audit & Supervisory Board according to the standards for the auditor’s audit, audit plans and the division of roles.

Measures to Improve Audit and Supervisory Functions
The Audit & Supervisory Board regularly convenes the Three-Party Audit Meeting with an accounting auditor and the Internal Audit Office, receives a report on the status of an audit, exchanges information and opinions, and maintains a close liaison. It also regularly holds the Four-Party Audit and Supervisory Meeting with an outside director, the accounting auditor and the Internal Audit Office, exchanges information and shares recognition from an independent and objective standpoint, and endeavors to improve the audit function of auditors and the supervisory function of independent outside directors.

In addition, the Audit & Supervisory Board holds regular meetings to exchange opinions with the president and CEO and has an opportunity to exchange information and opinions on corporate management issues with executive directors and executive officers.

Nomination Committee and Executive Compensation Committee
Based on the discussions on the evaluation of the actual effectiveness of the Board of Directors, KITZ has established a Nomination Committee and an Executive Compensation Committee as advisory bodies, more than half of whose members are outside directors, although these bodies are not mandatory.

The Nomination Committee discusses the nomination of candidates for directors and auditors, as well as executive officers and the senior management, according to the Policy for the Selection and Removal of Directors. The Executive Compensation Committee discusses important issues concerning the policies and details of compensation for directors and executive officers. Both report the results to the Board of Directors.

Independent Directors
Outside directors and outside auditors at KITZ satisfy the Standards for the Judgment of Independence of Outside Directors prescribed by the Company and the standards for the judgment of independence of outside directors prescribed by the Tokyo Stock Exchange (TSE), and KITZ notifies TSE of the independent directors.
Internal Control / Compliance

Basic Concept and Outline of Internal Control
To make the Group’s management base sound and robust for the realization of the KITZ’ Statement of Corporate Mission, we have laid down the Basic Policy for Internal Control and built an internal control system according to the Companies Act and its enforcement regulations.

We improve and operate the internal control system over financial reporting based on the fundamental framework for internal control prescribed in the Financial Instruments and Exchange Act and the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions) published by the Business Accounting Council.

The Internal Audit Office endeavors to maintain a close liaison with auditors and accounting auditors to evaluate internal control on company-wide basis. Based on the results, operating processes are selected with an eye to the risks that may result in material misstatements relating to financial reporting. The selected operating processes are analyzed, the point in internal control that may exert a significant influence on the reliability of financial reporting is identified, and the operation status of the point is evaluated. Thus, the effectiveness of internal control is evaluated. As a result of the evaluation, it was determined that internal audits over...

Policy for the Selection and Removal of Directors
KITZ has established the Policy for the Selection and Removal of Directors and selects candidates for directors and auditors, as well as executive officers and senior management, from a diversified point of view including gender, internationality, personality, ability, insight, experience, expertise, achievements, fairness and age.

Accounting Auditor
KITZ appointed Ernst & Young Shin Nihon LLC as the accounting auditor. Liaising with related divisions, such as the Audit & Supervisory Board, the accounting division and the internal audit division, the accounting auditor endeavors to secure the schedule of an audit and assemble the necessary staff and carries out an appropriate audit.

To select candidates for accounting auditor, the independence, qualifications and expertise of accounting auditors, the appropriateness, validity and effectiveness of audit quality, and the validity of the audit system, plan and compensation are evaluated. Candidates are determined at the meeting of the Audit & Supervisory Board and the agenda is submitted to a general meeting of shareholders.

Policy for Cross-Shareholdings
KITZ has established a Policy for Cross-Shareholdings. Our basic policy is not to hold shares for the purpose of forming a stable shareholder base, while it is possible to hold the shares of important business partners to establish good relationships and promote smooth business. If we have shares without significant reasons for holding them, they will be sold as required after a yearly review.

In the valve manufacturing business, which is our core business, comprehensive technical capabilities are consistently required in all phases from materials to products. In all processes of product development, manufacturing, sales and distribution, good cooperative relationships with a wide variety of companies are essential. It is possible to hold the shares of important business partners to promote smooth business.

The decision whether we should exercise voting rights in the case of cross-shareholdings is made based on a comprehensive understanding of whether it will further improve the good relationship with the company we invest in and the medium- to long-term corporate value. We will decide whether we vote for or against a resolution on a case-by-case basis.

Communication with Shareholders and Investors
In order to achieve sustainable growth and medium- to long-term improvement in corporate value, KITZ recognizes the importance of being aware of its fiduciary accountability for company management, disclosing information to shareholders, investors and other stakeholders in a timely, appropriate and fair manner while maintaining fairness and transparency in corporate management. To help shareholders and investors understand our management strategy and plan, we have honest and constructive communications and reflect the opinions and requests obtained through communication in the improvement of corporate management. To promote such investor relations (IR) activities, we have established an IR division and built a system where the president and CEO and the executive officers in charge of IR play a core role in IR.
Promotion of Corporate Management Based on Compliance

- **Basic Concept**
  For a company to develop on a constant basis, KITZ believes that managing the company based on compliance is a fundamental and essential condition. In the corporate philosophy “KITZ’ Statement of Corporate Mission,” “Do it True” is placed on the top of the Action Guide.

  To raise awareness of compliance and acquire more knowledge, the Company takes a variety of approaches. It established the C&C (Crisis and Compliance) Control Committee headed by the president and CEO in all Group companies in 2002 to prevent risks in corporate management from occurring and to disseminate on a Group-wide basis crisis response and corporate management based on compliance.

- **Establishing a Corporate Culture for Corporate Management Based on Compliance**
  To put corporate management based on compliance into practice on a Group-wide basis, KITZ has created a Compliance Program Guidebook, which is designed to be commonly used within the Group, in which its importance, basic policy, the code of conduct on corporate ethics, a whistle-blower hotline, education and disciplinary action for violators are described and compiled. Guidebooks are distributed to directors and employees of KITZ and the Group companies. To raise awareness of compliance and acquire more legal knowledge, the Company developed a variety of textbooks and plans and sponsors educational programs every year.

- **Whistle-Blower Hotline**
  To seek inside information that cannot be obtained through an ordinary internal control system and a compliance system, KITZ has established and operates a whistle-blower hotline. The C&C Control Committee established a Compliance Information Desk (internally referred to as “CID”) as a contact point for whistle blowing. It receives information about violations of the code of conduct on compliance, including violations of laws and regulations, from directors and employees of KITZ and the Group companies.

  In addition to a CID established in each Group company, KITZ and its corporate lawyer’s office respectively have a CID that is designed to be available to all employees of the Group. Please note that the C&C Control Committee investigates the case and implements measures promptly and appropriately, while protecting the confidentiality of a whistle-blower, after discussing and determining the policies for the obtained information.

Risk Management

KITZ believes that controlling a variety of risks associated with business activities is a significant challenge for company management. For this reason, the entire Group discusses and carries out measures to identify and analyze the variety of risks in business activities appropriately and studies and establishes a system to prevent and control the risk. It also develops a system to respond to a crisis promptly and appropriately.

Number of participants in information security e-learning in FY2018

1,710

(including Group companies)

Number of participants in compliance seminars in FY2018

616

(including Group companies)
KITZ’s vision for 2030 clarifies what the KITZ Group should aim for moving forward. FY2019—the first fiscal year of that new vision—also marks the start of the Group’s fourth Medium-Term Management Plan. Precisely because of the rapidly and intensely changing business environment that the company is facing, I believe that KITZ must place greater value than ever before on sustainability and the spirit of challenge in attempting new things. In order to achieve this, KITZ must surely and steadily implement the discovery, recruitment and training of human resources who will play key roles in the next generation, and the development and commercialization of core technologies and products that will lead to the next stage of growth for the Group.

When doing so, I think that it will be important for KITZ personnel to remain constantly mindful of the reasons why particular business operations are being conducted, for whom the business operations are, and whether or not they will lead to growth and enhancement for the Company and for themselves as individuals; to continue to reach higher levels both qualitatively and quantitatively in terms of interactions with customers and other outside parties; to build teams that share mutual trust and respect through communication; to utilize resources based on priority orderings; and to ensure speedy communication of information as a matter of course, including negative or potentially disadvantageous information.

I also think that finding a balance between “investment in sustainable and profitable growth of existing businesses” and “investment in new businesses with a view to the next generation,” with the latter being funded by profits gained from the former, and following up to avoid the occurrence of disparities between targets and actual results is crucial not only to ensuring the continued survival of the company, but also to fulfilling social responsibilities in the long term.

I have expectations for KITZ to achieve its long-term vision and the goals of the fourth Medium-Term Management Plan through swift and sound judgments and actions in accordance with its action guidelines: “Do it True”, “Do it Now” and “Do it New.”
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 my 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 (currently three). 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 a candidate who is not excessively focused on compensation and protecting their own 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 seven Directors of KITZ are completely independent Outside Directors who have absolutely no conflict of interest with KITZ. In terms of the percentage of its board membership accounted for by Outside Directors and their complete independence, I believe that KITZ is one of the most advanced companies in terms of its governance structure amongst approximately 3,500 listed companies. To further increase the effectiveness of the Board of Directors, although KITZ already has an Audit & Supervisory Board, it also established a Nomination Committee and an Executive Compensation Committee, which have a majority of Outside Directors, 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.

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

Minoru Amoh
Outside Director
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 opinions and requests 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 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 Investors
We hold results briefings for institutional investors and analysts on a quarterly basis. At these briefings, the president and responsible executive officer explain business performance and medium-to-long-term strategy. We also hold explanatory briefings for individual investors multiple times a year for the purpose of getting more people interested in becoming KITZ shareholders. We are also striving to improve the shareholder special benefit plan, as well as to provide information on a timely basis both on the website and in shareholder newsletters.

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

The monthly KITZ newsletter issued every month contains news and topical information from various business locations, as well as messages from the president and comments from senior management personnel. The newsletter is distributed via the Intranet.
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

**Established target**

**CO₂ emissions**
Reduce CO₂ emission volume per unit of production (t/100 million yen) by 10% in 2020 from the figure in 2013.

(Emission volume per unit of production: 58.81 in 2013 → 52.71 in 2020)

**Philosophy and Initiatives for Environment-Responsive Management**

KITZ will conduct activities in accordance with the aforementioned principle and action policy on the basis of achieving a balance between risk prevention and cost reduction. This balance is based on our philosophy that preventing environmental risks such as soil contamination through proactive environmental conservation activities minimizes potential future costs; and that we can reduce other costs and make a broad contribution to society by thoroughly reducing waste generated by our business activities.

- **Enhancement of corporate business infrastructure**
  (Group-wide environment-responsive management)
  - Risk prevention
  - Balanced
  - Cost reduction

- **Enhancing management system**
  - Building the basic structure
  - Cultivation of human resources
  - Visualization

- **Streamlining action processes**
  - Group activities
  - Application of management system

- **Reducing environmentally hazardous substances**
  - Combating global warming
  - Common issues (handling of waste and water)
  - Care for local communities
  - Prevention of future risk
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.

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 stepping up 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,

Flow Chart of Recycling and Reuse in Production Process of Cast Iron Valves

<table>
<thead>
<tr>
<th>Procurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cast iron</td>
</tr>
<tr>
<td>Reuse</td>
</tr>
<tr>
<td>Casting sand</td>
</tr>
<tr>
<td>Reserve</td>
</tr>
<tr>
<td>Raw materials (ore, carbon, etc.)</td>
</tr>
<tr>
<td>Melting</td>
</tr>
<tr>
<td>Core melting</td>
</tr>
<tr>
<td>Core insertion</td>
</tr>
<tr>
<td>De-matching</td>
</tr>
<tr>
<td>Casting pouring</td>
</tr>
<tr>
<td>Shake out</td>
</tr>
<tr>
<td>Inspection</td>
</tr>
<tr>
<td>Finishing</td>
</tr>
<tr>
<td>Assembly</td>
</tr>
<tr>
<td>Machining</td>
</tr>
<tr>
<td>Cutting chip</td>
</tr>
<tr>
<td>Cement company</td>
</tr>
<tr>
<td>Outside business partners</td>
</tr>
<tr>
<td>Manufacturing process</td>
</tr>
<tr>
<td>In-house reuse, recycling</td>
</tr>
<tr>
<td>External reuse, recycling</td>
</tr>
</tbody>
</table>

Volume of Industrial Waste Materials

<table>
<thead>
<tr>
<th>Volume (t)</th>
<th>Sales consumption units (t/Sales (100 millions of yen))</th>
</tr>
</thead>
<tbody>
<tr>
<td>15,000</td>
<td>5</td>
</tr>
<tr>
<td>10,000</td>
<td>9</td>
</tr>
<tr>
<td>5,000</td>
<td>3</td>
</tr>
<tr>
<td>0</td>
<td>6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2013 (Base year)</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>190</td>
<td>198</td>
<td>233</td>
<td>219</td>
<td>207</td>
<td>203</td>
</tr>
<tr>
<td>3,146</td>
<td>2,188</td>
<td>7,253</td>
<td>7,207</td>
<td>7,493</td>
<td>7,480</td>
</tr>
</tbody>
</table>

- Manufacturers (except for sales offices)
- Service companies
- Sales offices of manufacturers
- Sales consumption units at KITZ Corporation and domestic Group companies (except for sales offices)
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.”

Introduction of Office Paper-Making Machines

In March 2019, we installed and commenced operation of an office paper-making machine at our Chino Plant. The introduction of this machine, which can produce new paper from used paper enables major reductions in costs, such as from purchases of copier paper and the collection and transportation of scrapped documents, and also allows us to reduce the risk of information leaks since it makes it possible to completely erase and expunge confidential documents internally. The machine is also expected to contribute to reducing the environmental impact by reducing the amount of virgin pulp material used when producing paper, as well as reducing consumption of fossil fuels and emissions of CO₂ and exhaust gases produced during transportation.

KITZ will continue to engage proactively in activities that help to conserve local environments and lead to the resolution of global environmental issues in order to contribute to the creation of a sustainable society.

Usage Volume of PRTR Substances (top five types)

<table>
<thead>
<tr>
<th>Substance</th>
<th>Volume (t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lead</td>
<td>3,100</td>
</tr>
<tr>
<td>Manganese</td>
<td>1,707</td>
</tr>
<tr>
<td>Chrome</td>
<td>550</td>
</tr>
<tr>
<td>Nickel (metal)</td>
<td>529</td>
</tr>
<tr>
<td>Chromium oxide</td>
<td>253</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%.
**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.

**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.

**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.

**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 held at plants. 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.

**Language Education for Selected Employees**

We are investing efforts into language education for selected young employees. Our initiatives are aimed at continuous improvement of language ability to facilitate smooth communication in various situations overseas, including technical instruction, meetings and presentations at academic conferences.

**Promoting Globalization**

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, Brazil and Korea to the KITZ Group through M&A. At present, the KITZ Group operates bases in 18 countries worldwide. Employees working in countries other than Japan (including those on loan) account for 56.1% of the Group’s total workforce (as of March 31, 2019).

Initiatives for Promoting Diversity
KITZ regards its employees as assets (human resources) and is working to create environments that enable each and every individual employee to make maximum effective use of his or her abilities, irrespective of gender, age or nationality.

Reforms to the Personnel System
As part of the realization of the ideals of a “strong culture, strong organization” and “truly global company,” we have shifted to a new personnel system, the aim of which is 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 enables employees to change their career path according to changes in their individual life stages, allowing anyone the chance to tackle new challenges, and to grow while feeling job satisfaction.

Transforming the Corporate Culture and Awareness
KITZ is engaged in efforts to encourage a transformation of awareness based on the concept of shifting from methods that have been taken for granted until now to constantly seeking out new methods and ways of doing things in order to ensure recognition of diverse human resources while at the same time protecting the traditions from the time of its original founding.

As one aspect of this, we hold lecture sessions for employees given by outside experts. By offering lectures on a variety of themes, such as promoting diversity and career development, we are providing a helping hand to transform employees’ awareness and promote corporate cultural reform.

Work-Life Balance
KITZ is striving to enhance 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.

Shortened 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, childcare, nursing of family members or relocation due to their 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.
Diverse Human Resources in the KITZ Group

We introduce how employees work creating value at their own posts.

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 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.

Engaging in new challenges by leveraging past experiences

Yukiko Okabe
Director of Sustainability Promotion Office
KITZ Corporation

I have been given responsibility for a new division established in July 2019. I want to utilize my experiences in the PR and HR divisions in tackling issues relating to ESG, a key theme in the fourth phase of our Medium-Term Management Plan, and to take a key role in the creation of a future for us to leave to the next generation.

I feel happy to be facing new challenges together with fellow KITZ Group colleagues

Takashi Takagi
Managing Director
KITZ Valve & Actuation (Thailand) Co., Ltd.

I feel happy to be facing new challenges together with fellow colleagues who share the same common philosophy: the KITZ’ Statement of Corporate Mission. Looking ahead, we will continue to engage in new challenges in order to enable us to evolve into a stronger company in the global marketplace, and to contribute to society through our activities.

I feel satisfaction from developing technologies for the advancement of the KITZ Group

Naoki Kira
Technology Research Group, Production Engineering Department
KITZ Corporation

I am responsible for development and deployment of automated valve production equipment. Since joining the company, I have learned a variety of skills and become able to give shape to my ideas. I feel satisfaction from being able to develop the technologies that are required for the further advancement of the KITZ Group.

I want to increase the number of KITZ fans through finely-tuned services

Toyoko Suzuki
Manager of Sales Admin Group, Tokyo Branch, KITZ Corporation

Because I work inside the office, I have very few opportunities to meet customers in person. For exactly that reason, receiving words of gratitude is my greatest motivation. Moving forward, I want to continue increasing the number of KITZ fans by gaining a more in-depth knowledge of valves and offering finely-tuned services that will make customers say, “I’ll buy from you (i.e., KITZ) again next time.”
<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yoshiki Sato</td>
<td>MTA Foundry Factory Chief Production Engineer</td>
<td>Metalúrgica Golden Art’s Ltda.</td>
</tr>
<tr>
<td>Shizuka Mita</td>
<td>Chief Accounting Officer</td>
<td>KITZ Corporation of America</td>
</tr>
<tr>
<td>Makiko Shimoyama</td>
<td>General Affairs and Accounting Section, Management Department</td>
<td>KITZ Corporation</td>
</tr>
<tr>
<td>Tomoharu Ishii</td>
<td>Manager of PCA Marketing Department</td>
<td>KITZ Corporation</td>
</tr>
<tr>
<td>Yuuki Ishihara</td>
<td>International Business Development Department</td>
<td>KITZ Corporation</td>
</tr>
<tr>
<td>Sachiko Shiroki</td>
<td>Project Engineering Group, Project Engineering Department</td>
<td>KITZ Corporation</td>
</tr>
</tbody>
</table>

**I intend to accumulate additional experience in casting here in Brazil and further raise my skills.**

Yoshiki Sato  
MTA Foundry Factory Chief Production Engineer  
Metalúrgica 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 Metalúrgica 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 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  
Product Management Center  
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 Business Development 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, 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.
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.

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.

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.

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.

Support for Kitazawa Museum of Art
KITZ supports the activities of the Kitazawa Museum of Art located on the shores of Lake Suwa. KITZ founder Toshio Kitazawa established the museum in 1983 as an incorporated foundation with the aim of contributing to the promotion and development of the regional culture. The museum became a public interest incorporated foundation in 2013.

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.
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 local professional sports teams in these areas which are investing efforts into the development of local children.

The Company has supported the Soccer J2 League Ventforet Kofu (Kofu, Yamanashi Prefecture) since 2013, as well as the J1 League Matsumoto Yamaga FC (Matsumoto, Nagano Prefecture) and the Volleyball V Challenge League I VC Nagano Tridents (Kamiina, Nagano Prefecture) since 2018. Through its support for these teams, KITZ is contributing to the local community, the healthy development of local children and the advancement of sports culture.

Ventforet Kofu
KITZ supports the training academy for (U-18) developing future players as a uniform sponsor.

Matsumoto Yamaga FC
In addition to supporting Matsumoto Yamaga FC as a Yama Girls Partner, sponsoring soccer events for girls, KITZ also displays a stadium banner with its company name in the wheelchair seats on the back-stand side of Sunpro Alwin stadium, which is the team’s home ground.

VC Nagano Tridents
KITZ’s logo is displayed on the back (leg) of the team’s uniform for the 2018-19 Season. Also, KITZ became the title sponsor for the junior high school students volleyball tournament which has been organized by VC Nagano Tridents in the Nanshin area of Nagano Prefecture. The tournament is newly named the KITZ Cup.

Additionally, KITZ engages in continuous activities for promoting sports in local communities where its business locations are based. These efforts include annual sponsorship of the spring high school Ina Ekiden road race, which is held in Ina, Nagano Prefecture (where the Company’s Ina Plant is located), with the participation of strong sporting schools from throughout Japan, and the Suwako Marathon held in Suwa.
# Financial Data

## For the Year

<table>
<thead>
<tr>
<th></th>
<th>FY2008</th>
<th>FY2009</th>
<th>FY2010</th>
<th>FY2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>127,095</td>
<td>96,592</td>
<td>106,059</td>
<td>108,446</td>
</tr>
<tr>
<td><strong>Domestic sales</strong></td>
<td>100,001</td>
<td>76,403</td>
<td>82,120</td>
<td>82,974</td>
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<tr>
<td><strong>Overseas sales</strong></td>
<td>27,094</td>
<td>20,188</td>
<td>23,938</td>
<td>25,472</td>
</tr>
<tr>
<td><strong>Valve Manufacturing Business</strong></td>
<td>89,627</td>
<td>70,611</td>
<td>76,098</td>
<td>78,976</td>
</tr>
<tr>
<td><strong>Brass Bar Manufacturing Business</strong></td>
<td>28,247</td>
<td>16,218</td>
<td>20,230</td>
<td>20,065</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>9,220</td>
<td>9,762</td>
<td>9,729</td>
<td>9,404</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>7,188</td>
<td>6,976</td>
<td>6,341</td>
<td>4,638</td>
</tr>
<tr>
<td><strong>Ordinary income</strong></td>
<td>6,475</td>
<td>6,248</td>
<td>5,929</td>
<td>4,388</td>
</tr>
<tr>
<td><strong>Net income attributable to owners of the parent</strong></td>
<td>3,396</td>
<td>3,079</td>
<td>3,063</td>
<td>2,480</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td>11,101</td>
<td>13,285</td>
<td>5,818</td>
<td>2,217</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td>(3,945)</td>
<td>(4,525)</td>
<td>(2,907)</td>
<td>(2,508)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td>(1,470)</td>
<td>(9,291)</td>
<td>375</td>
<td>(6,638)</td>
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## At Year-End

<table>
<thead>
<tr>
<th></th>
<th>FY2008</th>
<th>FY2009</th>
<th>FY2010</th>
<th>FY2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td>51,030</td>
<td>47,421</td>
<td>52,036</td>
<td>47,247</td>
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<tr>
<td><strong>Fixed assets</strong></td>
<td>50,071</td>
<td>50,112</td>
<td>48,101</td>
<td>47,734</td>
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<tr>
<td><strong>Total assets</strong></td>
<td>101,101</td>
<td>97,533</td>
<td>100,138</td>
<td>94,981</td>
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<tr>
<td><strong>Current liabilities</strong></td>
<td>27,712</td>
<td>18,070</td>
<td>26,521</td>
<td>20,182</td>
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<tr>
<td><strong>Long-term liabilities</strong></td>
<td>22,476</td>
<td>25,161</td>
<td>20,184</td>
<td>20,309</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>50,189</td>
<td>43,686</td>
<td>46,705</td>
<td>40,491</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>50,912</td>
<td>53,847</td>
<td>53,433</td>
<td>54,489</td>
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<tr>
<td><strong>Interest-bearing liabilities</strong></td>
<td>35,860</td>
<td>27,555</td>
<td>30,165</td>
<td>24,290</td>
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<tr>
<td><strong>Share price (Yen)</strong></td>
<td>299</td>
<td>545</td>
<td>400</td>
<td>360</td>
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## Per Share Data

<table>
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<tr>
<th></th>
<th>FY2008</th>
<th>FY2009</th>
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<th>FY2011</th>
</tr>
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<tr>
<td><strong>EPS</strong></td>
<td>30.02</td>
<td>27.23</td>
<td>27.36</td>
<td>22.71</td>
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<td><strong>BPS</strong></td>
<td>442.44</td>
<td>468.31</td>
<td>480.88</td>
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<tr>
<td><strong>Cash dividends per share</strong></td>
<td>9.00</td>
<td>7.00</td>
<td>7.00</td>
<td>7.50</td>
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## Financial Indicators (%)

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<tr>
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<th>FY2008</th>
<th>FY2009</th>
<th>FY2010</th>
<th>FY2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating income to net sales</strong></td>
<td>5.7</td>
<td>7.2</td>
<td>6.0</td>
<td>4.3</td>
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<tr>
<td><strong>ROE</strong></td>
<td>6.6</td>
<td>6.0</td>
<td>5.8</td>
<td>4.7</td>
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<tr>
<td><strong>ROA</strong></td>
<td>6.2</td>
<td>6.3</td>
<td>6.0</td>
<td>4.5</td>
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<tr>
<td><strong>Equity ratio</strong></td>
<td>49.5</td>
<td>54.3</td>
<td>52.5</td>
<td>56.4</td>
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<tr>
<td><strong>Payout ratio</strong></td>
<td>30.0</td>
<td>25.7</td>
<td>25.6</td>
<td>33.0</td>
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<tr>
<td><strong>Total return ratio</strong></td>
<td>30.0</td>
<td>25.7</td>
<td>74.1</td>
<td>33.0</td>
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</table>

*KITZ Corporation has applied the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) as of the start of the fiscal year ended March 31, 2019. Accordingly, figures for the year ended March 31, 2018 in this report are those after retrospective application of the standard.*
<table>
<thead>
<tr>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
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<td>111,275</td>
<td>117,355</td>
<td>117,036</td>
<td>117,278</td>
<td>114,101</td>
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<td>81,509</td>
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<td>29,765</td>
<td>32,384</td>
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<td>37,151</td>
<td>33,893</td>
<td>34,809</td>
<td>41,428</td>
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<tr>
<td>84,472</td>
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<td>91,766</td>
<td>98,162</td>
<td>109,969</td>
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<td>17,948</td>
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<td>20,557</td>
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<td>23,535</td>
<td>23,643</td>
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<td>8,855</td>
<td>8,514</td>
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<td>9,733</td>
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<td>4,039</td>
<td>3,564</td>
<td>6,881</td>
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<td>6,518</td>
<td>5,625</td>
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<td>7,885</td>
<td>4,667</td>
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<td>9,592</td>
<td>12,979</td>
<td>6,941</td>
<td>10,069</td>
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<tr>
<td>(4,519)</td>
<td>(3,546)</td>
<td>(1,010)</td>
<td>(9,763)</td>
<td>(2,141)</td>
<td>(7,066)</td>
<td>(9,264)</td>
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<td>(3,213)</td>
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<td>(3,706)</td>
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<td>33,457</td>
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<td>472</td>
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<td>36,98</td>
<td>32,63</td>
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<td>45,50</td>
<td>51,43</td>
<td>65,50</td>
<td>58,50</td>
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<td>542,41</td>
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<td>727,78</td>
<td>782,98</td>
<td>793,74</td>
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<tr>
<td>9,50</td>
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<td>13,00</td>
<td>13,00</td>
<td>13,00</td>
<td>17,00</td>
<td>20,00</td>
</tr>
<tr>
<td>5.9</td>
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<td>8.1</td>
<td>8.6</td>
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<td>7.2</td>
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<td>7.3</td>
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<td>7.4</td>
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<td>6.3</td>
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<td>7.4</td>
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<td>9.0</td>
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<td>59.3</td>
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<td>62.9</td>
<td>61.9</td>
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<td>25.7</td>
<td>30.6</td>
<td>20.6</td>
<td>28.6</td>
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<td>26.0</td>
<td>34.2</td>
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<td>27.6</td>
<td>38.8</td>
<td>92.5</td>
<td>80.0</td>
<td>70.1</td>
</tr>
</tbody>
</table>
Financial Data

- **EPS**

- **BPS**

- **Total Assets / ROA**

- **Cash Dividends Per Share / Payout Ratio**

- **Free Cash Flows**

- **Equity Ratio**

\[\text{Total Assets} / \text{ROA} \times \left(\frac{\text{Cash Dividends Per Share}}{\text{Payout Ratio}}\right)\]
### Consolidated Balance Sheets

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash in hand and in banks</td>
<td>18,181</td>
<td>23,429</td>
<td>13,660</td>
</tr>
<tr>
<td>Notes, accounts receivable—trade</td>
<td>18,620</td>
<td>20,040</td>
<td>19,484</td>
</tr>
<tr>
<td>Electronically recorded monetary claims</td>
<td>7,272</td>
<td>9,764</td>
<td>10,715</td>
</tr>
<tr>
<td>Merchandise and finished goods</td>
<td>8,362</td>
<td>8,845</td>
<td>10,382</td>
</tr>
<tr>
<td>Work in process</td>
<td>4,692</td>
<td>5,651</td>
<td>5,683</td>
</tr>
<tr>
<td>Raw materials and supplies</td>
<td>6,963</td>
<td>7,657</td>
<td>8,500</td>
</tr>
<tr>
<td>Other</td>
<td>2,803</td>
<td>2,597</td>
<td>3,054</td>
</tr>
<tr>
<td>Less: Allowance for doubtful accounts</td>
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<td>(464)</td>
<td>(13)</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>61,572</td>
<td>77,400</td>
<td>71,226</td>
</tr>
<tr>
<td><strong>Fixed assets</strong></td>
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<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>8,310</td>
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<td>Buildings and structures</td>
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<td>Machinery, equipment and vehicles</td>
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<td>Tools, furniture and fixtures</td>
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<td>9,885</td>
<td>10,500</td>
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<tr>
<td>Land</td>
<td>1,064</td>
<td>1,611</td>
<td>3,807</td>
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<tr>
<td>Construction in progress</td>
<td>251</td>
<td>273</td>
<td>220</td>
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<tr>
<td><strong>Total property, plant and equipment</strong></td>
<td>54,722</td>
<td>56,799</td>
<td>41,677</td>
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<tr>
<td><strong>Intangible assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>2,323</td>
<td>1,481</td>
<td>887</td>
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<tr>
<td>Software in progress</td>
<td>3,038</td>
<td>5,257</td>
<td>6,599</td>
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<tr>
<td>Other</td>
<td>2,152</td>
<td>2,212</td>
<td>1,933</td>
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<tr>
<td><strong>Total intangible assets</strong></td>
<td>6,861</td>
<td>8,951</td>
<td>9,420</td>
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<tr>
<td>Investments and other assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in securities</td>
<td>6,108</td>
<td>6,247</td>
<td>4,943</td>
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<tr>
<td>Retirement benefit assets</td>
<td>174</td>
<td>167</td>
<td>326</td>
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<tr>
<td>Deferred income tax assets</td>
<td>127</td>
<td>980</td>
<td>1,316</td>
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<tr>
<td>Other</td>
<td>3,163</td>
<td>3,038</td>
<td>2,748</td>
</tr>
<tr>
<td>Less: Allowance for doubtful accounts</td>
<td>(153)</td>
<td>(153)</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>Total investments and other assets</strong></td>
<td>9,571</td>
<td>10,394</td>
<td>9,332</td>
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<td><strong>Total fixed assets</strong></td>
<td>51,175</td>
<td>56,145</td>
<td>60,430</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>119,148</td>
<td>133,545</td>
<td>131,657</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable—trade</td>
<td>6,138</td>
<td>7,098</td>
<td>6,625</td>
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<tr>
<td>Current portion of corporate bonds</td>
<td>904</td>
<td>844</td>
<td>774</td>
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<tr>
<td>Short-term borrowings</td>
<td>1,496</td>
<td>1,347</td>
<td>1,220</td>
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<td>Current portion of long-term debt</td>
<td>2,452</td>
<td>2,613</td>
<td>2,521</td>
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<td>Income taxes payable</td>
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<td>2,613</td>
<td>1,434</td>
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<td>Consumption tax payable</td>
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<td>21</td>
<td>535</td>
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<td>Accrued bonuses to employees</td>
<td>2,068</td>
<td>2,318</td>
<td>2,529</td>
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<tr>
<td>Accrued bonuses to directors and corporate auditors</td>
<td>163</td>
<td>180</td>
<td>206</td>
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<td>Other</td>
<td>4,710</td>
<td>5,573</td>
<td>6,379</td>
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<tr>
<td><strong>Total current liabilities</strong></td>
<td>19,608</td>
<td>24,078</td>
<td>22,227</td>
</tr>
<tr>
<td><strong>Long-term liabilities</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Corporate bonds</td>
<td>13,523</td>
<td>22,678</td>
<td>21,904</td>
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<td>Long-term debt</td>
<td>6,410</td>
<td>5,543</td>
<td>7,037</td>
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<td>Deferred income tax liabilities</td>
<td>1,164</td>
<td>633</td>
<td>807</td>
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<tr>
<td>Accrued retirement benefits to directors, corporate</td>
<td>352</td>
<td>377</td>
<td>362</td>
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<tr>
<td>Allowance for stock benefit for directors, corporate</td>
<td>36</td>
<td>79</td>
<td>124</td>
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<tr>
<td>Retirement benefit liabilities</td>
<td>413</td>
<td>444</td>
<td>749</td>
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<td>Asset retirement obligations</td>
<td>441</td>
<td>402</td>
<td>408</td>
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<tr>
<td>Other</td>
<td>2,305</td>
<td>1,716</td>
<td>1,207</td>
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<tr>
<td><strong>Total long-term liabilities</strong></td>
<td>24,647</td>
<td>32,075</td>
<td>32,600</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>19,608</td>
<td>24,078</td>
<td>22,227</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Shareholders' equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common stock</td>
<td>21,207</td>
<td>21,207</td>
<td>21,207</td>
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<tr>
<td>Capital surplus</td>
<td>5,743</td>
<td>5,674</td>
<td>5,674</td>
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<tr>
<td>Retained earnings</td>
<td>49,138</td>
<td>47,657</td>
<td>51,562</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>(5,042)</td>
<td>(2,004)</td>
<td>(4,032)</td>
</tr>
<tr>
<td><strong>Total shareholders' equity</strong></td>
<td>71,046</td>
<td>72,556</td>
<td>74,411</td>
</tr>
<tr>
<td><strong>Accumulated other comprehensive income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized gains on other securities</td>
<td>1,972</td>
<td>2,279</td>
<td>1,333</td>
</tr>
<tr>
<td>Translation adjustments</td>
<td>567</td>
<td>1,291</td>
<td>(254)</td>
</tr>
<tr>
<td>Cumulative adjustments related to retirement benefits</td>
<td>204</td>
<td>89</td>
<td>107</td>
</tr>
<tr>
<td><strong>Total accumulated other comprehensive income</strong></td>
<td>2,143</td>
<td>3,360</td>
<td>1,185</td>
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<tr>
<td><strong>Non-controlling interests</strong></td>
<td>1,101</td>
<td>1,175</td>
<td>1,232</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>119,441</td>
<td>133,545</td>
<td>131,657</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>119,148</td>
<td>133,545</td>
<td>131,657</td>
</tr>
</tbody>
</table>
## Consolidated Statements of Income

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>114,101</td>
<td>124,566</td>
<td>136,637</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>82,405</td>
<td>90,459</td>
<td>98,449</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>31,696</td>
<td>34,106</td>
<td>38,449</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses</strong></td>
<td>22,767</td>
<td>23,989</td>
<td>26,735</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>8,929</td>
<td>10,117</td>
<td>11,713</td>
</tr>
<tr>
<td><strong>Non-operating income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>97</td>
<td>92</td>
<td>67</td>
</tr>
<tr>
<td>Dividend income</td>
<td>211</td>
<td>139</td>
<td>138</td>
</tr>
<tr>
<td>Insurance income</td>
<td>133</td>
<td>136</td>
<td>173</td>
</tr>
<tr>
<td>Exchange gains</td>
<td>—</td>
<td>—</td>
<td>122</td>
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<tr>
<td>Other</td>
<td>326</td>
<td>424</td>
<td>513</td>
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<tr>
<td><strong>Total non-operating income</strong></td>
<td>768</td>
<td>793</td>
<td>1,017</td>
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<tr>
<td><strong>Non-operating expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expenses</td>
<td>234</td>
<td>226</td>
<td>252</td>
</tr>
<tr>
<td>Sales discount</td>
<td>376</td>
<td>382</td>
<td>415</td>
</tr>
<tr>
<td>Losses on sales of notes receivable</td>
<td>23</td>
<td>15</td>
<td>24</td>
</tr>
<tr>
<td>Exchange losses</td>
<td>19</td>
<td>208</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>244</td>
<td>344</td>
<td>154</td>
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<tr>
<td><strong>Total non-operating expenses</strong></td>
<td>898</td>
<td>1,177</td>
<td>847</td>
</tr>
<tr>
<td><strong>Ordinary income</strong></td>
<td>8,799</td>
<td>9,733</td>
<td>11,883</td>
</tr>
<tr>
<td><strong>Extraordinary income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gains on sales of property, plant and equipment</td>
<td>14</td>
<td>12</td>
<td>11</td>
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<tr>
<td>Gains on sales of investment securities</td>
<td>2,097</td>
<td>869</td>
<td>0</td>
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<tr>
<td>Other</td>
<td>40</td>
<td>1</td>
<td>1</td>
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<td><strong>Total extraordinary income</strong></td>
<td>2,152</td>
<td>883</td>
<td>12</td>
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<tr>
<td><strong>Extraordinary loss</strong></td>
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<tr>
<td>Losses on sales or disposal of property, plant and equipment</td>
<td>141</td>
<td>87</td>
<td>104</td>
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<tr>
<td>Impairment loss</td>
<td>3,756</td>
<td>386</td>
<td>2,675</td>
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<tr>
<td>Other</td>
<td>27</td>
<td>28</td>
<td>7</td>
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<tr>
<td><strong>Total extraordinary loss</strong></td>
<td>3,925</td>
<td>502</td>
<td>2,787</td>
</tr>
<tr>
<td><strong>Net income before income taxes and minority interests</strong></td>
<td>7,025</td>
<td>10,114</td>
<td>9,108</td>
</tr>
<tr>
<td>Income taxes (income, residential and enterprise taxes)</td>
<td>2,370</td>
<td>3,586</td>
<td>3,312</td>
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<tr>
<td>Taxes from past fiscal years</td>
<td>(822)</td>
<td>—</td>
<td>—</td>
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<tr>
<td><strong>Income tax adjustment</strong></td>
<td>(238)</td>
<td>(72)</td>
<td>33</td>
</tr>
<tr>
<td><strong>Total income taxes</strong></td>
<td>1,509</td>
<td>3,513</td>
<td>3,345</td>
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<tr>
<td><strong>Net income</strong></td>
<td>5,515</td>
<td>6,601</td>
<td>5,762</td>
</tr>
<tr>
<td><strong>Net income attributable to non-controlling interests</strong></td>
<td>115</td>
<td>82</td>
<td>136</td>
</tr>
<tr>
<td><strong>Net income attributable to owners of the parent</strong></td>
<td>5,400</td>
<td>6,518</td>
<td>5,625</td>
</tr>
</tbody>
</table>

## Consolidated Statements of Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income</strong></td>
<td>5,515</td>
<td>6,601</td>
<td>5,762</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized gains on other securities</td>
<td>(772)</td>
<td>307</td>
<td>(946)</td>
</tr>
<tr>
<td>Translation adjustment</td>
<td>(670)</td>
<td>767</td>
<td>(1,558)</td>
</tr>
<tr>
<td>Remeasurements of retirement benefits</td>
<td>(23)</td>
<td>(114)</td>
<td>17</td>
</tr>
<tr>
<td><strong>Total other comprehensive income</strong></td>
<td>(1,466)</td>
<td>959</td>
<td>(2,487)</td>
</tr>
<tr>
<td><strong>Comprehensive income</strong></td>
<td>4,048</td>
<td>7,560</td>
<td>3,275</td>
</tr>
<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>3,950</td>
<td>7,434</td>
<td>3,150</td>
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<tr>
<td>Comprehensive income attributable to non-controlling interests</td>
<td>88</td>
<td>125</td>
<td>124</td>
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</tbody>
</table>
### Consolidated Statements of Cash Flows

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income before income taxes and minority interests</td>
<td>7,025</td>
<td>10,114</td>
<td>9,108</td>
</tr>
<tr>
<td>Depreciation</td>
<td>4,148</td>
<td>4,297</td>
<td>4,636</td>
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<tr>
<td>Amortization of goodwill</td>
<td>438</td>
<td>464</td>
<td>414</td>
</tr>
<tr>
<td>Exchange (gains) losses</td>
<td>37</td>
<td>15</td>
<td>61</td>
</tr>
<tr>
<td>(Gains) losses on sales of investment securities</td>
<td>(2,062)</td>
<td>(869)</td>
<td>0</td>
</tr>
<tr>
<td>Increase (decrease) in provision for allowance for doubtful accounts</td>
<td>(4)</td>
<td>57</td>
<td>(31)</td>
</tr>
<tr>
<td>Increase (decrease) in accrued bonuses to employees</td>
<td>382</td>
<td>242</td>
<td>224</td>
</tr>
<tr>
<td>Increase (decrease) in retirement benefit liabilities</td>
<td>(62)</td>
<td>(138)</td>
<td>45</td>
</tr>
<tr>
<td>Increase (decrease) in accrued retirement benefits to directors</td>
<td>30</td>
<td>17</td>
<td>(82)</td>
</tr>
<tr>
<td>Increase (decrease) in allowance for stock benefit for directors</td>
<td>36</td>
<td>51</td>
<td>44</td>
</tr>
<tr>
<td>Increase (decrease) in provision of accrued bonuses to directors</td>
<td>(1)</td>
<td>16</td>
<td>26</td>
</tr>
<tr>
<td>Interest income and dividend income</td>
<td>(308)</td>
<td>(232)</td>
<td>(206)</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>234</td>
<td>226</td>
<td>252</td>
</tr>
<tr>
<td>(Gains) losses on sales or disposal of property, plant and equipment</td>
<td>127</td>
<td>74</td>
<td>93</td>
</tr>
<tr>
<td>(Increase) decrease in notes and accounts receivable</td>
<td>(673)</td>
<td>(3,110)</td>
<td>(767)</td>
</tr>
<tr>
<td>(Increase) decrease in inventories</td>
<td>677</td>
<td>(1,961)</td>
<td>(2,404)</td>
</tr>
<tr>
<td>(Increase) decrease in other current assets</td>
<td>60</td>
<td>(960)</td>
<td>498</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable</td>
<td>(61)</td>
<td>781</td>
<td>(340)</td>
</tr>
<tr>
<td>Increase (decrease) in other current liabilities</td>
<td>843</td>
<td>5</td>
<td>739</td>
</tr>
<tr>
<td>Other</td>
<td>(78)</td>
<td>(472)</td>
<td>(411)</td>
</tr>
<tr>
<td>Subtotal</td>
<td>14,526</td>
<td>6,973</td>
<td>14,577</td>
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<tr>
<td>Interest and dividend income received</td>
<td>316</td>
<td>232</td>
<td>206</td>
</tr>
<tr>
<td>Interest expenses paid</td>
<td>(211)</td>
<td>(224)</td>
<td>(249)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(1,938)</td>
<td>(2,297)</td>
<td>(4,464)</td>
</tr>
<tr>
<td>Income taxes refund</td>
<td>286</td>
<td>256</td>
<td>—</td>
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<tr>
<td>Cash flows from operating activities</td>
<td>12,979</td>
<td>6,941</td>
<td>10,069</td>
</tr>
</tbody>
</table>

| Cash flows from investing activities | | |
| Payments for purchase of property, plant and equipment | (4,476) | (5,149) | (7,597) |
| Proceeds from sales of property, plant and equipment | 1,119 | 5 | 26 |
| Payments for purchase of intangible assets | (1,956) | (3,128) | (2,252) |
| Payments for purchase of investments in securities | (21) | (20) | (22) |
| Proceeds from sales of investments in securities | 3,422 | 1,191 | 88 |
| (Increase) decrease in time deposits, net | — | 35 | 2,624 |
| Payments for acquisition of subsidiaries’ shares resulting from changes in scope of consolidation | (211) | — | (2,985) |
| Other | (17) | (0) | 853 |
| Cash flows from investing activities | (2,141) | (7,066) | (9,264) |

| Cash flows from financing activities | | |
| Increase (decrease) in short-term borrowings, net | (624) | (189) | (2,915) |
| Proceeds from long-term debt | 2,248 | 3,242 | 3,319 |
| Repayment of long-term debt | (2,887) | (2,686) | (4,233) |
| Proceeds from issuance of bonds | 1,821 | 9,940 | — |
| Payments for redemption of bonds | (902) | (904) | (844) |
| Proceeds from sales of treasury stock | 1 | — | 0 |
| Payments for acquisition of treasury stock | (3,851) | (3,532) | (2,028) |
| Cash dividends paid | (1,380) | (1,414) | (1,742) |
| Cash dividends paid to non-controlling interests | (21) | (19) | (38) |
| Payments for acquisition of treasury stock | (1,037) | 1,037 | (1,023) |
| Other | (206) | (204) | (197) |
| Cash flows from financing activities | (6,638) | 5,267 | (9,702) |
| Effect of exchange rate changes on cash and cash equivalents | (250) | 78 | (245) |
| Net increase (decrease) in cash and cash equivalents | 3,748 | 5,220 | (9,143) |
| Cash and cash equivalents at the beginning of the year | 13,050 | 16,799 | 22,019 |
| Cash and cash equivalents at the end of the year | 16,799 | 22,019 | 12,876 |
Group Network

Domestic Network

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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

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

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 Branch

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

Kyushu Regional Office

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

Project Sales Dept.
1-10-1 Nakase, Mihama-ku, Chiba-shi, Chiba Pref. 261-8577, Japan
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

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: +81-11-708-6666

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

Chugoku Regional Office

Hiroshima Sales Office
NBF Hiroshima Tatemachi Building, 2-27 Tatemachi, Naka-ku, Hiroshima-shi, Hiroshima Pref. 730-0032, Japan
TEL: +81-82-424-9530

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

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

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, Miyaharacho, Kita-ku, Saitama-shi, Saitama Pref. 331-0812, Japan
TEL: +81-48-651-5260

Yokosuka Water Supply Product Sales Office
Sankyo Yokohama Building, 5-85 Chojarnachi, Naka-ku, Yokohama-shi, Kanagawa Pref. 243-0003, Japan
TEL: +81-46-253-1095

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 Business Development 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

KITA Corporation Ina Plant
7130 Higashiharuchika, Ina-shi, Nagano Pref. 399-4496, Japan
TEL: +81-266-78-1111

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

KITA Training Center
3332-2439 Kamisasaao Shinhora, Kobuchisawa-cho, Hokuto-shi, Yamanashi Pref. 408-0041, Japan
TEL: +81-551-36-3971

KITA Group

Toyo Valve Co., Ltd.
10-5, Nihonbashishi 2-chome, Chuo-ku, Tokyo, 103-0027, Japan
TEL: +81-3-6262-1652
(Sales of valves and system equipment)

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

KITZ SCT Corporation
Omoriekii Higashiguchi 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 Akanehama, 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, Sahara 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

**KITZ 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)

**Singapore**

KITZ Corporation of Asia Pacific Pte. Ltd.
No.22 Pioneer Crescent, #03-06 West Park BizCentral, Singapore 628556
TEL: +65-6339-0350
(Sales, marketing and distribution of valves)

KITZ Valve & Actuation Singapore Pte. Ltd.
No.22 Pioneer Crescent, #03-06 West Park BizCentral, Singapore 628556
TEL: +65-6861-1833
(Sales and maintenance of valves)

**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. Bangsaonthong, A. Bangsaonthong, 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, 79200 Iskandar Puteri, Johor Darul Takzim, Malaysia
TEL: +60-7-553-9731
(Sales and maintenance of valves)

**Vietnam**

KITZ Valve & Actuation Vietnam Co., Ltd.
P1-2.37, The Prince Residence, No.19-21, Nguyen Van Troi Street, Ward12, Phu Nhuan District, Ho Chi Minh City, Vietnam
TEL: +84-28-3995-6933
(Sales, marketing and distribution 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
(Production, 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 SCT Corporation of Kunshan
8-3, 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)

Hong Kong

KITZ Hong Kong Company Limited
Unit E, 33 Floor, Monterry Plaza, 15 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong
TEL: +852-2728-2199
(Sales, marketing and distribution of valves)

Micro Pneumatics Pvt. Ltd.
Plot No.133-134, Vasai Municipal Industrial Area, Umela Phata, Papdy, Vasai Road (West) - 401 207, Dist. Palghar, Maharashtra, India
TEL: +91- 250-2320458
(Manufacturing and sales of industrial-use (pharmaceutical, foods, chemical) automated ball valves and butterfly valves)

U.S.A.

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 SCT America Corporation
5201 Great America Parkway, Suite 238, Santa Clara, California 95054, U.S.A.
TEL: +1-408-747-5546
(Sales, marketing and distribution of valves and fittings for semiconductor manufacturing equipment)

Brazil

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)

Germany

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

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

Corporate Data (as of March 31, 2019)

Corporate Name: KITZ CORPORATION

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

URL: https://www.kitz.co.jp/english/    https://www.kitz.com/

Established: January 26, 1951

Capital: 21,207,084,670 yen

Fiscal Year-end: March

Stock Exchange Listing: First Section of Tokyo Stock Exchange (Code: 6498)

Number of Employees: 1,290 (Non-consolidated basis)

Business Activities: Manufacturing and sales of valves, other flow control devices, and related products

Independent Auditor: Ernst & Young ShinNihon LLC

Stock Information (as of March 31, 2019)

Total Number of Authorized Shares: 400,000,000 shares

Shares Issued and Outstanding: 95,571,302 shares

Note: The number of shares shown above does not include 4,825,209 shares of treasury stock that were held as of March 31, 2019.

Number of Shareholders: 10,309

Note: The number of shareholders includes the Company.

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: https://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>9,053</td>
<td>9.47</td>
</tr>
<tr>
<td>Kitazawa Agent's Stock Ownership Plan</td>
<td>4,414</td>
<td>4.62</td>
</tr>
<tr>
<td>Nippon Life Insurance Company</td>
<td>4,303</td>
<td>4.50</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd.</td>
<td>3,946</td>
<td>4.13</td>
</tr>
<tr>
<td>SUMITOMO LIFE INSURANCE COMPANY</td>
<td>3,444</td>
<td>3.60</td>
</tr>
<tr>
<td>Kitazawa Ikueikai Foundation</td>
<td>3,411</td>
<td>3.57</td>
</tr>
<tr>
<td>KITZ Corporation Client Stock Ownership Plan</td>
<td>2,989</td>
<td>3.13</td>
</tr>
<tr>
<td>Sumitomo Mitsui Banking Corporation</td>
<td>2,553</td>
<td>2.67</td>
</tr>
<tr>
<td>GOVERNMENT OF NORWAY</td>
<td>2,347</td>
<td>2.46</td>
</tr>
<tr>
<td>THE BANK OF NEW YORK MELLON 140051</td>
<td>2,328</td>
<td>2.44</td>
</tr>
</tbody>
</table>

Composition of Shareholders

- Financial institutions: 32.3%
- Other domestic companies: 12.1%
- Foreign investors: 21.9%
- Individuals and others: 28.0%
- Treasury stocks: 4.8%
- Financial business operators: 0.9%

Stock Price Information

(Thousand shares)

(Yen)

Note: The number of shares shown above does not include 4,825,209 shares of treasury stock that were held as of March 31, 2019.

Number of Shareholders includes the Company.

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: https://www.kitz.co.jp/
Outdoor Signboards of KITZ

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

The advertisement depicts the image of a child peering into a valve, looking toward a bright future. The catch copy “KITZ Valves, link to the future.” extends from the valve toward the blue sky. It expresses the message that valves are indispensable in building a bright future, and that KITZ aims to be a company that is essential to society.

KITZ Website

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

Corporate PR Character

Kikumaru is a PR character, designed around the motif of the Chrysanthemum-Handle* (see Page 32 Focus), created to improve the KITZ corporate brand. In the past, the character has been used at trade expo booths and in sales promotion tools. Moving forward, Kikumaru will be utilized proactively in all manner of promotional situations.

Name: Kikumaru
Date of birth: October 3, 2007
Gender: N/A
Personality: Sincere and honest. Active, and full of the spirit of challenge, but sometimes clumsy.
Kikumaru spends its days busy travelling throughout Japan and around the countries of the world as an outstanding KITZ sales representative.