

News Release

May 13, 2019

KITZ Group 4th Phase of Medium-Term Management Plan (FY2019 – FY2021)

KITZ Corporation has formulated 4th phase of Medium-Term Management Plan for the period from FY2019 to FY2021 as follows.

1. Review of 3rd phase of Medium-Term Management Plan (FY2016 – FY2018)

The market conditions in domestic and overseas were favorable and contributed to revenue. We realized numerical targets for sales and profits owing to solid performance for semiconductor, improved profitability in line with revised sales prices of valves in domestic market and cost reduction activities. In 2018, we have achieved both record-high operating income and ordinary income.

In addition to the acquisition of a South Korean butterfly valve manufacturer and a hollow fiber membrane manufacturer, we also expanded its sales bases in Asian countries, and made aggressive investments for medium-to long-term growth, including the development of a global IT system, the upgrading of large-scale facilities in the brass bar manufacturing business, and investment to increase production capacity of valves for semiconductor manufacturing equipment.

2. 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.”

KITZ Corporation is dedicated to increasing its corporate value based on the corporate philosophy to guide its business activities. Looking at long-term goal in 2030, we have set our vision as follows.

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

We have also set management targets as follows.

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

<Consolidated numerical target in 2030>

Annual average growth of Net Sales : 4%

Annual average growth of EPS : 7%

ROE target : 12%

In valve manufacturing business, we aim to be "World Strong No. 2" in global market.

3. Overview of 4th phase of Medium-Term Management Plan

a. Strategies in Valve manufacturing business

<Domestic market>

Focused products in domestic market are butterfly valves, ductile iron valves and automated valves. For growth of sales, we will expand strategic products line up and strengthen marketing activities to end users.

<Overseas market>

In ASEAN (South East Asian countries) regions, we will try to make a full-scale entry into the middle class (volume zone) valve market.

In Americas and Europe, we will try to expand sales of quarter-turn valves.

<Industrial valve (plant) market>

We will try to expand sales and profit in MRO (maintenance, repair and operation) business.

b. Strategies in Brass Bar manufacturing business

We will try to expand sales and improve profitability by increasing productivity with commencement of operation of new facilities.

c. Other (Hotel business)

We will strive to further improve service quality and provide customers with "emotion" and "comfortable time."

d. Change of dividend policy

In order to further enhance shareholder returns, we decided to raise the target dividend payout ratio from 25% to 35%.

e. ESG Initiatives

Environment : Contribute to the Global Environment through Our Business

Social : Valuing Human Resources, Safety, and Local Communities

Governance : Fair management

4. Consolidated numerical targets

Main Target figures (Millions of yen)

| | FY2019 | FY2020 | FY2021 |
|------------------|----------|---------|---------|
| Net Sales | 133,000 | 138,000 | 144,000 |
| Operating Income | 10,000 | 12,500 | 13,500 |
| EBITDA | 16,700 | 20,000 | 21,500 |
| ROE | 8.3% | 9.5% | 10.0% |
| EPS | 68.49yen | 85yen | 95yen |

Net Sales by segment (Millions of yen)

| | FY2019 | FY2020 | FY2021 |
|-------------------------|---------|---------|---------|
| Valve manufacturing | 106,000 | 110,000 | 115,000 |
| Brass bar manufacturing | 24,000 | 25,000 | 26,000 |
| Others | 3,000 | 3,000 | 3,000 |
| Total | 133,000 | 138,000 | 144,000 |

Operating Income by segment (Millions of yen)

| | FY2019 | FY2020 | FY2021 |
|-------------------------|---------|---------|---------|
| Valve manufacturing | 13,500 | 15,500 | 16,300 |
| Brass bar manufacturing | 500 | 1,000 | 1,200 |
| Others | 50 | 50 | 50 |
| Corporate expenses | (4,050) | (4,050) | (4,050) |
| Total | 10,000 | 12,500 | 13,500 |

■ For further information contact us:

KITZ Corporation
Publicity and IR Promotion Office
E-mail : k-kouhou@kitz.co.jp