Consolidated Financial Results for the Fiscal Year March 2013 (Japanese Accounting Standards)

This document has been prepared as a guide for non-Japanese investors and contains forward-looking statements that are based on managements' estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. This document is a translation of excerpts taken from the Japanese language original. All numbers are rounded down to the nearest until in accordance with standard Japanese practice. Please be advised that the Company cannot accept responsibility for investment decisions made based on the information contained in this report.

May 13, 2013

Company Name: KITZ CORPORATION

Stock Listing: Tokyo Stock Exchange

Stock Code: 6498

URL http://www.kitz.co.jp/english/index.html

President and Chief Executive Officer: Yasuyuki Hotta

Inquiries: Tadaaki Kawaguchi, General Manager, Accounting Department

Telephone: +81-43-299-0114

Date of General Meeting of Shareholders (Planned): June 27, 2013

Date of Dividend Payment (Planned): June 12, 2013

Date of Financial Statement Filing (Planned): June 27, 2013

Availability of Financial Results Supplementary Presentation Materials: Yes

Financial Results Presentation Meeting: Yes (For institutional investors and analysts)

(Figures of less than one million yen are rounded down to the nearest decimal)

1. Consolidated Financial Results (Apr. 1, 2012 – Mar. 31, 2013)

(1) Consolidated Operating Results

(% figures represent year-over-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY March 2013	111,275	2.6	6,558	41.4	6,521	48.6	4,039	62.8
FY March 2012	108,446	2.3	4,638	(26.9)	4,388	(26.0)	2,480	(19.0)

(Note) Comprehensive Income: ¥6,665 million in FY Mar. 2013 (up 253.4%) ¥1,885 million in FY Mar. 2012 (down 5.7%)

	Net Income per Share	Net Income per Share (Diluted)	Return on Equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Net Sales
	Yen	Yen	%	%	%
FY March 2013	36.98	—	7.2	6.7	5.9
FY March 2012	22.71	—	4.7	4.5	4.3

(Reference) Gain from investments in subsidiaries and affiliates accounted for by the equity method:

FY Mar. 2013: — FY Mar. 2012: —

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million Yen	Million Yen	%	Yen
FY March 2013	99,972	60,219	59.3	542.41
FY March 2012	94,981	54,489	56.4	490.65

(Reference) Equity: ¥59,242 million in FY Mar. 2013 ¥53,591 million in FY Mar. 2012

(3) Consolidated Cash Flows

	Net Cash Provided by Operating Activities	Net Cash Used in Investing Activities	Net Cash Provided by (Used in) Financing Activities	Cash and Cash Equivalents at End of Fiscal Year
	Million Yen	Million Yen	Million Yen	Million Yen
FY March 2013	7,885	(4,519)	(3,213)	6,042
FY March 2012	2,217	(2,508)	(6,638)	5,635

2. Dividends

	Annual Dividend					Total Dividends from Surplus (Annual)	Payout Ratio (Consolidated)	Dividends to Net Assets Ratio (Consolidated)
	1Q	2Q	3Q	4Q	Total			
	Yen	Yen	Yen	Yen	Yen	Million Yen	%	%
FY March 2012	—	3.50	—	4.00	7.50	819	33.0	1.5
FY March 2013	—	4.50	—	5.00	9.50	1,037	25.7	1.8
FY March 2014 (Planned)	—	5.00	—	5.00	10.00		25.4	

3. Consolidated Financial Forecasts for the Fiscal Year March 2014 (Apr. 1, 2013–Mar. 31, 2014)

(% figures represent year-over-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
1H FY March 2014	59,000	6.1	3,200	(10.8)	3,100	(8.9)	1,900	(5.0)	17.39
FY March 2014	120,000	7.8	7,200	9.8	7,100	8.9	4,300	6.4	39.36

※ Annotation

(1) Changes in significant subsidiaries (Changes in subsidiaries affecting the scope of consolidation): None
Newly consolidated: None
Removed from consolidation: None

(2) Changes in accounting methods, procedures and presentations concerning preparation of consolidated financial statements
1. Changes accompanying revisions in accounting standards: Yes
2. Other changes: None
3. Changes in accounting estimates: Yes
4. Redisplay of revisions: None

(3) Number of shares outstanding (Common stock)

1. Shares issued as of term end (including treasury stock):	FY March 2013	120,396,511 shares	FY March 2012	120,396,511 shares
2. Treasury stock as of term end:	FY March 2013	11,175,323 shares	FY March 2012	11,173,721 shares
3. Average during the term:	FY March 2013	109,222,186 shares	FY March 2012	109,223,535 shares

Reference: Fiscal Year March 2013 Non-Consolidated Financial Results (Apr. 1, 2012 – Mar. 31, 2013)

(1) Non-Consolidated Operating Results

(% figures represent year-over-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY March 2013	65,188	15.2	3,468	137.9	3,853	100.2	2,541	(49.6)
FY March 2012	56,577	10.9	1,457	(43.2)	1,925	(34.0)	5,041	309.5

	Net Income per Share	Net Income per Share (Diluted)
	Yen	Yen
FY March 2013	23.26	—
FY March 2012	46.15	—

(2)Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million Yen	Million Yen	%	Yen
FY March 2013	84,051	52,047	61.9	476.53
FY March 2012	81,221	49,730	61.2	455.31

(Reference) Equity: ¥52,047 million in FY Mar. 2013 ¥49,730 million in FY Mar. 2012

※ Information about review procedure

These financial results are exempt from the review procedure prescribed in the Financial Instruments and Exchange Law.
The review procedure for financial results prescribed in the Financial Instruments and Exchange Law had not been completed when this report was released.

※ Explanation regarding the appropriate use of forecasts of business results and other information

The forecasts were prepared using information that was available on the announcement date. Actual performance may differ from the forecasts for a number of reasons.

Contents

1. Analysis of Results of Operations and Financial Condition

(1) Analysis of Results of Operations

1) Results of Operations

During the fiscal year ended March 31, 2013, the Japanese economy experienced ongoing increases in public-sector investment, due in part to demand related to post-earthquake recovery, as well as a gradual upturn in housing investment, although this impetus fell short of bringing about a full-scale recovery. However, after the Liberal Democratic Party took office at the end of the third quarter, earnings at exporting companies began to recover as the high yen corrected downward in currency markets and government spending increased, prompting expectations of an economic upswing. Overseas, the U.S. economy showed signs of a moderate recovery, but Chinese economic deceleration and the protracted European debt crisis continued to render the overall outlook unreadable.

Against this backdrop, during the year the Company recorded a sales increase in the valve manufacturing business, although sales in the brass bar manufacturing business declined, resulting in net sales of ¥111,275 million, up 2.6% from the preceding fiscal year. On the profit front, operating income surged 41.4% year on year, to ¥6,558 million, owing to robust overseas sales, the elimination of certain unprofitable products from the lineup and efforts to improve profitability. Ordinary income grew 48.6%, to ¥6,521 million, due to lower interest expenses accompanying the reduction of interest-bearing debt, as well as the posting of exchange gains. Net income jumped 62.8%, to ¥4,039 million.

Segment results are as follows.

・Valve manufacturing business

In the valve manufacturing business, sales to external customers grew 7.0%, to ¥84,472 million. These results reflected solid demand in Japan for valves for building construction and plants, although demand for use in semiconductor manufacturing equipment was down. Overseas, sales rose significantly in the North American market, centering on plant-related demand, and sales increased in the Asian and European markets, as well. Operating income expanded 27.4%, to ¥8,808 million, thanks to higher sales and a recovery in profitability, compared with the preceding fiscal year.

・Brass bar manufacturing business

Sales to external customers in the brass bar manufacturing business dropped 10.6%, to ¥17,948 million. Although the sales volume remained constant year on year, a decline in copper prices caused selling prices to fall. Segment operating income, however, expanded 65.3%, to ¥441 million. This improvement stemmed from the Company's initiatives throughout the year to ensure a certain level of profitability despite lackluster copper prices, as well as efforts to secure profits and slash costs.

・Other

External sales in other businesses slipped 5.8%, to ¥8,855 million. Fitness club revenues were stable, but in addition to the loss of revenues from the SUWA GARASUNOSATO business, which the Company sold on June 1, 2012, revenues from hotel operations declined, partly due to the impact of the Sasago Tunnel accident. Operating income was down 6.9%, to ¥330 million, stemming from the decline in profits as a result of the SUWA GARASUNOSATO sale.

2) Outlook for the Fiscal Year Ending March 31, 2014

We anticipate that the Japanese economy will enjoy a gradual rebound, thanks to recovery-related demand and higher public-sector investment as various economic measures are enacted. Corporate earnings are also expected to improve on the back of monetary easing and amelioration of yen appreciation in foreign exchange markets. Looking at overseas economies, although the ongoing European debt crisis remains a cause for concern we believe that the U.S. and Asian economies, including China, will continue to grow.

In its mainstay valve manufacturing business, in Japan the KITZ Group will continue its efforts to boost the efficiency of its sales structure and expand its share in different categories of the valve market. In overseas markets, we are working to consolidate activities at multifunctional bases, including three regional headquarters (Europe, the Americas and the ASEAN region) and in two hub markets (China and India). In this manner, we aim to accelerate local decision-making and bolster our share of sales. On the production front, we are constructing a regionally optimal manufacturing system for our core products, working to boost profitability and reviewing our supply structures. Pulling together throughout the Group to optimize our procurement should lower cost of sales, thereby achieving cost and quality levels that will ensure our global competitiveness.

We will push forward with research and development efforts targeting growth sectors, such as products for the oil and gas markets and those related to the plant instrumentation market, as well as with the development of environmentally responsible products. We will also continue moving toward the goal of adopting a product life cycle management (PLM) system to reduce the time needed to deliver products to customers and improve the efficiency of design and development operations.

In the brass bar manufacturing business, KITZ is concentrating on building a structure that will deliver stable profits regardless of fluctuations in prices of copper, zinc and other materials. To this end, we are striving to increase brass bar sales and manufacturing efficiency, promote R&D on high-value-added products, and boost earnings and income.

In the fitness business, we are introducing new machines to increase sales of added-value offerings and entering a new area of business for senior citizens centering on the operation of small-scale care prevention facilities. In the hotel business, we are concentrating on measures to augment earnings. These include thoroughgoing improvements in operating efficiency, upgrades to aging facilities and investment in energy savings.

(2) Analysis of Financial Condition

1) Assets, liabilities and net assets

As of March 31, 2013, total assets amounted to ¥99,972 million, up ¥4,991 million from the previous fiscal year-end, owing to increases in cash in hand and in banks; accounts receivable; property, plant and equipment; and investments in securities. Total liabilities at fiscal year-end were ¥39,752 million, down ¥738 million from a year earlier. This decrease stemmed from a decline in interest-bearing debt, although income taxes payable increased.

Net assets came to ¥60,219 million, up ¥5,730 million. This rise was attributable to net income of ¥4,039 million, a decrease in negative translation adjustments and the recording of net unrealized gains on other securities, although retained earnings decreased due to dividend payments.

2) Cash flows

As of March 31, 2013, cash and cash equivalents amounted to ¥6,042 million, up ¥406 million compared with March 31, 2012. The reasons for cash flow changes during the year are outlined below.

・**Cash flows from operating activities**

Net cash provided by operating activities amounted to ¥7,885 million, compared with ¥2,217 million provided by these activities in the previous fiscal year. Major sources of cash included income before income taxes and minority interests of ¥6,337 million and depreciation of ¥3,012 million, while principal uses of cash were an increase in accounts payable of ¥861 million and income taxes paid of ¥1,050 million.

・**Cash flows from investing activities**

Net cash used in investing activities totaled ¥4,519 million, compared with ¥2,508 million in the preceding fiscal year. The sale of a factory site at Miyoshi Valve, Ltd., provided ¥513 million in cash. Major uses of cash were ¥3,545 million in payments for purchase of property plant and equipment centered on the valve manufacturing business, ¥851 million in payments for purchase of intangible assets including software, and ¥531 in payments of acquisition of subsidiaries' shares in Singapore resulting from changes in scope of consolidation.

・**Cash flows from financing activities**

Net cash used in financing activities during the year came to ¥3,213 million, down from ¥6,638 million in the preceding term. Major sources of cash were ¥3,030 million in proceeds from long-term debt to take advantage of the decline in interest rates and ¥984 million in proceeds from issuance of bonds to fund long-term working capital. Primary uses of cash included repayment of long-term debt amounting to ¥4,251 million, ¥1,278 million in payments for redemption of bonds and ¥928 million in cash dividends paid.

Note: To be prepared for the demand for short-term working capital, KITZ has established a credit facility with its banks for ¥3.8 billion of short-term loans. There were no loans outstanding under this credit facility as of March 31, 2013.

(Reference) Cash flow indicators

	FY3/11	FY3/12	FY3/13
Equity ratio (%)	52.5	56.4	59.3
Equity ratio based on market value (%)	43.6	41.4	51.6
Interest-bearing liabilities/cash flow ratio (%)	518.5	1,095.4	283.0
Interest coverage ratio (times)	13.1	5.0	27.9

Equity ratio: Equity divided by total assets
Equity ratio based on market value: Market capitalization divided by total assets
Interest-bearing liabilities/cash flow ratio: Interest-bearing debt divided by cash flows
Interest coverage ratio: Cash flows divided by interest expenses
Notes:
1. Consolidated financial data is used to calculate all figures.
2. Market capitalization is based on issued shares less treasury stock.
3. Cash flows are net operating cash flows.
4. Interest-bearing liabilities are the sum of all debt shown on the balance sheet on which interest is due.

3) Fundamental Policy for Earnings Distributions and Dividend in Current and Next Fiscal Years

Distributing earnings to shareholders in the form of dividends is one of the highest priorities of KITZ. The Company's stance is to place importance on the consistency and stability of the dividend while taking into account a number of factors. These factors include current results of operations and the need for funds for capital investment, developing new products, M&A and other activities needed for growth. Another factor is the need to increase retained earnings to provide funds for repaying loans and redeeming bonds.

At present, based on the above-stated considerations KITZ believes that a dividend payout ratio of about 25% of consolidated net income is appropriate. In the future, KITZ aims to distribute about one-third of consolidated net income to shareholders, including the purchase of treasury stock.

Taking the above-stated policy into consideration, KITZ expects to pay a year-end dividend for fiscal year under review of ¥5 per share. This amount would bring the total for the year (including an interim dividend of ¥4.50 per share) to ¥9.50 per share. The resulting consolidated dividend payout ratio is 25.7%.

Assuming that consolidated net income for the upcoming fiscal year is in line with our consolidated forecasts, we plan to pay a dividend of ¥10 per share for the fiscal year ending March 31, 2014.

2. Management Policies

(1) Fundamental Management Policy

The management policy of KITZ is defined by the "KITZ Group 21st Century Vision."

1) Corporate Philosophy (KITZ' Statement of Corporate Mission)

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.

2) Action Guide (Do it KITZ Way)

Do it True
Do it Now
Do it New

(2) Management Targets, Medium- to Long-Term Corporate Management Strategies and Issues to Address

In fiscal 2010, we formulated the "KITZ Global Vision 2020." Since that time, we have been developing measures to achieve the growth outlined in this vision. Based on the results of the First Medium-Term Management Plan, which concluded in fiscal 2012, we have formulated our Second Medium-Term Management Plan to guide us through fiscal 2015, and we are cultivating new business strategies toward this end, as outlined below.

In its aim of "evolving into a truly global company," the KITZ Group aims to maximize corporate value and to establish multifunctional regional headquarters to handle sales and marketing and engineering, stock, maintenance and services. We will put forth a groupwide effort to achieve these aims.

1) Fundamental Policies:

We will invest the Group's management resources efficiently and effectively in growth fields and bolster profitability by renovating our business constitution, thereby establishing ourselves as a global company.

To reach these goals, we will pursue quality in all areas of our operations (management, development, manufacturing and sales).

2) Key Tasks:

I Operational Reforms

a <u>Improve the profit structure</u>

Transition from a structure reliant on general-purpose valves and expand profits from the industrial valves business, thereby boosting earnings from both businesses

Augment profitability by optimizing production of mainstay products regionally and reconfiguring the supply structure

b <u>Devolve overseas sales activities from concentration at headquarters to multifunctional overseas bases</u>

Combine and augment functions at our three regional headquarters and in two hub markets to accelerate local decision-making and enhance our share in these markets.

Notes: The three regional headquarters are for Europe, the Americas and the ASEAN region,
and the two hub markets are China and India.
The functions to be combined are sales, marketing, engineering, stock, maintenance
and services.

c <u>Promote investment in growth fields</u>

Enhance strategies for growth markets, such as the oil and gas and plant instrumentation markets, and research products related to these fields

Promote investment in development and facilities

d <u>Reinforce marketing to facilitate market analysis and mergers and acquisitions (M&A), and expand operations through business alliances</u>

Formulate and steadily implement strategies based on research and analysis of market trends

Review and promote specific developments in the business structure by leveraging business alliances to expand and complement existing businesses and enter new ones

II Group Synergy

a Conduct overall assessments of capabilities of Group companies in Japan and overseas, and formulate a new structure targeting stronger collaboration

b Introduce new products for gas station and water-related markets, and foster new businesses through collaboration among Group companies

III Further Selection and Concentration

a Reorganize and integrate Group businesses

Consolidate production and sales among Group companies, promoting overall global reorganization and integration

b Review the products that plants manufacture, and review systems for supplying them to operational bases

Reconfigure, with reorganization focused at improving product-specific productivity and an optimal supply structure for operating bases

3) Consolidated Performance Indicators

Net Sales (Units: Millions of yen)

Segment	Fiscal 2012 results	Fiscal 2013	Fiscal 2014	Fiscal 2015
Valve manufacturing business	84,472	91,000	100,000	111,400
Brass bar manufacturing business	17,948	20,000	21,000	21,700
Other businesses	8,855	9,000	9,000	9,900
Total	111,275	120,000	130,000	143,000

Operating Income (Units: Millions of yen)

Segment	Fiscal 2012 results	Fiscal 2013	Fiscal 2014	Fiscal 2015
Valve manufacturing business	8,808	9,250	11,400	13,950
Brass bar manufacturing business	441	500	600	550
Other businesses	330	350	200	400
Corporate expenses	(3,022)	(2,900)	(3,300)	(3,300)
Total	6,558	7,200	8,900	11,600

For further information on the above, please refer to today’s release entitled “Formulation of the KITZ Group’s Second Medium-Term Management Plan (Fiscal 2013–2015).”

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Units: Millions of yen)

	End of FY3/12 (March 31, 2012)	End of FY3/13 (March 31, 2013)
Assets		
Current assets		
Cash in hand and in banks	5,674	6,662
Notes, accounts receivable–trade	22,782	22,857
Electronically recorded monetary claims	—	952
Merchandise and finished goods	6,344	7,095
Work in process	3,819	3,744
Raw materials and supplies	6,309	6,277
Deferred income tax assets	1,140	1,196
Other	1,210	1,200
Less: Allowance for doubtful accounts	(33)	(31)
Total current assets	47,247	49,956
Fixed assets		
Property, plant and equipment		
Buildings and structures	39,095	39,760
Less: Accumulated depreciation	(26,651)	(27,385)
Buildings and structures, net	12,444	12,375
Machinery and equipment	33,674	35,641
Less: Accumulated depreciation	(28,185)	(28,803)
Machinery and equipment, net	5,489	6,837
Tools, furniture and fixtures	12,558	13,326
Less: Accumulated depreciation	(7,782)	(8,377)
Tools, furniture and fixtures, net	4,776	4,949
Land	11,198	10,981
Construction in progress	749	480
Other	205	331
Less: Accumulated depreciation	(95)	(144)
Other, net	109	187
Total property, plant and equipment	34,767	35,811
Intangible assets		
Goodwill	1,299	1,385
Other	1,104	1,884
Total intangible assets	2,404	3,269
Investments and other assets		
Investments in securities	5,626	6,601
Deferred income tax assets	904	392
Other	4,550	4,299
Less: Allowance for doubtful accounts	(519)	(358)
Total investments and other assets	10,561	10,935
Total fixed assets	47,734	50,016
Total assets	94,981	99,972

(Units: Millions of yen)

	End of FY3/12 (March 31, 2012)	End of FY3/13 (March 31, 2013)
Liabilities		
Current liabilities		
Accounts payable–trade	5,541	5,259
Current portion of corporate bonds	1,228	1,728
Short-term borrowings	2,894	2,403
Current portion of long-term debt	4,042	3,576
Income taxes payable	484	1,718
Consumption tax payable	223	202
Accrued bonuses to employees	1,428	1,624
Accrued bonuses to directors and corporate auditors	99	163
Asset retirement obligations	67	—
Other	4,172	4,473
Total current liabilities	20,182	21,149
Long-term liabilities		
Corporate bonds	9,060	8,282
Long-term debt	7,065	6,330
Deferred income tax liabilities	907	706
Accrued retirement benefits to employees	360	514
Accrued retirement benefits to directors, corporate auditors and operating officers	278	301
Asset retirement obligations	416	425
Other	2,219	2,043
Total long-term liabilities	20,309	18,603
Total liabilities	40,491	39,752
Net assets		
Shareholders’ equity		
Common stock	21,207	21,207
Capital surplus	9,430	9,430
Retained earnings	30,563	33,675
Treasury stock	(3,917)	(3,918)
Total shareholders’ equity	57,283	60,394
Accumulated other comprehensive income		
Net unrealized gains on other securities	977	1,697
Translation adjustments	(4,670)	(2,849)
Total accumulated other comprehensive income	(3,692)	(1,151)
Minority interests	898	977
Total net assets	54,489	60,219
Total liabilities and net assets	94,981	99,972

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Units: Millions of yen)

	FY3/12 (April 1, 2011– March 31, 2012)	FY3/13 (April 1, 2012– March 31, 2013)
Net sales	108,446	111,275
Cost of sales	84,674	85,071
Gross profit	23,772	26,203
Selling, general and administrative expenses	19,134	19,645
Operating income	4,638	6,558
Non-operating income		
Interest income	14	12
Dividend income	130	146
Assurance income	176	112
Exchange gains	—	120
Other	286	270
Total non-operating income	607	662
Non-operating expenses		
Interest expenses	392	282
Sales discount	310	303
Exchange losses	41	—
Losses on sales of notes receivable	37	28
Other	75	84
Total non-operating expenses	857	698
Ordinary income	4,388	6,521
Extraordinary income		
Gains on sales of property, plant and equipment	41	8
Gains on sales of investments in securities	18	5
Gains on membership redemptions	32	—
Gains on sales of investment real estate	—	4
Reversals of disaster reserves	12	—
Other	3	5
Total extraordinary income	108	23
Extraordinary loss		
Losses on sales or disposal of property, plant and equipment	39	71
Earthquake losses	26	—
Impairment loss	62	105
Write-down of investments in securities	4	21
Other	13	9
Total extraordinary loss	146	207
Income before income taxes and minority interests	4,350	6,337
Income taxes (income, residential and enterprise taxes)	1,486	2,297
Income tax adjustment	354	(35)
Total income taxes	1,841	2,262
Income before minority interests	2,509	4,075
Minority interests	28	35
Net income	2,480	4,039

Consolidated Statements of Comprehensive Income

(Units: Millions of yen)

	FY3/12 (April 1, 2011– March 31, 2012)	FY3/13 (April 1, 2012– March 31, 2013)
Income before minority interests	2,509	4,075
Other comprehensive income		
Net unrealized gains on other securities	136	720
Translation adjustment	(760)	1,869
Total other comprehensive income	(623)	2,590
Comprehensive income	1,885	6,665
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,886	6,580
Comprehensive income attributable to minority interests	(0)	84

(3) Consolidated Statements of Changes in Net Assets

(Units: Millions of yen)

	FY3/12 (April 1, 2011– March 31, 2012)	FY3/13 (April 1, 2012– March 31, 2013)
Shareholders' equity		
Common stock		
Balance as of start of current fiscal year	21,207	21,207
Balance as of end of current fiscal year	21,207	21,207
Additional paid-in capital		
Balance as of start of current fiscal year	9,430	9,430
Increase (decrease) due to change		
Sales of treasury stock	0	0
Total change during fiscal year	0	0
Balance as of end of current fiscal year	9,430	9,430
Retained earnings		
Balance as of start of current fiscal year	28,901	30,563
Increase (decrease) due to change		
Dividends from surplus	(819)	(928)
Net income	2,480	4,039
Total change during fiscal year	1,661	3,111
Balance as of end of current fiscal year	30,563	33,675
Treasury stock		
Balance as of start of current fiscal year	(3,917)	(3,917)
Increase (decrease) due to change		
Acquisition of treasury stock	(0)	(0)
Sales of treasury stock	0	0
Total change during fiscal year	(0)	(0)
Balance as of end of current fiscal year	(3,917)	(3,918)
Total shareholders' equity		
Balance as of start of current fiscal year	55,622	57,283
Increase (decrease) due to change		
Dividends from surplus	(819)	(928)
Net income	2,480	4,039
Acquisition of treasury stock	(0)	(0)
Sales of treasury stock	0	0
Total change during fiscal year	1,661	3,110
Balance as of end of current fiscal year	57,283	60,394

(Units: Millions of yen)

	FY3/12 (April 1, 2011– March 31, 2012)	FY3/13 (April 1, 2012– March 31, 2013)
Accumulated other comprehensive income		
Net unrealized gains on other securities		
Balance as of start of current fiscal year	840	977
Increase (decrease) due to change		
Items other than changes in shareholders' equity, net	136	720
Total change during fiscal year	136	720
Balance as of end of current fiscal year	977	1,697
Translation adjustments		
Balance as of start of current fiscal year	(3,938)	(4,670)
Increase (decrease) due to change		
Items other than changes in shareholders' equity, net	(731)	1,820
Total change during fiscal year	(731)	1,820
Balance as of end of current fiscal year	(4,670)	(2,849)
Minority interests		
Balance as of start of current fiscal year	908	898
Increase (decrease) due to change		
Items other than changes in shareholders' equity, net	(9)	78
Total change during fiscal year	(9)	78
Balance as of end of current fiscal year	898	977

(4) Consolidated Statements of Cash Flows

(Units: Millions of yen)

	FY3/12 (April 1, 2011– March 31, 2012)	FY3/13 (April 1, 2012– March 31, 2013)
Cash flows from operating activities		
Income before income taxes and minority interests	4,350	6,337
Depreciation	2,965	3,012
Amortization of goodwill	171	171
Exchange (gains) losses	17	(69)
Write-down of investments in securities	4	21
Write-down of membership	12	4
Increase (decrease) in provision for allowance for doubtful accounts	(35)	(165)
Increase (decrease) in accrued bonuses to employees	(13)	174
Increase (decrease) in accrued retirement benefits to employees	(5)	55
Increase (decrease) in accrued retirement benefits to directors, corporate auditors and operating officers	(101)	(15)
Increase (decrease) in provision of accrued bonuses to directors	(15)	54
Interest income and dividend income	(145)	(158)
Interest expenses	392	282
(Gains) losses on sales or disposal of property, plant and equipment	(2)	63
Impairment losses of fixed assets	62	105
(Increase) decrease in notes and accounts receivable	(842)	(82)
(Increase) decrease in inventories	(2,550)	517
(Increase) decrease in other current assets	31	(69)
(Increase) decrease in accounts payable	(52)	(861)
Increase (decrease) in other current liabilities	633	(328)
Other	(0)	10
Subtotal	4,876	9,059
Interest and dividend income received	144	159
Interest expenses paid	(442)	(282)
Income taxes paid	(2,362)	(1,050)
Cash flows from operating activities	2,217	7,885
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(2,668)	(3,545)
Proceeds from sales of property, plant and equipment	55	513
Payments for purchase of intangible assets	(337)	(851)
Payments for purchase of investments in securities	(81)	(14)
Proceeds from collections of long-term loans receivable	0	2
Payments for acquisition of subsidiaries' shares resulting from changes in scope of consolidation	—	(531)
Other	523	(92)
Cash flows from investing activities	(2,508)	(4,519)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	1,113	(595)
Proceeds from long-term debt	4,640	3,030
Repayment of long-term debt	(6,005)	(4,251)
Proceeds from issuance of bonds	1,486	984
Payments for redemption of bonds	(7,058)	(1,278)
Proceeds from sales of treasury stock	0	0
Payments for acquisition of treasury stock	(0)	(0)
Cash dividends paid	(819)	(928)
Cash dividends paid to minority interests	(9)	(6)
Other	15	(167)
Cash flows from financing activities	(6,638)	(3,213)
Effect of exchange rate changes on cash and cash equivalents	(143)	253
Net increase (decrease) in cash and cash equivalents	(7,072)	406
Cash and cash equivalents at the beginning of the year	12,707	5,635
Cash and cash equivalents at the end of the year	5,635	6,042

(5) Notes to Consolidated Financial Statements

(Notes regarding Going Concern Assumptions)

None

(Segment Information)

Segment Information

1. Summary of reportable segments

Reportable segments of the KITZ Group are the constituent business units of the Group for which separate financial data are available and that are examined on a regular basis for the purpose of enabling the Group's Board of Directors to allocate resources and evaluate results of operations.

The KITZ Group establishes comprehensive strategies and conducts business activities in Japan and overseas separately for each product and service category. Operations include the valve manufacturing business, brass bar manufacturing business, fitness club business, hotel and restaurant business, and other activities.

Consequently, the operations of the Group are divided into business segments based on products and services. This results in two reportable business segments: valve manufacturing business and brass bar manufacturing business.

The valve manufacturing business is engaged in the manufacture and sale of bronze valves, steel valves, and other valves and filtering-related products and associated products. The brass bar manufacturing business is engaged in the manufacture and sale of brass bar products and processed brass bar products.

2. Method used for calculating sales, earnings or losses, assets, liabilities and other items for each reporting segment

The methods employed in the accounting treatment of reportable business segments are the same as the methods used to prepare the consolidated financial statements.

Earnings for reporting segments are based on operating income. Intersegment earnings and transfers are based on prevailing market prices.

3. Information concerning reporting segment sales, earnings or losses, assets, liabilities and other items:

Previous fiscal year (April 1, 2011 to March 31, 2012) (Units: Millions of yen)

	Valve manufacturing business	Brass bar manufacturing business	Other (Note 1)	Other (Notes 2, 4)	Amount in consolidated financial statements (Note 3)
Net sales					
Sales—outside customers	78,976	20,065	9,404	—	108,446
Sales and transfer—intersegment	171	2,546	36	(2,754)	—
Total	79,148	22,612	9,441	(2,754)	108,446
Segment income	6,913	267	354	(2,896)	4,638
Segment assets (Note 4)	—	—	—	94,981	94,981
Other items					
Depreciation	2,069	395	247	236	2,948
Amortization of goodwill	146	—	24	—	171

Current fiscal year (April 1, 2012 to March 31, 2013) (Units: Millions of yen)

	Valve manufacturing business	Brass bar manufacturing business	Other (Note 1)	Other (Notes 2, 4)	Amount in consolidated financial statements (Note 3)
Net sales					
Sales—outside customers	84,472	17,948	8,855	—	111,275
Sales and transfer—intersegment	167	2,337	41	(2,546)	—
Total	84,639	20,285	8,896	(2,546)	111,275
Segment income	8,808	441	330	(3,022)	6,558
Segment assets (Note 4)	—	—	—	99,972	99,972
Other items					
Depreciation	2,168	364	238	220	2,991
Amortization of goodwill	146	—	24	—	171

Notes: 1. The “other” category is a business segment that is not included in the reporting segments. This category includes the fitness club business, the hotel and restaurant business, and other activities.
2. Adjustments are as follows.

Segment income (Units: Millions of yen)

	Previous fiscal year	Current fiscal year
Sales and transfer—intersegment	4	2
Corporate expenses*	(2,901)	(3,025)
Total	(2,896)	(3,022)

Depreciation (Units: Millions of yen)

	Previous fiscal year	Current fiscal year
Corporate expenses*	236	220
Total	236	220

* Corporate expenses are mainly expenses for head office general affairs, personnel, accounting, corporate planning and other departments and also include expenses for management of the head office building.

3. Segment earnings are adjusted to match operating income in the consolidated statements of income.
4. Only totals are shown for segment assets because individual companies (the parent company and consolidated subsidiaries) are not managed separately.
5. Figures for segment liabilities are not provided or used periodically by the Company’s Board of Directors.