

Note: This document has been translated from the Japanese original for the convenience of non-Japanese shareholders. In the event of any discrepancy between this translation and the Japanese original, the original shall prevail.

Securities identification code: 6498
June 6, 2019

To our shareholders:

Yasuyuki Hotta
President and Chief Executive Officer
KITZ Corporation
1-10-1 Nakase, Mihama-ku, Chiba-shi, Chiba

NOTICE OF THE 105TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 105th Ordinary General Meeting of Shareholders of KITZ Corporation (the “Company”), which will be held as described below.

If you are unable to attend the Meeting, you may exercise your voting rights in writing or by electromagnetic means (Internet). Please indicate your approval or disapproval of the proposals after reviewing the attached Reference Documents for the General Meeting of Shareholders no later than 6:00 p.m., Monday, June 24, 2019 (Japan Standard Time).

- 1. Date and Time:** Tuesday, June 25, 2019 at 10:00 a.m. (Japan Standard Time)
(Reception start time: 9:00 a.m.)
- 2. Venue:** Hotel New Otani Makuhari, 2F, Tsuru West Room
2-120-3, Hibino, Mihama-ku, Chiba-shi, Chiba

3. Purposes:

Items to be reported:

1. Business Report and Consolidated Financial Statements for the 105th Term (from April 1, 2018 to March 31, 2019), as well as the results of audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board
2. Non-Consolidated Financial Statements for the 105th Term (from April 1, 2018 to March 31, 2019)

Items to be resolved:

- | | |
|--------------------|---|
| Proposal 1: | Partial amendments to the Articles of Incorporation |
| Proposal 2: | Election of seven (7) Directors |
| Proposal 3: | Election of one (1) Audit & Supervisory Board Member |
| Proposal 4: | Election to increase the number of Audit & Supervisory Board Members by one (1) |
| Proposal 5: | Revision of remuneration amount for Directors |
| Proposal 6: | Revision of remuneration amount for Audit & Supervisory Board Members |

Reference Documents for the General Meeting of Shareholders

Proposal 1: Partial amendments to the Articles of Incorporation

(1) Reason for amendments

- (i) The Company proposes to add an item to the purpose of the Company prescribed in Article 2 (Purpose) of the current Articles of Incorporation together with any necessary changes in item numbers for the Company to expand the business domain and enter into a new business field.
- (ii) As part of our efforts to enhance and strengthen the corporate governance system, the Company plans to increase the number of Audit & Supervisory Board Members by one (1) to improve the supervisory function of the Board of Directors and to further ensure audit effectiveness.

To this end, the Company proposes to make necessary changes to the provisions of the current Articles of Incorporation relating to the number of Audit & Supervisory Board Members.

(2) Details of the amendments

Details of the amendments are as follows:

(The amended parts are underlined.)

(Current Articles of Incorporation)	(Proposed Amendments)
Chapter 1 General Provisions	Chapter 1 General Provisions
(Purpose) Article 2. The purpose of the Company shall be to engage in the following businesses:	(Purpose) Article 2.
(1) Manufacturing and sales of valves, other flow control devices, and related products;	(Unchanged)
(2) Design, construction, and maintenance of plumbing and other piping systems;	(Unchanged)
(3) Manufacturing and sales of castings, forgings, brass bars, and their processed products;	(Unchanged)
(4) Manufacturing, sales, leasing, and maintenance of water purification-related equipment and the provision of related technologies;	(Unchanged)
(5) Manufacturing and sales of water purifiers, industrial filters, medical equipment, other filtration equipment, and related products;	(Unchanged)
(6) Design, construction, and maintenance of aquaculture-related equipment and plants and the provision of related technologies; <Newly established>	(Unchanged)
<u>(7)</u> Leasing and sale and purchase of real estate;	<u>(7)</u> <u>Design, construction, and maintenance of energy-related equipment and plants and the provision of related technologies;</u>
<u>(8)</u> Operation and management of hotels, restaurants, coffee shops, and shops; and	<u>(8)</u> Leasing and sale and purchase of real estate;
<u>(9)</u> Any businesses incidental or related to the businesses listed in the preceding items.	<u>(9)</u> Operation and management of hotels, restaurants, coffee shops, and shops; and
	<u>(10)</u> Any businesses incidental or related to the businesses listed in the preceding items.

(Current Articles of Incorporation)	(Proposed Amendments)
<p data-bbox="181 266 796 322">Chapter 5 Audit & Supervisory Board Members and Audit & Supervisory Board</p> <p data-bbox="181 324 796 380">(Number of Audit & Supervisory Board Members and Method of Election)</p> <p data-bbox="181 383 796 416">Article 28.</p> <ol data-bbox="181 418 796 710" style="list-style-type: none"> <li data-bbox="181 418 796 474">1. The Company shall have not more than <u>four (4)</u> Audit & Supervisory Board Members. <li data-bbox="181 477 796 533">2. Audit & Supervisory Board Members shall be elected at a general meeting of shareholders. <li data-bbox="181 535 796 710">3. Resolutions on the election of an Audit & Supervisory Board Member shall be made by a majority of the votes of the shareholders present at the meeting where the shareholders holding at least one-third of the voting rights of the shareholders entitled to exercise their votes at such meetings are present. 	<p data-bbox="798 266 1404 322">Chapter 5 Audit & Supervisory Board Members and Audit & Supervisory Board</p> <p data-bbox="798 324 1404 380">(Number of Audit & Supervisory Board Members and Method of Election)</p> <p data-bbox="798 383 1404 416">Article 28.</p> <ol data-bbox="798 418 1404 577" style="list-style-type: none"> <li data-bbox="798 418 1404 474">1. The Company shall have not more than <u>five (5)</u> Audit & Supervisory Board Members. <li data-bbox="798 477 1404 533">2. (Unchanged) <li data-bbox="798 535 1404 577">3. (Unchanged)

Proposal 2: Election of seven (7) Directors

According to the provision of the Articles of Incorporation, the term of office of Directors is one (1) year. At the conclusion of this meeting, the terms of office of all six (6) Directors will expire. Therefore, the Company requests the election of seven (7) Directors.

The candidates for Directors are as follows:

Candidate No.	Name	Current position and responsibilities		Attendance at Board of Directors' meetings
1	Yasuyuki Hotta	President and Chief Executive Officer of the Company	Reelection Tenure as Director: 12 years	100% 15/15 meetings
2	Toshiaki Natori	Director, Vice-President and Senior Executive Officer General Manager, Sales Strategy Office for Commercial Valves in Asia	Reelection Tenure as Director: 8 years	100% 15/15 meetings
3	Toshiyuki Murasawa	Director, Managing Executive Officer Division Manager, Corporate Administration Division, Supervisor of the Internal Audit Office, ESG and the Group's risk management	Reelection Tenure as Director: 3 years	100% 15/15 meetings
4	Makoto Kohno	Managing Executive Officer Division Manager, Flow Control Business Unit	New candidate -	-
5	Kazuyuki Matsumoto	Outside Director	Reelection Outside Independent Tenure as Director: 6 years	100% 15/15 meetings
6	Minoru Amoh	Outside Director	Reelection Outside Independent Tenure as Director: 4 years	93% 14/15 meetings
7	Yutaka Fujiwara	Outside Director	Reelection Outside Independent Tenure as Director: 2 years	100% 15/15 meetings

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
1	Yasuyuki Hotta (June 18, 1955) Reelection Tenure as Director: 12 years Attendance at Board of Directors' meetings 15/15 meetings	<p>Mar. 1978 Joined the Company</p> <p>Jan. 1997 Branch Manager, Chubu Branch, Sales Division of the Company</p> <p>Apr. 2001 Plant Manager, Nagasaka Plant of the Company</p> <p>Oct. 2001 Managing Executive Director, KITZ SCT Corporation</p> <p>June 2004 Representative Director and President, KITZ SCT Corporation</p> <p>Apr. 2006 Managing Executive Officer, General Manager, Flow Control Business Division of the Company</p> <p>Apr. 2007 Senior Executive Officer, General Manager, Flow Control Business Division of the Company</p> <p>June 2007 Director, Senior Executive Officer, General Manager, Flow Control Business Division of the Company</p> <p>June 2008 President and Chief Executive Officer, General Manager, Flow Control Business Division of the Company</p> <p>Apr. 2009 President and Chief Executive Officer of the Company (present position)</p>	146,800 shares
<p>[Reasons for nomination as candidate for Director]</p> <p>Since being named President and Chief Executive Officer of the Company in 2008, Yasuyuki Hotta has led the Group's endeavor to enhance its corporate value by vigorously promoting the globalization of the Group as well as the improvement of corporate governance to realize sound and transparent management. The Company has determined that he can be instrumental to improvements in management supervision and execution, the function of the Board of Directors of the Company to make important decisions, and its management supervision function, drawing on his strong management decision-making capability based on abundant insight and experience, to meet the expectations of all stakeholders.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
2	Toshiaki Natori (January 20, 1957) Reelection Tenure as Director: 8 years Attendance at Board of Directors' meetings 15/15 meetings	<p>Mar. 1980 Joined the Company</p> <p>Oct. 1999 Plant Manager, Chino Plant, Production Division of the Company</p> <p>Apr. 2004 Managing Executive Director, KITZ Metal Works Corporation</p> <p>July 2009 Representative Director and President, KITZ Metal Works Corporation</p> <p>Apr. 2010 Executive Officer, Division Manager, Production Division of the Company</p> <p>Apr. 2011 Executive Officer, Division Manager, Production Division, Supervisor of the NEW KICS Center of the Company</p> <p>June 2011 Director, Executive Officer, Division Manager, Production Division, Supervisor of the NEW KICS Center of the Company</p> <p>Apr. 2012 Director, Managing Executive Officer, Division Manager, Production Division, Supervisor of the NEW KICS Center of the Company</p> <p>Apr. 2013 Director, Managing Executive Officer, Unit General Manager, Flow Control Business Unit, Division Manager, NEW KICS Center</p> <p>Apr. 2014 Director, Senior Executive Officer, Unit General Manager, Flow Control Business Unit, Division Manager, NEW KICS Center</p> <p>Apr. 2017 Director, Senior Executive Officer, Unit General Manager, Flow Control Business Unit of the Company</p> <p>Apr. 2019 Director, Vice-President, Senior Executive Officer, General Manager, Sales Strategy Office for Commercial Valves in Asia of the Company (present position)</p>	36,200 shares
<p>[Reasons for nomination as candidate for Director]</p> <p>Having held important positions within the Group, including Executive Officer in charge of production divisions, Representative Director of a domestic Group company and Director of an overseas Group company, Toshiaki Natori has contributed to the sustained enhancement of corporate value through exemplary manufacturing practices. He is expected to be able to push vigorously forward with the full-fledged introduction of our products to ASEAN markets planned in the fourth phase of the medium-term management plan for FY2019 onwards by offering quality and prices that will meet the local needs. The Company has determined that he can leverage his abundant experience and performance record in the formulation and deliberation of management strategies and the supervision of business execution at the Board of Directors.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
3	Toshiyuki Murasawa (February 9, 1959) Reelection Tenure as Director: 3 years Attendance at Board of Directors' meetings 15/15 meetings	<p>Mar. 1981 Joined the Company</p> <p>Apr. 2001 General Manager, Corporate Planning Dept. of the Company</p> <p>Apr. 2009 Executive Officer, General Manager, Corporate Planning Dept., Supervisor of Publicity and IR Promotion Office and related businesses of the Company</p> <p>Oct. 2011 Executive Officer, Division Manager, Corporate Planning Division of the Company</p> <p>Apr. 2014 Executive Officer, Division Manager, Corporate Planning Division, Supervisor of related businesses (Brass Bar Manufacturing business, service business) of the Company</p> <p>Apr. 2016 Executive Officer, Division Manager, Corporate Administration Division, Supervisor of Internal Audit Office and Group's risk management of the Company</p> <p>June 2016 Director, Executive Officer, Division Manager, Corporate Administration Division, Supervisor of Internal Audit Office and Group's risk management of the Company</p> <p>June 2017 Director, Executive Officer, Division Manager, Corporate Administration Division, Supervisor of Internal Audit Office, internal controls, and Group's risk management of the Company</p> <p>Apr. 2019 Director, Managing Executive Officer, Division Manager, Corporate Administration Division, Supervisor of Internal Audit Office, internal controls, ESG and Group's risk management of the Company (present position)</p>	61,700 shares
<p>[Reasons for nomination as candidate for Director] Having held important positions within the Group, including Director and Executive Officer in charge of the corporate planning and administrative divisions and Director of domestic and overseas Group companies, Toshiyuki Murasawa contributed to the sustained enhancement of corporate value through the formulation and execution of business strategies of the Group based on the globalization of our businesses and the promotion of human resource development and diversity to be competitive in the global market. The Company has determined that he can leverage his abundant insight and experience in the formulation and deliberation of management strategies and the supervision of business execution at the Board of Directors and thereby continue to contribute to the further enhancement of the corporate value of the Group.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
4	<p>Makoto Kohno (March 10, 1966)</p> <p>New candidate</p> <p>Tenure as Director: –</p> <p>Attendance at Board of Directors' meetings –</p>	<p>Apr. 1988 Joined the Company</p> <p>Aug. 2008 General Manager, Project Sales Dept., International Sales Division, Flow Control Business Division of the Company</p> <p>Dec. 2011 General Manager, Project Division of the Company</p> <p>Apr. 2013 General Manager, Production Control Dept., Production Division, Flow Control Business Unit of the Company</p> <p>Apr. 2015 General Manager, Business Planning Dept., Flow Control Business Unit of the Company</p> <p>Apr. 2016 Executive Officer, Division Manager, Corporate Planning Division, Supervisor of related businesses (Brass Bar Manufacturing business, service business) of the Company</p> <p>Apr. 2017 CEO & Managing Director, KITZ Corporation of Asia Pacific Pte. Ltd., Managing Director, KITZ Valve & Actuation Singapore Pte. Ltd.</p> <p>Apr. 2019 Managing Executive Officer, Unit General Manager, Flow Control Business Unit of the Company (present position)</p>	14,400 shares
<p>[Reasons for nomination as candidate for Director]</p> <p>Makoto Kohno has engaged in sales and production divisions of the Valve Manufacturing business and has also served as an Executive Officer in charge of the corporate planning division and an executive of overseas Group companies. He is expected to demonstrate a strong leadership in the Valve Manufacturing business going forward. The Company has determined that he can leverage his abundant knowledge and experience in the formulation and deliberation of management strategies and the supervision of business execution at the Board of Directors and thereby contribute to the enhancement of the corporate value of the Group.</p>			
5	<p>Kazuyuki Matsumoto (September 21, 1945)</p> <p>Reelection Outside Independent</p> <p>Tenure as Director: 6 years</p> <p>Attendance at Board of Directors' meetings 15/15 meetings</p>	<p>Apr. 1970 Joined Teijin Seiki Co., Ltd. (currently Nabtesco Corporation)</p> <p>June 2001 Director, Teijin Seiki Co., Ltd.</p> <p>Sept. 2003 Executive Officer, Nabtesco Corporation</p> <p>June 2004 Director, Nabtesco Corporation</p> <p>June 2005 Representative Director, President & CEO, Nabtesco Corporation</p> <p>June 2011 Chairman, Nabtesco Corporation</p> <p>June 2013 Advisor, Nabtesco Corporation, Outside Director, TOPCON CORPORATION (present position)</p> <p>Outside Director of the Company (present position)</p> <p>[Significant concurrent positions] Outside Director, TOPCON CORPORATION</p>	5,300 shares
<p>[Reasons for nomination as candidate for Outside Director]</p> <p>Kazuyuki Matsumoto has long been active as an executive of Nabtesco Corporation and, in addition to having rich experience as an executive, has broad insights on technical strategies. As an Outside Director of the Company, he has properly supervised the Group's management from an objective, independent, and fair standpoint since 2013. Recognizing his outstanding experience and skills, the Company has nominated him as a candidate for Outside Director again to continue to seek his supervision and advice based on his knowledge.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
6	<p data-bbox="363 577 560 633">Minoru Amoh (December 9, 1951)</p> <p data-bbox="400 663 523 741">Reelection Outside Independent</p> <p data-bbox="331 770 592 797">Tenure as Director: 4 years</p> <p data-bbox="347 826 576 904">Attendance at Board of Directors' meetings 14/15 meetings</p>	<p data-bbox="619 322 1182 405">Apr. 1979 Joined Du Pont Far East, Inc. Japan Representative Office (currently DuPont Kabushiki Kaisha)</p> <p data-bbox="619 416 1129 443">Mar. 2000 Director, DuPont Kabushiki Kaisha</p> <p data-bbox="619 454 1161 510">Mar. 2002 Managing Executive Director, DuPont Kabushiki Kaisha</p> <p data-bbox="619 521 1203 622">Mar. 2004 Senior Executive Director, Regional Director, Asia-Pacific Region, Engineering Polymer Business Division, DuPont Kabushiki Kaisha</p> <p data-bbox="619 633 1209 689">July 2005 Director, Vice President, DuPont Kabushiki Kaisha</p> <p data-bbox="619 701 1203 757">Sept. 2006 Representative Director, President, DuPont Kabushiki Kaisha</p> <p data-bbox="619 768 1209 846">Jan. 2013 Representative Director, Chairman, DuPont Kabushiki Kaisha, President, DuPont Asia Pacific Limited</p> <p data-bbox="619 857 1171 913">Sept. 2014 Honorary Chairman, DuPont Kabushiki Kaisha</p> <p data-bbox="619 925 1193 981">June 2015 Outside Director of the Company (present position)</p> <p data-bbox="619 992 1177 1048">Mar. 2016 Statutory Auditor, Otsuka Chemical Co., Ltd.</p> <p data-bbox="619 1059 1171 1115">Mar. 2019 Outside Director, Otsuka Chemical Co., Ltd. (present position)</p> <p data-bbox="619 1126 1193 1167">[Significant concurrent positions] Outside Director, Otsuka Chemical Co., Ltd.</p>	3,000 shares
<p data-bbox="316 1173 890 1200">[Reasons for nomination as candidate for Outside Director]</p> <p data-bbox="316 1205 1378 1361">Minoru Amoh has long been active as an executive of Du Pont Kabushiki Kaisha, a group company of a multinational enterprise, and has excellent insight based on his rich experience corporate management. As an Outside Director of the Company, he has properly supervised the Group's management from an objective, independent, and fair standpoint since 2015. Recognizing his outstanding experience and skills, the Company has nominated him as a candidate for Outside Director again to continue to seek his supervision and advice based on his knowledge.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibilities (significant concurrent positions outside the Company)	Number of the Company's shares owned
7	Yutaka Fujiwara (April 20, 1951) Reelection Outside Independent Tenure as Director: 2 years Attendance at Board of Directors' meetings 15/15 meetings	Apr. 1974 Joined MODEC, Inc. Apr. 1987 Joined The Yasuda Trust & Banking Co., Ltd. (currently Mizuho Trust & Banking Co., Ltd.) Aug. 1994 Deputy General Manager, New York Branch, Yasuda Trust & Banking Co., Ltd. June 1996 General Manager, Chicago Branch, Yasuda Trust & Banking Co., Ltd. Aug. 1998 Joined OMRON Corporation June 2005 Executive Officer, General Manager, Financial IR Department, OMRON Corporation Mar. 2007 Executive Officer, General Manager, Group Strategy Department, OMRON Corporation Dec. 2008 Managing Officer, General Manager, IR & Corporate Information Department, OMRON Corporation June 2013 Outside Director, Nabtesco Corporation (present position) June 2017 Outside Director of the Company (present position) [Significant concurrent positions] Outside Director, Nabtesco Corporation	2,000 shares
<p>[Reasons for nomination as candidate for Outside Director] Having held general manager's positions at overseas branches of a financial institution, Yutaka Fujiwara served as an Executive Officer in charge of finance, IR, and group strategy at OMRON Corporation, a company that has global business operations, and has excellent insight on business administration from a global perspective. As an Outside Director of the Company, he has properly supervised the Group's management from an objective, independent, and fair standpoint since 2017. Recognizing his outstanding experience and skills, the Company has nominated him as a candidate for Outside Director again to continue to seek his supervision and advice based on his knowledge.</p>			

- Notes: 1. There is no special interest between any of the candidates and the Company.
2. The tenures of each candidate will expire at the conclusion of this meeting.
 3. Kazuyuki Matsumoto, Minoru Amoh, and Yutaka Fujiwara are candidates for Outside Director.
 4. Kazuyuki Matsumoto, Minoru Amoh and Yutaka Fujiwara meet the requirements of the Company's "Criteria for Determining the Independence of Outside Officers" (on page 13). Also, Kazuyuki Matsumoto, Minoru Amoh and Yutaka Fujiwara are Independent Officers pursuant to the regulations of the Tokyo Stock Exchange and they will continue to be Independent Officers if they are reelected and assumes office as Directors.
 5. The Company has, according to the stipulations of Article 427, Paragraph 1 of the Companies Act, provisions in the Articles of Incorporation stating that an agreement can be concluded with Directors (excluding persons who are Executive Directors) limiting their liability under Article 423, Paragraph 1 of the same Act if that Director has undertaken his duties in good faith and does not commit any gross errors. Based on the concerned agreements, the amount of liability is limited to five (5) million yen or the amount prescribed by laws and regulations, whichever is higher. The Company has concluded this agreement with Kazuyuki Matsumoto, Minoru Amoh and Yutaka Fujiwara and if this proposal is approved as proposed, the Company intends to continue this agreement with the candidate.

Proposal 3: Election of one (1) Audit & Supervisory Board Member

The term of office of Audit & Supervisory Board Member Tatsuhiko Takai will expire at the conclusion of this meeting, so the Company requests the election of one (1) Audit & Supervisory Board Member.

The Audit & Supervisory Board has given its consent to this proposal.

The candidate for Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Career summary and position (significant concurrent positions outside the Company)		Number of the Company's shares owned
Tatsuhiko Takai (February 3, 1952) Reelection Outside Independent Tenure as Director: 4 years Attendance at Board of Directors' meetings 15/15 meetings Attendance at meetings of the Audit & Supervisory Board 15/15 meetings	July 1974 June 2004 June 2007 June 2008 June 2011 June 2015	Joined Mitsui Mining & Smelting Co., Ltd. Executive Officer, General Manager, Finance Department, Mitsui Mining & Smelting Co., Ltd. Outside Audit & Supervisory Board Member, MESCO, Inc. Chief Financial Officer, Senior Executive Officer, General Manager, Finance Department, Mitsui Mining & Smelting Co., Ltd. Standing Audit & Supervisory Board Member, Mitsui Mining & Smelting Co., Ltd. Outside Audit & Supervisory Board Member, Nakabohtec Corrosion Protecting Co., Ltd. Outside Audit & Supervisory Board Member of the Company (present position)	6,000 shares
[Reasons for nomination as candidate for Outside Audit & Supervisory Board Member] After being in charge of accounting, finance, administration, corporate planning and other functions at Mitsui Mining & Smelting Co., Ltd. for many years, Tatsuhiko Takai served as the Chief Financial Officer (CFO) and Senior Executive Officer and standing Audit & Supervisory Board Member at the company. As such, he has considerable knowledge of finance, accounting, and duties of Audit & Supervisory Board Members. In addition, he has a thorough knowledge of the duties of Audit & Supervisory Board Members developed through his abundant experience in serving as a standing Audit & Supervisory Board Member. For this reason, the Company has determined that he will be instrumental to improvements in the supervision of the Board of Directors' decision making and Directors' execution of duties and the supervision and verification of the Accounting Auditor's execution of duties, from an independent and neutral standpoint.			

- Notes: 1. There is no special interest between the candidate and the Company.
2. His tenure will expire at the conclusion of this meeting.
 3. He is a candidate for Outside Audit & Supervisory Board Member.
 4. He meets the requirements of the Company's "Criteria for Determining the Independence of Outside Officers" (on page 13). Also, he is an Independent Officer pursuant to the regulations of the Tokyo Stock Exchange and he will continue to be an Independent Officer if he is reelected and assumes office as Director.
 5. The Company has, according to the stipulations of Article 427, Paragraph 1 of the Companies Act, provisions in the Articles of Incorporation stating that an agreement can be concluded with Audit & Supervisory Board Members limiting their liability under Article 423, Paragraph 1 of the same Act if that Audit & Supervisory Board Member has undertaken his/her duties in good faith and does not commit any gross errors. Based on the concerned agreements, the amount of liability is limited to five (5) million yen or the amount prescribed by laws and regulations, whichever is higher. The Company has concluded this agreement with the candidate and if this proposal is approved as proposed, the Company intends to continue this agreement with the candidate.

Proposal 4: Election for one (1) increased number of Audit & Supervisory Board Member

To enhance neutrality and independence of its audit system and functions, the Company will increase the number of Outside Audit & Supervisory Board Member by one (1). Accordingly, the Company requests the election of one (1) Outside Audit & Supervisory Board Member.

The proposal was decided upon by the Board of Directors based on deliberation and a report by the Company’s Nominating Committee, and if the proposal is approved as proposed, the majority of Outside Audit & Supervisory Board Members will meet the requirements of The Company’s “Criteria for Determining the Independence of Outside Officers.”

Please note that this proposal is conditioned on the approval of Proposal 1 “Partial amendments to the Articles of Incorporation.”

The Audit & Supervisory Board has given its consent to this proposal.

The candidate for Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Career summary and position (significant concurrent positions outside the Company)	Number of the Company’s shares owned
<p>Ayako Kobayashi (October 14, 1975)</p> <p>New candidate Outside Independent</p>	<p>Oct. 2000 Registered as an attorney at law</p> <p>Jan. 2009 Partner, Kataoka & Kobayashi</p> <p>Sept. 2013 Part-time Instructor, Keio University Law School (present position)</p> <p>Apr. 2018 Partner, KATAOKA & KOBAYASHI LPC (present position)</p> <p>[Significant concurrent positions] Partner, KATAOKA & KOBAYASHI LPC</p>	<p>- shares</p>
<p>[Reasons for nomination as candidate for Outside Audit & Supervisory Board Member] Ayako Kobayashi is an attorney active in broad areas including finance, corporate legal affairs, compliance, M&A, litigation and conflict resolution, and risk management. Recognizing her abundant experience and excellent skills, the Company has determined that she will be instrumental to improvements in the supervision of the Board of Directors’ decision making and Directors’ execution of duties and the supervision and verification of the Accounting Auditor’s execution of duties, from an independent and neutral standpoint, leveraging her knowledge going forward.</p>		

- Notes:
1. There is no special interest between the candidate and the Company.
 2. She is a new candidate for Outside Audit & Supervisory Board Member.
 3. She meets the requirements of the Company’s “Criteria for Determining the Independence of Outside Officers” (on page 13). Also, if she is elected and assumes office as Audit & Supervisory Board Member, she will be an Independent Officer pursuant to the regulations of the Tokyo Stock Exchange.
 4. The Company has, according to the stipulations of Article 427, Paragraph 1 of the Companies Act, provisions in the Articles of Incorporation stating that an agreement can be concluded with Audit & Supervisory Board Members limiting their liability under Article 423, Paragraph 1 of the same Act if that Audit & Supervisory Board Member has undertaken his/her duties in good faith and does not commit any gross errors. Based on the concerned agreements, the amount of liability is limited to five (5) million yen or the amount prescribed by laws and regulations, whichever is higher. Pursuant to the above, if this proposal is approved as proposed, the Company will newly enter into an agreement with the candidate.
 5. The name of Ayako Kobayashi in the family register is Ayako Nakashima.

(Reference) Criteria for Determining the Independence of Outside Officers

The Company will deem an “Outside Officer” (a person who holds the position of Outside Director or Audit & Supervisory Board Member) to be independent if none of the following applies to him/her:

1. a person who serves the Company or a subsidiary of the Company (collectively, the “Group”) as a “business executive” (meaning an executive director, executive officer, corporate adviser, or in a position equivalent to officer, or other employee, hereinafter the same) or who has served the Group as a business executive in the past 10 years;
2. a party for whom the Group is a major client (meaning a party that supplies products or services to the Group with the transaction amount paid by the Group being equivalent to 2% or more of its consolidated annual sales for the most recent fiscal year) or a business executive thereof;
3. a party that is a major client of the Group (meaning a party to whom the Company supplies products or services with the transaction amount paid to the Group being equivalent to 2% or more of its consolidated annual sales for the most recent fiscal year) or a business executive thereof;
4. a major financial institution with which the Group has borrowings (meaning a financial institution that has lent to the Company an amount equivalent to 2% or more of the Company’s consolidated total assets for the most recent fiscal year, or the parent company or subsidiary thereof) or a business executive thereof;
5. a legal professional (such as an attorney), accounting professional (such as a certified public accountant or certified tax accountant), or corporate consultant who receives from the Group, in addition to the remuneration they may receive as a Director or Audit & Supervisory Board Member, monetary consideration exceeding ¥10 million a year or other economic benefits or, in the case that the recipient of said benefits is a corporation, association, or other organization, a trustee or other business executive thereof;
6. a person affiliated with an accounting firm that performs statutory audits of the Group;
7. a person who receives from the Group a donation or subsidy exceeding ¥10 million a year or, in the case that the recipient of said donation or subsidy is a corporation, association, or other organization, a person who serves said organization as a trustee or another business executive thereof;
8. a major shareholder of the Company (meaning a shareholder whose ratio of ownership in the Company, whether direct or indirect ownership, is 5% or more as of the end of the most recent fiscal year) or, in the case that the major shareholder is a corporation, a business executive thereof;
9. a party for whom the Group is a major investor (meaning a party in which the Group has an ownership ratio of 5% or more as of the end of the most recent fiscal year) or a business executive thereof;
10. a business executive of a company, or the parent company or a subsidiary thereof, that has accepted a director (full-time or part-time) from the Group;
11. a party that has fallen under any of the items from 2 to 10 above in the past three years; or
12. a family member (meaning a spouse or a blood relative within the second degree of kinship; the same applies hereafter) of a business executive of the Group who serves as an executive director, executive officer, corporate adviser, or in a position equivalent to another officer, or a family member of a person who serves as a director, executive officer, corporate adviser, or person in a position equivalent to another officer of a party that falls under any of the items from 2 to 11 above.

Proposal 5: Revision of remuneration amount for Directors

The annual remuneration amount for the Company's Directors was approved at the Ordinary General Meeting of Shareholders held on June 29, 2006 as ¥300 million or less per year, and this has remained in effect until today. Giving consideration to various factors such as the increased number of Directors to build an agile management structure, the need to secure and retain personnel, and attempt to adjust the remuneration to an appropriate level, the Company proposes to revise the remuneration amount for Directors to ¥400 million or less per year, which includes ¥70 million or less per year for Outside Directors.

The remuneration for Directors does not include employee salaries and bonuses for Directors concurrently serving as employees. As for bonuses for Directors (excluding Outside Directors), 1% of net income attributable to owners of the parent is set as a guideline, which shall be paid only in instances in which dividends are paid to shareholders.

Whereas there are currently six (6) Directors, including three (3) Outside Directors, there will be seven (7), including three (3) Outside Directors, if Proposal 2 is approved as proposed.

Proposal 6: Revision of remuneration amount for Audit & Supervisory Board Members

The annual remuneration amount for the Company's Audit & Supervisory Board Members was approved at the Ordinary General Meeting of Shareholders held on June 29, 1994 as ¥70 million or less per year, and this has remained in effect until today. Giving consideration to various factors such as the increased number of Audit & Supervisory Board Members to build an agile management audit structure, the need to secure and retain personnel, and attempt to adjust the remuneration to an appropriate level, the Company proposes to revise the remuneration amount for Audit & Supervisory Board Members to ¥100 million or less per year.

Whereas there are currently four (4) Audit & Supervisory Board Members, including two (2) Outside Audit & Supervisory Board Members, there will be five (5), including three (3) Outside Audit & Supervisory Board Members, if Proposals 3 and 4 are approved as proposed.

(Document for submission)

Business Report for the 105th Term
(from April 1, 2018, to March 31, 2019)

1. Status of the corporate group

(1) Progress and results of operations

(i) Progress and outcomes of business activities

The Japanese economy during the fiscal year under review continued to recover as evident from various facts, including continuing strong capital expenditures in response to sustained firm corporate earnings even though exports and production fell due to the slowdown in China's economy. Overseas, the U.S. economy was firm because of stronger consumer spending as a result of good employment conditions. However, there is growing uncertainty and the outlook remains uncertain for several reasons. There are concerns about trade friction due to protectionist policies and the impact of the slowdown in China's economy on other countries.

Against this backdrop, the Valve Manufacturing business achieved increased sales for various reasons even though growth in sales of products for semiconductor production equipment slowed in the fourth quarter. Sales of products for buildings and houses and products for industrial purposes in Japan were firm, and overseas sales recovered due to an increase in crude oil prices. In the Brass Bar Manufacturing business, too, revenue grew because of an increase in sales volume. Consequently, total net sales increased 9.7% year on year to ¥136,637 million.

In terms of profit and loss, operating income of the Valve Manufacturing business rose 15.8% year on year to ¥11,713 million as a result of an increase in domestic and overseas sales, manufacturing cost reduction, and the impact of price changes in Japan. In addition, ordinary income increased 22.1% year on year to ¥11,883 million, and both operating income and ordinary income hit a new high.

In April 2018, the Company purchased all the shares of Cephass Pipelines Corp., a Korean valve manufacturer that is particularly strong in the field of valves for industrial use and brought the company in the scope of consolidation from the current fiscal year. Because of a deterioration in profitability for various reasons, including a sharp slowdown in the Korean economy and a decline in sales to Korean-based plant engineering companies, major customers, the Company once again revised future cash flows and posted an impairment loss on fixed assets, mainly goodwill, of ¥2,483 million. Therefore, net income attributable to owners of the parent fell 13.7% year on year to ¥5,625 million.

The result of each business segment is as follows.

a. Valve Manufacturing

The Valve Manufacturing business increased sales to external customers. Growth in sales of products for semiconductor production equipment slowed in the fourth quarter, but in Japan, sales of products for buildings and houses, mainly in the Tokyo metropolitan area, were strong and sales of products for industrial purposes were firm on account of maintenance and replacement in the general manufacturing fields, and capital expenditures to expand production capacity. Even in overseas markets, sales in Asia, Europe and the Americas recovered, delivery was made for the large-scale project in the Middle East, and sales rose. Consequently, the segment's net sales increased 12.0% year on year to ¥109,969 million, the first time sales from the Valve Manufacturing business surpassed ¥100 billion. Operating income grew 16.7% year on year to ¥14,938 million due to an increase in sales and reduction of manufacturing costs, as well as the revision of sales prices of domestic products for the second consecutive year to reflect the increase in prices for raw materials, parts, subsidiary materials, and logistics.

b. Brass Bar Manufacturing

In the Brass Bar Manufacturing business, the sales volume of brass bars, the business's core product, increased, despite the declining unit price of brass bars due to the decline in the market price of raw materials, which affected the sales price. Consequently, sales to external customers increased 0.5% year on year to ¥23,643 million. Operating income fell 58.9% year on year to ¥287 million as a result of the impact of fluctuations in market prices for raw materials.

c. Other

In the Other business, sales to external customers, in the hotel business, sales grew 5.5% year on year to ¥3,025 million. This was partially a result of an increase in individual customers even though group customers fell, and operation income came to ¥90 million (operating loss of ¥28 million in the previous fiscal year) as a result of sales growth and efforts to cut costs.

Sales to external customers by business segment of the corporate group (Units: Millions of yen)

Business Segment	104th term (FYE March 2018)		105th term (FYE March 2019)		Year-on-year change	
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount	Rate of change (%)
Valve Manufacturing	98,162	78.8%	109,969	80.5%	11,806	12.0%
Brass Bar Manufacturing	23,535	18.9	23,643	17.3	107	0.5
Other	2,867	2.3	3,025	2.2	157	5.5
Total	124,566	100.0	136,637	100.0	12,071	9.7

(ii) Capital expenditures

In the Valve Manufacturing business, the Company invested in new production facilities and renewals, particularly those of manufacturing subsidiary in Thailand and Taiwan, in addition to the investment in its core systems of the Company. In the Brass Bar Manufacturing business, the Company also invested in new production facilities and renewals for casting and bar production. As a result, the total amount of capital expenditures (including intangible assets) reached ¥9,998 million.

(iii) Financing activities

In the fiscal year under view, the balance of interest-bearing debt decreased by ¥844 million compared with the previous fiscal year to ¥33,457 million, mainly as a result of the repayment of long-term and short-term debt of ¥7,148 million and the redemption of private placement bonds of ¥844 million, despite an increase in debt as a result of corporate acquisition and the procurement of long-term debt of ¥3,319 million.

(2) Assets and profit and loss in the last three fiscal years preceding the fiscal year under review

(i) Assets and profit and loss of the corporate group

(Units: Millions of yen)

Category	102nd term (FYE March 2016)	103rd term (FYE March 2017)	104th term (FYE March 2018)	105th term (FYE March 2019)
Net sales	117,278	114,101	124,566	136,637
Ordinary income	7,300	8,799	9,733	11,883
Net income attributable to owners of the parent	4,915	5,400	6,518	5,625
Net income per share (yen)	45.50	51.43	65.50	58.50
Total assets	119,422	119,148	133,545	131,657
Net assets	76,096	74,892	77,391	76,829
Net assets per share (yen)	700.17	727.78	782.98	793.74

Notes:

1. Net income per share is calculated based on the average number of shares outstanding during the term. Net assets per share is calculated based on total number of shares outstanding at the end of the term. The number of shares as aforementioned does not include treasury stock.
2. The Company adopted a Board Incentive Plan (BIP) trust in the 103rd term, and the number of the Company's shares held in the trust is recorded as treasury stock in the consolidated financial statements. Therefore, for the calculation of net income per share, the said number is included in the treasury stock deducted in the calculation of the average number of shares for the term, and for the calculation of the net assets per share, the said number is included in the treasury stock deducted in the calculation of the number of shares outstanding at the end of the term.
3. Effective from the beginning of the 105th Term (fiscal year ended March 31, 2019), the Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018). The amount of total assets for the 104th Term (fiscal year ended March 31, 2018) is an amount after the retrospective application of the Accounting Standard.

(103rd term)

The Valve Manufacturing business achieved increased sales in Japan, but its sales overseas fell because of declining crude oil prices, which discouraged investment, and other factors like the yen appreciation. In the Brass Bar Manufacturing business, lowered sales prices due to a decline in market prices for raw materials and a decrease in sales volumes led to a significant drop in revenue. Consequently, total net sales declined 2.7% year on year to ¥114,101 million.

In terms of profit and loss, operating income rose 23.2% year on year to ¥8,929 million following a reduction in manufacturing costs in the Valve Manufacturing business. Ordinary income increased 20.5% year on year to ¥8,799 million. The Company recorded gains on sale of investment securities after selling a portion of its strategic shareholdings. On the other hand, it also recorded impairment loss after establishing trust beneficiary rights in its real estate and then transferring the trust beneficiary rights for the purpose of strengthening its financial situation. Regarding income taxes, the Company recorded ¥622 million in income tax refunds following the conclusion of a transfer pricing agreement between Japan and the United States from the amount of ¥716 million recorded for the fiscal year ended March 2014, which was revised based on the transfer price taxation audit. As a result, net income attributable to owners of the parent increased 9.9% year on year to ¥5,400 million.

(104th term)

The Valve Manufacturing business achieved increased sales due to a significant increase in sales of products for semiconductor production equipment and firm sales for buildings and houses in Japan. In the Brass Bar Manufacturing business, higher sales prices due to a rise in market prices for raw materials led to a significant increase in revenue. Consequently, total net sales increased 9.2% year on year to ¥124,566 million.

In terms of profit and loss, operating income rose 13.3% year on year to ¥10,117 million following increased sales of products for semiconductor production equipment and a reduction in manufacturing costs in the Valve Manufacturing business. Ordinary income increased 10.6% year on year to ¥9,733 million. In addition to not recording an impairment loss for the head office's real estate as it did in the previous fiscal year, the Company posted a gain on sales of investment securities after continuing to sell a portion of its strategic shareholdings. As a result, net income attributable to owners of the parent increased 20.7% year on year to ¥6,518 million.

(ii) Assets and profit and loss of the Company

(Units: Millions of yen)

Category	102nd term (FYE March 2016)	103rd term (FYE March 2017)	104th term (FYE March 2018)	105th term (FYE March 2019)
Net sales	64,159	61,933	64,118	72,262
Ordinary income	3,557	5,098	6,506	7,609
Net income	2,494	3,768	5,445	2,985
Net income per share (yen)	23.09	35.89	54.72	31.05
Total assets	94,407	93,255	105,903	99,045
Net assets	57,229	54,977	55,769	54,079
Net assets per share (yen)	533.78	542.23	572.91	567.81

Note: Please refer to the notes for (i) Assets and profit and loss of the corporate group.

(3) Ongoing challenges for the corporate group

The Japanese economy is expected to face an impact of the consumption tax rate hike on personal consumption and a growth slowdown following the 2020 Tokyo Olympic Games, although it is expected to continue to benefit from investments in streamlining and labor-saving schemes aimed at addressing labor shortages. The outlook for overseas remains unclear because of related uncertainties, including the U.S.-China trade dispute, and concerns of a slowdown in the global economy.

Under these conditions, the Company launched the fourth phase of the medium-term management plan (FY2019 to FY2021) this year. When developing the medium-term management plan, the Company clarified the direction of long-term growth as it moves toward 2030. In terms of quantitative targets, the Company set the goals of annual average growth in sales of 4%, annual average of EPS growth of 7%, and ROE of 12%. The fourth phase of the medium-term management plan will be a step toward new growth to meet these goals.

For sales, in the Valve Manufacturing business, in Japan the Company will expand its share by offering a wider range of variation of its main products and work to maintain and improve efforts to capture end users. In overseas market, the Company launched the Sales Strategy Office for Commercial Valves in Asia on April 1, 2019, and will strive to expand sales of products used in construction equipment through a wider range of products in order to fully enter the middle class (volume zone). As for products used in plants, the aim is to build a mechanism to link the project business with the maintenance, repair, and operation (MRO) business and increase profitability.

As for production, the Company will strive not only to reduce purchasing costs by cutting costs Group wide through collaboration between KITZ and overseas production subsidiaries and promoting global purchasing but also to increase productivity through research on new technologies and their introduction into the workplace of manufacturing. Furthermore, even in regard to development, the Company will quickly introduce new products into the market and move forward with efforts to merge and discontinue products through modularization.

In addition, the integrated management of the fluid solution business of each Group company will create synergies and lead to new businesses.

For the Brass Bar Manufacturing business, efforts will be made to improve profits by dramatically increasing productivity through the launch of operations at new facilities and developing and selling unique materials.

As for the Other business, in the hotel business, the Company will also strengthen marketing analysis and provide “excitement” and a “comfortable time” by working to improve the quality of services.

As for management, the Company will promote greater diversity by strengthening global human resource function, training global human resources, and promoting the active participation of women. Efforts will be made to strengthen global cash management and to make more effective use of surplus funds by making group cash more visible and efficient. The Company will also strive to become a company that fulfills its responsibilities as a manufacturer and is trusted by society. In the fourth phase of the medium-term management plan, the Company once again set ESG as one important topic. By creating a mechanism to organize and handle ESG-related issues, the Company will further evolve efforts that have already been taken.

(4) Status of major subsidiaries (as of March 31, 2019)

Name	Capital stock	Investment ratio (%)	Major business
Toyo Valve Co., Ltd.	100 million JPY	100.0	Sales, marketing and distribution of valves
Shimizu Alloy Mfg. Co., Ltd.	90 million JPY	93.3	Manufacturing and sales of valves
KITZ SCT Corporation	300 million JPY	100.0	Manufacturing and sales of valves and fittings for semiconductor production equipment
KITZ Micro Filter Corporation	90 million JPY	100.0	Manufacturing and sales of fluid separation products for filters and related products
KITZ (Thailand) Ltd.	500 million THB	92.0	Manufacturing and sales of valves
KITZ Corporation of Taiwan	200 million TWD	100.0	Manufacturing and sales of valves
KITZ Corporation of Jiangsu Kunshan	49 million CNY	100.0	Manufacturing and sales of valves
KITZ Corporation of Kunshan	62 million CNY	100.0 (100.0)	Manufacturing and sales of valves
KITZ SCT Corporation of Kunshan	22 million CNY	100.0 (100.0)	Manufacturing and sales of valves and fittings for semiconductor production equipment
KITZ Corporation of Lianyungang	42 million CNY	100.0	Manufacturing and sales of valves
KITZ Corporation of Shanghai	10 million CNY	100.0	Sales, marketing and distribution of valves
KITZ Corporation of America	3,000 thousand USD	100.0	Sales, marketing and distribution of valves
Metalúrgica Golden Art's Ltda.	64,000 thousand BRL	100.0	Manufacturing and sales of valves
KITZ Corporation of Europe, S.A.	421 thousand EUR	100.0	Manufacturing and sales of valves
KITZ Europe GmbH	500 thousand EUR	100.0	Sales, marketing and distribution of valves
Perrin GmbH	1,538 thousand EUR	100.0 (100.0)	Manufacturing and sales of valves
KITZ Corporation of Asia Pacific Pte. Ltd.	11,142 thousand USD	100.0	Sales, marketing and distribution of valves
Cephas Pipelines Corp.	2,454 million KRW	100.0	Manufacturing and sales of valves
KITZ Metal Works Corporation	490 million JPY	100.0	Manufacturing and sales of brass bar products
Hotel Beniya Co., Ltd.	490 million JPY	100.0	Operation of hotel and restaurants

Notes:

1. The parenthesized figures indicate the investment ratio of the subsidiary concerned.
2. The Company has acquired all shares of Cephas Pipelines Corp. as of April 17, 2018.
3. As of the end of the fiscal year under review, there are no specified wholly owned subsidiaries.

(5) Major businesses (as of March 31, 2019)

Major products and businesses of the Group

Business segment	Major products and businesses
Valve Manufacturing	Manufacturing and sales of bronze valves, steel valves, and other valve-related products, filtering-related products and accessories
Brass Bar Manufacturing	Manufacturing and sales of brass bar products and processed brass bar products
Other	Operation of hotel and restaurants

(6) Major sales offices and plants (as of March 31, 2019)

(i) Major sales offices and plants of the Company

Name	Location	Name	Location
Head Office	Chiba-shi	Niigata Sales Office	Niigata-shi
Nagasaka Plant	Hokuto-shi, Yamanashi Pref.	Hokuriku Sales Office	Toyama-shi
Ina Plant	Ina-shi, Nagano Pref.	Koshin Sales Office	Chino-shi, Nagano Pref.
Chino Plant	Chino-shi, Nagano Pref.	Tokai Sales Office	Shizuoka-shi
Hokkaido Sales Office	Sapporo-shi	Nagoya Sales Office	Nagoya-shi
Tohoku Sales Office	Sendai-shi	Osaka Sales Office	Osaka-shi
Kita-Kanto Sales Office	Saitama-shi	Okayama Sales Office	Okayama-shi
Tokyo Sales Office	Chuo-ku, Tokyo	Hiroshima Sales Office	Hiroshima-shi
Yokohama Sales Office	Yokohama-shi	Kyushu Sales Office	Fukuoka-shi

(ii) Major sales offices and plants of subsidiaries

Name	Location
Toyo Valve Co., Ltd.	Chuo-ku, Tokyo
Shimizu Alloy Mfg. Co., Ltd.	Hikone-shi, Shiga Pref.
KITZ SCT Corporation	Ota-shi, Gunma Pref.
KITZ Micro Filter Corporation	Suwa-shi, Nagano Pref.
KITZ (Thailand) Ltd.	Samutprakarn, Thailand
KITZ Corporation of Taiwan	Kaohsiung, Taiwan
KITZ Corporation of Jiangsu Kunshan	Jiangsu, P.R. China
KITZ Corporation of Kunshan	Jiangsu, P.R. China
KITZ SCT Corporation of Kunshan	Jiangsu, P.R. China
KITZ Corporation of Lianyungang	Jiangsu, P.R. China
KITZ Corporation of Shanghai	Shanghai, P.R. China
KITZ Corporation of America	Texas, U.S.A.
Metalúrgica Golden Art's Ltda.	Rio Grande do Sul, Brazil
KITZ Corporation of Europe, S.A.	Barcelona, Spain
KITZ Europe GmbH	Hessen, Germany
Perrin GmbH	Hessen, Germany
KITZ Corporation of Asia Pacific Pte. Ltd.	Singapore
Cephas Pipelines Corp.	Korea (Busan Metropolitan City)
KITZ Metal Works Corporation	Chino-shi, Nagano Pref.
Hotel Beniya Co., Ltd.	Suwa-shi, Nagano Pref.

Note: The "location" for KITZ SCT Corporation indicates the location of its plant.

(7) Status of employees (as of March 31, 2019)

(i) Employees of the corporate group

Business segment	Number of employees	Year-on-year change
Valve Manufacturing	4,525	+141
Brass Bar Manufacturing	233	+19
Other	106	+14
Corporate (common)	81	+9
Total	4,945	+183

Notes:

1. The above figures do not include employees seconded from the Group to an external company or employees hired on a temporary/contractual basis.
2. "Corporate (common)" indicates the number of employees serving in administrative divisions which do not belong to a specific segment.

(ii) Employees of the Company

Number of employees	Year-on-year change	Average age	Average number of years of service
1,290	+24	40.4	14.7

Note: The above figures do not include employees seconded or employees hired on a temporary/contractual basis.

(8) Major lenders of the corporate group and amount of debt (as of March 31, 2019)

(Units: Millions of yen)

Name	Outstanding debt
Sumitomo Mitsui Banking Corporation	3,590
MUFG Bank, Ltd.	2,207
Mizuho Bank, Ltd.	1,487

2. Status of the Company

(1) Status of shares (as of March 31, 2019)

(i) Total number of authorized shares: 400,000,000 shares

(ii) Total number of issued shares: 95,571,302 shares

Note: Total number of issued shares shown above does not include 4,825,209 shares of treasury stock that were held as of the end of the fiscal year under review.

(iii) Number of shareholders: 10,309

Note: The number of shareholders includes the Company.

(iv) Major shareholders (top 10 shareholders)

Name	Investment	
	Shareholdings (thousands)	Holding ratio (%)
Japan Trustee Services Bank, Ltd.	9,053	9.47
Kitazawa-kai Stock Ownership Plan	4,414	4.62
Nippon Life Insurance Company	4,303	4.50
The Master Trust Bank of Japan, Ltd.	3,946	4.13
Sumitomo Life Insurance Company	3,444	3.60
Kitazawa Ikueikai Foundation	3,411	3.57
KITZ Corporation Trading Partner Stock Ownership Plan	2,989	3.13
Sumitomo Mitsui Banking Corporation	2,553	2.67
GOVERNMENT OF NORWAY	2,347	2.46
THE BANK OF NEW YORK MELLON 140051	2,328	2.44

Notes:

1. The Company held 4,825 thousand shares of treasury stock as of March 31, 2019; such treasury stock is not included in the above list of major shareholders. The total number of shares used to calculate the holding ratio does not include

treasury stock. The Company has adopted a BIP trust, and the Master Trust Bank of Japan, Ltd. holds 329 thousand shares in the trust. These 329 thousand shares are not included in the concerned treasury stock.

2. The above number of shares held includes shares associated with trust operations as follows:
Japan Trustee Services Bank, Ltd. 9,053 thousand shares
The Master Trust Bank of Japan, Ltd.: 3,946 thousand shares
3. The number of shares held by Sumitomo Life Insurance Company includes 9 thousand shares in the variable insurance account and 24 thousand shares in the separate account.

(2) Matters regarding subscription rights to shares (as of March 31, 2019)

Not applicable

(3) Officers of the Company (as of March 31, 2019)

(i) Status of Directors and Audit & Supervisory Board Members

Name	Position and area of responsibility in Company	
Yasuyuki Hotta	President and Chief Executive Officer	(President, Chief Executive Officer)
Toshiaki Natori	Director	(Senior Executive Officer, Unit General Manager, Flow Control Business Unit)
Toshiyuki Murasawa	Director	(Executive Officer, Division Manager, Corporate Administration Division, Supervisor of Internal Audit Office, internal controls and Group's risk management)
Kazuyuki Matsumoto	Outside Director	
Minoru Amoh	Outside Director	
Yutaka Fujiwara	Outside Director	
Masahiko Kondo	Standing Audit & Supervisory Board Member	
Taro Kimura	Standing Audit & Supervisory Board Member	
Tatsuhiko Takai	Outside Audit & Supervisory Board Member	
Shuhei Sakuno	Outside Audit & Supervisory Board Member	

Notes:

1. The Company has registered outside Directors Kazuyuki Matsumoto, Minoru Amoh and Yutaka Fujiwara as independent officers with the Tokyo Stock Exchange as prescribed by the Securities Listing Regulations of the same Exchange.
2. The Company has registered outside Audit & Supervisory Board Members Tatsuhiko Takai and Shuhei Sakuno as independent officers with the Tokyo Stock Exchange as prescribed by the Securities Listing Regulations of the same Exchange.
3. The major changes in Directors' areas of responsibility during the fiscal year under review are as follows:

Name	Areas of responsibility after change	Areas of responsibility before change	Date of change
Toshiaki Natori	Director, Vice-President, Executive Officer, General Manager, Sales Strategy Office for Commercial Valves in Asia	Director, Senior Executive Officer, Unit General Manager, Flow Control Business Unit	April 1, 2019
Toshiyuki Murasawa	Director, Managing Executive Officer, Division Manager, Corporate Administration Division, Supervisor of Internal Audit Office, internal controls, ESG, and Group's risk management	Director, Executive Officer, Division Manager, Corporate Administration Division, Supervisor of Internal Audit Office and internal controls and Group's risk management	April 1, 2019

4. Audit & Supervisory Board Member, Masahiko Kondo has accumulated extensive knowledge and experience in business management as well as in labor. Specifically, he has engaged in the management of the Company in his capacity as a director in charge of supervising the administrative divisions of the group businesses, and has also contributed to enhancing the Company's management foundation and developing and strengthening the Group's risk management. Therefore, the Company believes that he has sufficient insight to duly perform the duties of an Audit &

Supervisory Board Member.

5. Audit & Supervisory Board Member, Taro Kimura has many years of experience in managing the Company's accounting and financial operations. As an executive officer in charge of the administrative divisions of the group companies, he has developed the Company's internal control systems, strengthened its internal audit function, and promoted its risk management systems. Therefore, the Company believes that he has sufficient insight related to the internal control, risk management, finance, and accounting to duly perform the duties of an Audit & Supervisory Board Member.
6. After being in charge of accounting, finance, corporate administration, corporate planning, and other functions at Mitsui Mining & Smelting Co., Ltd. for many years, Outside Audit & Supervisory Board Member Tatsuhiko Takai served as the Chief Financial Officer (CFO) and Senior Executive Officer and Standing Audit & Supervisory Board Member at the company. As such, he has considerable knowledge of finance, accounting, and duties of Audit & Supervisory Board Members.
7. Outside Audit & Supervisory Board Member, Shuhei Sakuno has broad experience in corporate administration, supervising Yokogawa Electric Corporation group companies, and sufficient insight into financial and accounting operations, as well as experience in developing internal controls, risk management, and internal audit systems. Therefore, the Company believes that he has sufficient insight related to corporate governance to duly perform the duties of Audit & Supervisory Board member.

(ii) Summary of liability limitation agreements

In order to limit the liability of directors (excluding persons who are executive directors; likewise, hereinafter in this paragraph) and Audit & Supervisory Board members to a reasonable extent and ensure that they fully perform the roles expected of them, the Company has, pursuant to the stipulations of Article 427, Paragraph 1 of the Companies Act, included provisions in its Articles of Incorporation to the effect that the Company can conclude agreements with its directors and Audit & Supervisory Board members limiting their liability under Article 423, Paragraph 1 of the same Act provided that the director or Audit & Supervisory Board member concerned has undertaken his or her duties in good faith and has not committed any gross errors. Based on these provisions, the Company has concluded agreements with each of its directors and Audit & Supervisory Board members. Based on the concerned agreements, the amount of liability is limited to five (5) million yen or the amount prescribed by laws and regulations, whichever is higher.

(iii) Significant concurrent positions of Directors and Audit & Supervisory Board Members

Position	Name	Name of organization in which concurrent position is held	Concurrent position
Director	Toshiaki Natori	KITZ Corporation of Shanghai	Director
		KITZ Corporation of America	Director
		KITZ Europe GmbH	Director
		KITZ Corporation of Asia Pacific Pte. Ltd.	Director
		Cephas Pipelines Corp.	Director
	Toshiyuki Murasawa	KITZ Micro Filter Corporation	Audit & Supervisory Board Member
KITZ Metal Works Corporation		Audit & Supervisory Board Member	
Hotel Beniya Co., Ltd.		Audit & Supervisory Board Member	
Standing Audit & Supervisory Board Member	Masahiko Kondo	Toyo Valve Co., Ltd.	Audit & Supervisory Board Member
		KITZ SCT Corporation	Audit & Supervisory Board Member
		KITZ Micro Filter Corporation	Audit & Supervisory Board Member
		Hotel Beniya Co., Ltd.	Audit & Supervisory Board Member
		KITZ Corporation of Taiwan	Audit & Supervisory Board Member
		KITZ Corporation of Kunshan	Audit & Supervisory Board Member
		KITZ SCT Corporation of Kunshan	Audit & Supervisory Board Member
	Taro Kimura	Shimizu Alloy Mfg. Co., Ltd.	Audit & Supervisory Board Member
		KITZ Metal Works Corporation	Audit & Supervisory Board Member
		KITZ Corporation of Jiangsu Kunshan	Audit & Supervisory Board Member
		KITZ Corporation of Lianyungang	Audit & Supervisory Board Member
		KITZ Corporation of Shanghai	Audit & Supervisory Board Member

Note: The organizations in which a concurrent position is held and which belong in the same business categories as the Company are as follows:

(Name)

Toyo Valve Co., Ltd.

Shimizu Alloy Mfg. Co., Ltd.

KITZ SCT Corporation

KITZ Corporation of Taiwan

KITZ Corporation of Jiangsu Kunshan

KITZ Corporation of Kunshan

KITZ SCT Corporation of Kunshan

KITZ Corporation of Lianyungang

KITZ Corporation of Shanghai

KITZ Corporation of America

KITZ Europe GmbH

KITZ Corporation of Asia Pacific Pte. Ltd.

Cephas Pipelines Corp.

(Business)

Sales, marketing and distribution of valves

Manufacturing and sales of valves

Manufacturing and sales of valves and fittings for semiconductor production equipment

Manufacturing and sales of valves

Manufacturing and sales of valves

Manufacturing and sales of valves

Manufacturing and sales of valves and fittings for semiconductor production equipment

Manufacturing and sales of valves

Sales, marketing and distribution of valves

Sales, marketing and distribution of valves

Sales, marketing and distribution of valves

Sales, marketing and distribution of valves

Manufacturing and sales of valves

(iv) Names of executive officers (excluding concurrently held directorships) of the Company as of the end of the fiscal year under review and areas of responsibility in the Company

Name	Areas of responsibility	
Kazuhiko Shimodaira	Executive Officer	General Manager, Legal Department, Supervisor of the Intellectual Property Department
Kazuhiko Hirabayashi	Executive Officer	Division Manager, Production Division, Flow Control Business Unit, Supervisor of the NEW KICS Center
Tetsuo Sakane	Executive Officer	Division Manager, National Sales Division, Flow Control Business Unit
Yukinari Koide	Executive Officer	Division Manager, IT Control Division
Yoriyuki Koyama	Executive Officer	Division Manager, Customer Support Division
Hitoshi Kurihara	Executive Officer	Division Manager, Corporate Planning Division, Supervisor of related businesses (Brass Bar Manufacturing business, service business)
Kenji Katsuragi	Executive Officer	Deputy Division Manager, Corporate Administration Division
Masaru Takusagawa	Executive Officer	Division Manager, Product Management Center, Flow Control Business Unit

Notes:

- The changes in executive officers (excluding concurrently held directorships) during the fiscal year under review are as follows:

Retirements from position of executive officer

Name	Position upon retirement	Date of retirement
Kazuhiko Shimodaira	Executive Officer	March 31, 2019

- The changes in executive officers (excluding concurrently held directorships) following the end of the fiscal year under review are as follows:

New appointment as executive officer

Name	Position and area of responsibility in Company	Date of assuming office
Makoto Kohno	Managing Executive Officer, Unit General Manager, Flow Control Business Unit	April 1, 2019
Takahito Hirashima	Executive Officer, Division Manager, Engineering Division, Flow Control Business Unit	April 1, 2019
Kazunori Okimura	Executive Officer, General Manager, Legal Department, Supervisor of the Intellectual Property Department	April 1, 2019

- The changes in the areas of responsibility of Executive Officers (excluding concurrently held directorships) following the end of the fiscal year under review are as follows:

Name	Areas of responsibility after change	Areas of responsibility before change	Date of change
Tetsuo Sakane	Division Manager, National Sales Division, Flow Control Business Unit, Deputy General Manager, Sales Strategy Office for Commercial Valves in Asia	Division Manager, National Sales Division, Flow Control Business Unit	April 1, 2019

(v) Total Remuneration paid to Directors and Audit & Supervisory Board Members in the fiscal year under review

Position	Number of persons	Amount of remuneration (millions of yen)
Director	6	174
Audit & Supervisory Board Member	4	62
Total	10	237

Notes:

1. The annual limit of remuneration for Directors and Audit & Supervisory Board Members has been resolved at the General Meeting of Shareholders as follows:
Remuneration for Directors (including the remuneration and bonuses paid to Directors who concurrently serve as employees for their services as employees)
Not more than ¥300 million a year (Ordinary General Meeting of Shareholders held on June 29, 2006)
Remuneration for Audit & Supervisory Board Members
Not more than ¥70 million a year (Ordinary General Meeting of Shareholders held on June 29, 1994)
2. As of the end of the fiscal year under review, there were six (6) Directors and four (4) Audit & Supervisory Board Members, a total of ten (10).
3. The above amounts do not include the portion of employee salaries, bonuses, and share-based payments paid to Directors who concurrently serve as employees.
The amounts of the portions of employee salaries, bonuses, and share-based payments paid to Directors who concurrently serve as employees were ¥24 million, ¥25 million, and ¥2 million, respectively.
4. The amount of remuneration includes ¥51 million of bonuses to executive officers (Directors and Audit & Supervisory Board Members), which was recorded in the fiscal year under review as “accrued bonuses to directors and corporate auditors,” and ¥20 million of share-based payments recorded in the fiscal year under review as “allowance for stock benefit for directors and operating officers.”
5. Of the above amount, a total of ¥31 million was paid to three (3) Outside Directors and a total of ¥19 million was paid to two (2) Outside Audit & Supervisory Board Members.

(vi) Matters regarding outside directors

a. Significant concurrent positions in or relationships with other companies

- 1) Outside Director Kazuyuki Matsumoto concurrently holds the position of outside director of TOPCON CORPORATION. There is no special interest between TOPCON CORPORATION and the Company.
- 2) Outside Director Minoru Amoh concurrently holds the position of outside director of Otsuka Chemical Co., Ltd. There is no special interest between Otsuka Chemical Co., Ltd. and the Company.
- 3) Outside Director Yutaka Fujiwara concurrently holds the position of outside director of Nabtesco Corporation. There is no special interest between Nabtesco Corporation and the Company.
- 4) Outside Audit & Supervisory Board Member Shuhei Sakuno concurrently holds the position of Audit & Supervisory Board Member at Yokogawa Solution Service Corporation. There is no special interest between Yokogawa Solution Service Corporation and the Company.

b. Significant activities during the fiscal year under review

Position	Name	Significant activities
Director	Kazuyuki Matsumoto	Kazuyuki Matsumoto attended all 15 of the Board of Directors' meetings held in the fiscal year under review, and expressed his opinions during deliberations as necessary.
Director	Minoru Amoh	Minoru Amoh attended 14 of the 15 Board of Directors' meetings held in the fiscal year under review and expressed his opinions during deliberations as necessary.
Director	Yutaka Fujiwara	Yutaka Fujiwara attended all 15 of the Board of Directors' meetings held in the fiscal year under review and expressed his opinions during deliberations as necessary.
Audit & Supervisory Board Member	Tatsuhiko Takai	Tatsuhiko Takai attended all 15 of the Board of Directors' meetings held in the fiscal year under review, and expressed his opinions during deliberations as necessary. He also attended all 15 of the Audit & Supervisory Board meetings held in the fiscal year under review, and reviewed the method for auditing the full range of particulars connected with Directors' performance of their duties and matters concerning the performance of auditing duties.
Audit & Supervisory Board Member	Shuhei Sakuno	Shuhei Sakuno attended all 15 of the Board of Directors' meetings held in the fiscal year under review and expressed his opinions during deliberations as necessary. He also attended all 15 of the Audit & Supervisory Board meetings held in the fiscal year under review, and reviewed the method for auditing the full range of particulars connected with Directors' performance of their duties and matters concerning the performance of auditing duties.

(4) Status of Accounting Auditor

(i) Name

Ernst & Young ShinNihon LLC

Note: Ernst & Young ShinNihon LLC. changed its Japanese corporate name from ShinNihon Yugen Sekinin Kansa Hojin to EY ShinNihon Yugen Sekinin Kansa Hojin on July 1, 2018.

(ii) Amount of remuneration

Amount of remuneration to be paid by the Company for services with respect to the current fiscal year	
a. Amount of remuneration to be paid for services stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act	¥108 million
b. Amount of remuneration to be paid for services (non-auditing services) other than those stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act	¥13 million
Total amount of money and other financial benefits to be paid to Accounting Auditor by the Company and its subsidiaries	¥122 million

Notes:

1. In the audit contract between the Company and Accounting Auditor, remuneration paid for audits under the Companies Act and audits under the Financial Instruments and Exchange Act are not distinguished and cannot be practically separated. Therefore, the amount of payment for both is shown in Amount of remuneration above.
2. The Company paid to the Accounting Auditor a consideration for advisory services concerning the Accounting Standard for Revenue Recognition, which is outside the scope of the services prescribed in Article 2, Paragraph 1 of the Certified Public Accountants Act.
3. Significant overseas subsidiaries of the Company receive audits from auditors other than the Company's Accounting Auditor.

(iii) Reason for Audit & Supervisory Board's consent toward the remuneration of the Accounting Auditor

In accordance with the auditing standards determined by the Audit & Supervisory Board, the Audit & Supervisory Board has reviewed whether the Accounting Auditor's audit plans will provide an auditing system and auditing timeframe sufficient to secure the quality of audits, and the members have considered and deliberated matters such as the effectiveness and efficiency of the audits in the previous period, whether there is additional remuneration to calculate, the auditing timeframe and remuneration units trends in previous years, the basis for estimating remuneration, and the status of non-auditing services agreement. Based on the results of such review and deliberation, the Audit & Supervisory Board determined that the Accounting Auditor's audit plans were appropriate, and that the amount of remuneration was commensurate with the Accounting Auditor's duties. Accordingly, the Audit & Supervisory Board provided their consent toward the remuneration of the Accounting Auditor.

(iv) Policy for determining the dismissal or non-reappointment of the Accounting Auditor

- a. The Audit & Supervisory Board will, by the unanimous consent of all members thereof, dismiss the Accounting Auditor if the Accounting Auditor is deemed to fall under any of the items listed in Article 340, Paragraph 1 of the Companies Act.
- b. The Audit & Supervisory Board will determine the contents of a proposal to the General Meeting of Shareholders for the dismissal or non-reappointment of the Accounting Auditor and the contents of a proposal for a new Accounting Auditor in cases where it is judged that the Accounting Auditor is unable to maintain the quality of audits or to continue to duly perform its duties, such as cases where there is serious doubt regarding the Accounting Auditor's independence or aptitude, cases where there are serious deficiencies in the system for enabling the Accounting Auditor to duly perform its duties, and cases where there is no prospect of making improvements to secure the quality of audits.
- c. If the Audit & Supervisory Board comprehensively reviews the existing Accounting Auditor, including with respect to quality of audits, independence, aptitude, reliability, effectiveness, and efficiency, and concludes that it will be necessary to elect a new Accounting Auditor with prospects of delivering more suitable audits, the Audit & Supervisory Board will determine the contents of a proposal to the General Meeting of Shareholders for the non-reappointment of the existing Accounting Auditor and the election of the new Accounting Auditor.

3. Corporate governance

(1) Basic approach to corporate governance

Under the corporate philosophy of continually enriching corporate value by offering originality and quality in all products and services, as a socially responsible corporation, the Company strives for a management in the interest of shareholders and all stakeholders.

In order to increase management efficiency and to strengthen compliance, taking into consideration such factors as stakeholder demands and social trends, the Company continues to reinforce corporate governance through various measures to realize a swift, efficient, sound, and transparent management.

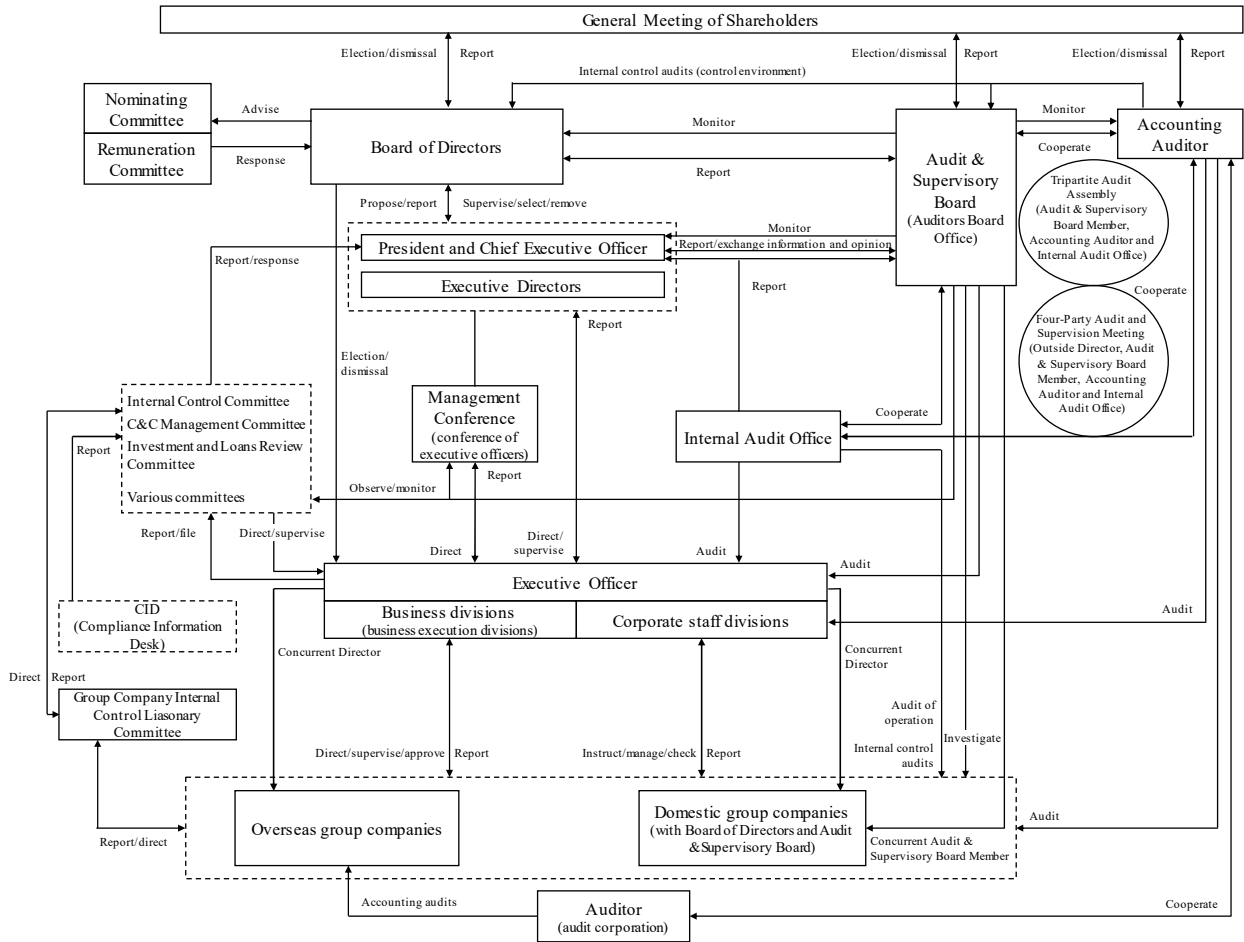
(2) Corporate governance structure

The Company has adopted an institutional design of a company with board of auditors, and strives not only for appropriate decision-making and execution of business but also to create an organizational corporate governance system that holds sufficient rein on management, by concentrating authority and responsibility for business execution to the Board of Directors, the managerial decision-making body, and by Audit and Supervisory Board Members and the Audit and Supervisory Board supervising the Board of Directors effectively from an independent, objective perspective.

In addition, to clarify the managerial responsibilities of Directors, and to strengthen the management structure and make it possible to flexibly respond to the business environment, the Company has set the terms of office of Directors at one (1) year and stipulated that at least half of Directors are Outside Directors in order to strengthen management supervision functions. Furthermore, the Company has adopted the executive officer system to ensure swift decision-making regarding business execution.

Regarding the selection of candidates for Director, candidates for Audit & Supervisory Board Member, selection of Executive Officers, and remuneration for Directors, a Nomination Committee and a Remuneration Committee, each consisting of a majority of Outside Directors, has been established as optional advisory bodies to the Board of Directors.

[The Company's corporate governance]



4. Systems for Ensuring Appropriate Operations and the Operational Status of such Systems

(1) Systems for ensuring the appropriateness of operations

The Company's Directors decided on the following regarding the system to ensure that the Directors' execution of their duties comply with laws, regulations, and the Articles of Incorporation.

Basic policy on the Internal Control System

As stated in KITZ's Statement of Corporate Mission, the corporate philosophy of the Company and its subsidiaries (hereinafter, the "Group"), the Company's mission is "to contribute to the global prosperity" by being "dedicated to continually enriching its corporate value by offering originality and quality in all products and services." To attain this, in order to ensure that the Group has a healthy and robust operating base, the Company's has, pursuant to the provisions of the Companies Act and the Regulation for Enforcement of the Companies Act, established and operates the following internal control system (systems for ensuring that the performance of duties by the Directors conforms to the applicable laws and regulations and Articles of Incorporation, and other system necessary for ensuring the properness of operations of the enterprises consisting of the Company and its subsidiaries):

1. Systems for ensuring compliance with laws, regulations, and the Company's Articles of Incorporation in the execution of duties by directors and employees of the Company and its subsidiaries
 - (1) Directors and employees of the Company and its subsidiaries act in compliance with, uphold, and thoroughly observe applicable laws, regulations, the Company's Articles of Incorporation, KITZ's Statement of Corporate Mission, the Action Guide, the code of conduct related to compliance, environmental management policy, the basic policy concerning Group finances, and other policies determined by the boards of directors of the Company and its subsidiaries.
 - (2) The Board of Directors receives regular reports on the status of the execution of operations from Executive Directors and Executive Officers and supervises the execution of duties of each Director.
 - (3) Audit & Supervisory Board Members conduct audits of the Directors' execution of duties based on Rules of the Audit & Supervisory Board and Auditing Standards of Audit & Supervisory Board Members.
 - (4) The Company has established the C&C Management Committee, chaired by the president, as a body responsible for creating a Group-wide compliance system, ascertaining and responding to related problems, handling crises, and undertaking risk management, to promote adherence throughout the Group.
 - (5) The Group will establish a Group-wide whistle-blowing hotline for informing of, reporting, and advising on violations or grounds for suspicion of violation of laws, regulations, or the code of conduct related to compliance. Calls through this hotline will be handled by the Compliance Information Desk (hereinafter, the "CID") set up in the Company, each of the subsidiaries, and the corporate lawyer's office.
 - (6) To educate and raise awareness concerning compliance, the Company distributes the Compliance Program Guidebook to the directors and employees of the Company and its subsidiaries, and inform them about the CID.
 - (7) The Group will take a resolute stance against "anti-social forces" (members of organized crime groups); we will avoid engaging with them, refuse to yield to any threats or respond to any demands that they may make.

2. Systems for storing and managing information related to the execution of duties by directors of the Company
 - (1) Important documents related to Directors' execution of duties (including electromagnetic records) will be appropriately stored and managed in accordance with laws, regulations and internal rules.
 - (2) Information included in the above documents, etc., is maintained so that it can be viewed when necessary by Directors and Audit & Supervisory Board Members.

3. Procedures and other systems related to managing the risk of losses to the Company and its subsidiaries
 - (1) An officer is put in charge of Group risk management in order to promote risk management related to the execution of the Group's business.
 - (2) Each Executive Director and Executive Officer is responsible for handling risk in execution of the Group's business, and the C&C Management Committee examines and implements analysis, evaluation, and improvement measures related to significant risks.
 - (3) The Group will establish a Business Continuity Plan (BCP) and operate in such a way as to counter the risk of business being interrupted by emergencies such as natural disasters.
 - (4) In addition to establishing systems to manage various risks pertaining to business execution of the Group, the Company manages information on risks faced by its subsidiaries by receiving approval applications and reports from subsidiaries as stipulated in Group Company Rules, and promotes risk management to prevent losses as a unified Group through internal audits by the Internal Audit Office and other measures.
 - (5) In order to evaluate risks pertaining to business execution of the Group, necessary steps are taken by establishing and operating a system of committees for internal control, crisis and risk management, compliance promotion, security trade controls, investment and loan evaluation, information security, and personal information protection.

4. Systems for ensuring that the Directors of the Company and its subsidiaries execute their duties efficiently
 - (1) Efforts are made to not only have a proper number of Directors but also to have quick decision-making by the Board of Directors and to clarify responsibility for strengthening audit functions and execution of business by introducing a system of Executive Officers.
 - (2) Outside Directors who have extensive experience and fair judgment are recruited, increasing the propriety and appropriateness of business decisions by the Board of Directors.
 - (3) Decision-making by the Boards of Directors of the Company and its subsidiaries is based on Rules of the Board of Directors and Draft Proposal Rules.
 - (4) The Company stipulates the scope of the Board of Directors' delegation of authority and tries to quickly and effectively conduct business based on Regulations concerning Official Authority, Draft Proposal Rules, Group Company Rules, etc.
 - (5) The Company formulates a Basic Management Policy, Medium-term Management Plan, Annual Business Plan related to Group business activities, which are approved at Board of Directors.
 - (6) The Management Conference confirms and coordinates progress related to implementing the Management Policy and Management Plan decided upon by the Board of Directors and debates and decides on important issues related to management and the execution of business.
 - (7) In addition to stipulating response guidelines for implementing the principals of the Corporate Governance Code and working to expand corporate governance, the Company conducts transparent, fair, quick, and bold decision-making.

- (8) There is a regular examination of whether the Board of Directors is functioning properly and efficiently, and appropriate responses are implemented based on the results of the examination.
5. Systems for ensuring that the Group executes operations appropriately
- (1) The Company formulates various rules to ensure appropriateness and efficiency of the Group's operations and builds an information system to ascertain and act upon the status of achievement of the management target.
 - (2) The Company ensures that all inter-company exchanges among the Group companies are fair and appropriate in accordance with relevant laws and regulations, accounting principles and other social norms.
 - (3) In accordance with Group Company Rules, the Company has stipulated an organization to manage the various subsidiaries and strives to properly conduct operations within the Group, which has included establishing a system for reporting matters related to the Boards of Directors of subsidiaries executing their duties, a system for managing the risk of losses, a system so that operations are efficiently conducted, and a system to ensure compliance with laws, regulations, and Articles of Incorporation.
 - (4) Representative director, executive directors, and executive officers perform their allotted duties, and guide subsidiaries so that they develop and operate appropriate internal control system. They also instruct representative directors and directors of subsidiaries to store and manage information pertaining to the execution of directors' duties.
 - (5) The divisions or other entities within the Company responsible for subsidiaries function as the director of the subsidiaries they are responsible for, and monitor and supervise management. The divisions also provide prior approval for important matters related to the execution of subsidiaries business based on Group Company Rules.
 - (6) The corporate staff divisions, in accordance with their respective functions, guide the subsidiaries as necessary, and help them execute their business operations efficiently and appropriately.
 - (7) The Company carries out internal audits of itself and its subsidiaries through its Internal Audit Office and ensures the effectiveness and propriety of internal controls with respect to the full range of each company's operations.
 - (8) Depending on the level of importance thereof, the Internal Audit Office reports on operation audit plans and the state of conducting those audits to the Company's representative director, director, executive officer, and the Company's Audit & Supervisory Board Member who are responsible for each subsidiary, and the representative director of the subsidiary.
 - (9) In order to ensure the reliability of financial reports, the Company evaluates, makes improvements to, and documents the state of internal controls and business process in line with the Internal Control Committee's policy, and the Board of Directors regularly checks these activities.
 - (10) The Standing Audit & Supervisory Board Member effectively and appropriately monitors and verifies the state of management at subsidiaries by concurrently serving as an Audit & Supervisory Board Member of subsidiaries that have such boards and collaborates closely with the Accounting Auditor and Internal Audit Office so they can ascertain the state of management throughout the Group.
 - (11) Directors and Directors of subsidiaries report on the execution of business that they are responsible for at venues such as Board of Directors meetings, Management Conference meetings, and other important meetings that Audit & Supervisory Board Members attend or are present at.

6. System for reporting to the Company matters related to the Boards of Directors of subsidiaries executing their duties
 - (1) The Company applies Group Company Rules to all subsidiaries and requires that subsidiaries seek advance approval for important business decisions and report on important business decisions to the Board of Directors and Management Conference in line with the Board of Directors and Management Conference Decision/Report Standards.
 - (2) The Company's Director and Executive Officer responsible for subsidiaries receive reports as necessary on important issues related to the execution of duties from the Board of Directors and employees of subsidiaries they are responsible for.
7. Assignment of employees to support the Company's Audit & Supervisory Board Members
 - (1) An Auditors Board Office, which is attached to the Audit & Supervisory Board, has been established as an entity to support the work of the Audit & Supervisory Board and Audit & Supervisory Board Members
 - (2) Employees with skills to fulfill the duties stipulated above (hereinafter, "Auditors Board Office staff") are assigned to the Auditors Board Office.
 - (3) The Auditors Board Office conducts duties as directed by Audit & Supervisory Board Members and conducts secretariat related operations office for the Audit & Supervisory Board.
8. Independence of the above-mentioned employees who support Audit & Supervisory Board Members from directors and the effectiveness of Audit & Supervisory Board Members instructions
 - (1) The Auditors Board Office staff will serve on a full-time basis, maintain independence from Directors, and not concurrently hold any managerial positions related to the execution of the Company's business. However, they may concurrently serve as auditors of the Company's subsidiaries.
 - (2) Prior consent of the Audit & Supervisory Board is required with regard to appointments and transfers of Auditors Board Office staff.
 - (3) The Audit & Supervisory Board will conduct personnel appraisals of the Auditors Board Office staff, in accordance with the Rules of the Audit & Supervisory Board.
9. Systems for reporting to Audit & Supervisory Board Members matters concerning the execution of duties by directors and employees of the Company and its subsidiaries, other systems concerning reporting to Audit & Supervisory Board Members, and systems for ensuring that persons who make reports do not suffer any disadvantage by reason of such reporting
 - (1) Directors of the Company and Directors and Audit & Supervisory Board Members of subsidiaries notify the Company's Audit & Supervisory Board Members without delay if they discover any violation of laws, regulations, or the Company's Articles of Incorporation, or any practice, matter, or circumstance, etc. that has the potential to significantly impact the Company's management or performance.
 - (2) Directors of the Company and Directors and Audit & Supervisory Board Members of subsidiaries comply unerringly with any request from Audit & Supervisory Board Members of the Company to report on the status of the execution of business operations, the status of assets, or other matters. This also applies to employees of the Company and subsidiaries.
 - (3) The necessary steps are taken so that parties who submit reports stipulated above do not suffer any disadvantage for submitting such a report.

- (4) The Internal Audit Office collaborates with Audit & Supervisory Board Members, report to Audit & Supervisory Board Members the results of audits and any important internal information obtained in the course of audits in a timely manner, and furnishes Audit & Supervisory Board Members with audit information when requested.
 - (5) The C&C Management Committee shares with Audit & Supervisory Board Members information related to in-house reports submitted to the Group CID or other parties and the state of response to those reports.
10. Matters concerning policies on the settlement of expenses or liabilities incurred in connection with Audit & Supervisory Board Members' execution of duties
- (1) Expenses deemed necessary for the execution of duties by the Audit & Supervisory Board and Audit & Supervisory Board Members shall be budgeted for and recorded in advance. However, emergency and extraordinary expenses can be reimbursed afterwards.
 - (2) The Company will pay the fees for the services of attorneys and other experts utilized by Audit & Supervisory Board Member and the Audit & Supervisory Board in connection with the execution of their duties, and other expenses related to such, including such expenses to be paid in advance.
11. Other systems for ensuring effective audits by Audit & Supervisory Board Members
- (1) The Audit & Supervisory Board regularly holds informal meetings with representative directors and provides opportunities to exchange information and opinions with executive directors and the executive officers concerning business-related matters.
 - (2) The Audit & Supervisory Board regularly convenes a Tripartite Audit Assembly with the Accounting Auditor and the Internal Audit Office, receives reports on various issues including the state of audits, exchanges information and opinions, and works to maintain close cooperation.
 - (3) The Audit & Supervisory Board regularly convenes Four-Party Audit and Supervision Meetings, which consists of the Accounting Auditor, independent Outside Directors, and the Internal Audit Office; works to share information and awareness based on an independent, objective perspective; and strives to improve the audit functions of Audit & Supervisory Board Members and the supervisory functions of independent outside officers.
 - (4) Standing Audit & Supervisory Board Members may concurrently serve as Audit & Supervisory Board Members of subsidiaries with Audit & Supervisory Boards, work to ascertain the status of management, attend important meetings of the Company and subsidiaries when necessary, and state their opinions.
 - (5) Audit & Supervisory Board Members and the Audit & Supervisory Board have the right to use the services of attorneys, certified public accountants, and other experts when necessary in connection with the performance of their audits.
- (2) Summary of the Operational Status of Systems for Ensuring the Appropriateness of Operations
1. General matters concerning the internal control system
 - (1) The Board of Directors set the Basic Policy on the Internal Control System in May 2006, when the Company's Act was revised, and has since amended portions numerous times. The policy was fully revised in September 2018.
 - (2) In order for the Group's internal control system to effectively function, the basic policies and management rules for managing the Group were set, and efforts are made to strengthen and promote the Group's internal controls through the department responsible for promoting internal controls.

- (3) The Internal Control Committee and the Group Company Internal Control Liaisonary Committee held regular meetings. During these meetings, the members confirmed the operational status of the Company and its subsidiaries' internal controls and deliberated on future plans.
2. General matters concerning corporate governance
- (1) The Board of Directors held 15 meetings, made decisions regarding important issues based on the Submission Standards stipulated in the Rules of the Board of Directors, and reported on the execution of operations by the Company and all consolidated subsidiaries. In addition to safety, compliance, and risks, there are also reports on the recent important issues and topics.
 - (2) For deliberations of agenda and reports on the execution of business at the Board of Directors meetings, sufficient time was provided for full deliberations. Also, three (3) Outside Directors and four (4) Audit & Supervisory Board Members, two (2) of whom are outside Audit & Supervisory Board Members, contributed to animated discussions on managerial matters, raising opinions, comments, and suggestions as necessary.
 - (3) In order to ensure the effectiveness of the overall Board of Directors, the Board of Directors analyzed and evaluated by surveying all Directors, including Outside Directors, and all Audit & Supervisory Board Members, including Outside Audit and Supervisory Board Members, in May 2018. A summary of the evaluation is available in the Corporate Governance Report. The results of the investigation confirmed that the Board of Directors operates in an effective and appropriate manner. However, there were also several constructive points, such as proposals regarding the succession plans for the CEO and other officers and diversity of the Board of Directors. Therefore, the Company will discuss these points and work to ensure greater effectiveness.
 - (4) In addition to revising its response policy following revisions to the Corporate Governance Code, the Company established standards related to revision of the holding of strategic shareholding and dismissal of officers and then posted and disclosed them on its website. The Company also moved to liquidate its strategic shareholdings.
 - (5) For the nomination of candidates for Director, candidates for Audit & Supervisory Board Member, appointment of Executive Officers, and remuneration for Directors, meetings of Nomination Committee and Remuneration Committee, each an optional advisory body to the Board of Directors consisting of a majority of Outside Directors, have been held.
 - (6) In accordance with the Internal Audit Rules, the Internal Audit Office worked with Audit & Supervisory Board Members and the Accounting Auditor to implement internal control audit over financial reporting and operating audits. To ensure reliable financial reporting, the Company evaluated the development and operational status of the Company's internal controls and those of its subsidiaries above a certain scale. In addition, the Company was subject to an internal control audit performed by the Accounting Auditor.
 - (7) In order to conduct timely, appropriate disclosure to all stakeholders, including shareholders and investors, and maintain the fairness and transparency of management, the Company held a quarterly earnings briefing for institutional investors and analysts and a company explanatory meeting for individual investors.
 - (8) The directors and executive officers who supervise the subsidiaries served concurrently as directors or Audit & Supervisory Board Members of the subsidiaries. They attended meetings of the subsidiaries' boards of directors and audited and monitored the execution of duties by the directors.
 - (9) The Company properly stores and manages minutes of Board of Directors meetings, draft proposals, etc., as stipulated in the in-house rules on document management.

3. General matters concerning compliance

- (1) The C&C Management Committee, which is responsible for the promotion of compliance and crisis response (including risk management) held 23 meetings, which includes both regular and emergency meetings, deliberated on issues, such as lawsuits and disputes the Group is involved in, reports on internal problems, business-related risks, etc. set basic policy, and implemented measures.
- (2) There is a system that makes it possible to quickly report to or directly seek advice from the C&C Management Committee, responsible attorney at the law offices of the advising attorney, Audit & Supervisory Board Member, etc., if it is discovered that a director or employee of the Group violated the Articles of Incorporation, rules, etc., or there are concerns that they may have. In addition, a summary of whistle-blowing is reported at Board of Directors meetings.
- (3) The Company formulated a KITZ's Statement of Corporate Mission, Action Guide, and code of conduct related to compliance as guidelines for the behavior of all the Group's directors, executive officers, employees, and corporate activity; these items were put into practice with the President and Chief Executive Officer of the Company serving as an example; and laws, ordinances, and corporate ethics were thoroughly adhered to. In addition, the Company has been expanding the scope of the compliance system to overseas subsidiaries and working to raise awareness of compliance through various efforts, including creating local translations of the compliance program.
- (4) The Company worked to raise awareness of and increase knowledge of compliance by having various bodies, including the Legal Department and Internal Audit Office strategically conducted in-house seminars related to the KITZ's Statement of Corporate Mission, internal controls, compliance, internal audits, security trade controls, information security (personal information, etc.), intellectual property, and general corporate legal matters to the Directors, Executive Officers, and employees of the Company and its subsidiaries.

4. General matters concerning risk management

- (1) The Company pursued initiatives aimed at further enhancing the business continuity planning of the Group as a whole mainly by the Business Continuity Management Taskforce, which is led by an executive officer responsible for risk management.
- (2) The Investment and Loans Review Committee held 15 meetings (on an ad-hoc basis). The committee comprehensively reviewed material investments and loans of the Company and its subsidiaries and determined whether to promote, modify, or suspend the plan.
- (3) The Group-wide Security Trade Control Committee, the company-wide Environment Committee, the Quality Assurance Committee, and the Information Security and Personal Information Protection Committee held regular meetings. These committees reviewed legal matters concerning the Company and its subsidiaries as well as other specific issues, and formulated basic policies as well as implemented measures.

5. General matters concerning Audit & Supervisory Board Members

- (1) During the 105th term, the Audit and Supervisory Board held 15 meetings as well as four (4) sessions for exchanging opinions with the representative director, and reported and shared views on the audit results. The Auditors Board Office provided the Audit & Supervisory Board Members with information concerning the members' auditing duties, and facilitated the audit duties of its members while liaising with the Accounting Auditor and other parties to enhance the effectiveness of the Audit & Supervisory Board.
- (2) Standing Audit & Supervisory Board members made use of the Auditors' Board Office in Chino plant and efficiently conducted audits of factories and peripheral subsidiaries.

- (3) To strengthen collaboration with the Accounting Auditor and the Internal Audit Office, the Audit & Supervisory Board organized six (6) meetings of Tripartite Audit Assembly and made efforts to enhance the effectiveness and efficiency of each audit. At two (2) of those meetings, information was provided and opinions exchanged as Four-Party Audit and Supervision Meeting with Outside Directors to link audit and supervisory functions.
- (4) To monitor and evaluate the internal systems among the Group, the standing Audit & Supervisory Board Members served concurrently as corporate auditors of the subsidiaries in Japan, China, and Taiwan, and audited the execution of duties of the directors in the boards of directors of these subsidiaries, expressing their opinion as necessary.

5. Matters concerning the Basic Policy on the Control of the Company

The Company has not currently introduced defensive measures against hostile takeovers.

6. Policy concerning the Exercise of Rights in the Case that the Company's Articles of Incorporation Stipulate that the Board of Directors Determines Dividends of Surplus

The Company regards the return of profits to shareholders in the form of dividends as a key management priority. Its basic policy is to pay dividends commensurate with current business trends as well as its various financial needs, which may include capital expenditure for future business expansion, research and development expenditure, funding for M&A activities, repayment of debts, or redemption of bonds. In paying dividends, the Company also aims to secure adequate internal reserves while also taking into full consideration the need for continuous and stable payment of dividends.

Based on the above considerations, the Company considers that a dividend payout ratio of about 25% of net income attributable to owners of the parent is a desirable level for cash dividends for the time being. Under the third phase of the medium-term management plan that was announced in May 2016, the Company will raise its consolidated payment ratio target from around one-third of net income attributable to owners of the parent. Accordingly, the Company will acquire treasury stock more aggressively and return more profits to shareholders.

Guided by the aforementioned policy, the Company resolved to pay a year-end dividend ¥12 per share for the year ended March 2019. Accordingly, the Company paid ¥20 per share as cash dividends for the fiscal year ended March 2019, including the interim payment (¥8 per share) and achieved the largest annual dividend per share since being listed. While the consolidated dividend payout ratio came to 34.2%, for the purpose of determining the dividend amount, we used net income attributable to owners of parent of ¥8,109 million, which does not include an impairment loss of ¥2,483 million on fixed assets concerning a subsidiary in South Korea (Cephas Pipelines Corp.), and the consolidated dividend payout ratio in this calculation would be 23.7%. With the inclusion of the ¥1,949 million in treasury stock that the Company acquired during the current fiscal year pursuant to a resolution of the Board of Directors at a meeting held on July 30, 2018, and the ¥78 million in treasury stock that the Company acquired pursuant to a resolution of the Board of Directors at a meeting held on March 14, 2019, the total amount of shareholder returns came to ¥3,940 million, a consolidated total payout ratio of 70.1%.

In preparing the fourth phase of the medium-term management plan, the Company raised the desirable level of payout ratio by 10% to about 35% of net income attributable to owners of parent from the previous level of about 25%, effective from the next fiscal year, to enhance the return of profit to shareholders through dividend payments.

Based on net income attributable to owners of parent as per the current consolidated financial forecasts, we forecast annual dividend for the next fiscal year to be ¥24 per share.

Note: The monetary figures in this business report are rounded down to the nearest whole unit.

Consolidated Financial Statements

Consolidated Balance Sheet (as of March 31, 2019)

(Units: Millions of yen)

Item	Amount	Item	Amount
<i>Assets</i>		<i>Liabilities</i>	
Current assets	71,226	Current liabilities	22,227
Cash in hand and in banks	13,660	Accounts payable–trade	6,625
Notes, accounts receivable–trade	19,484	Current portion of corporate bonds	774
Electronically recorded monetary claims	10,715	Short-term borrowings	1,220
Merchandise and finished goods	10,282	Current portion of long-term debt	2,521
Work in process	5,683	Income taxes payable	1,434
Raw materials and supplies	8,500	Consumption tax payable	535
Other	3,054	Accrued bonuses to employees	2,529
Less: Allowance for doubtful accounts	(153)	Accrued bonuses to directors	206
		Other	6,379
Fixed assets	60,430	Long-term liabilities	32,600
Property, plant and equipment	41,677	Corporate bonds	21,904
Buildings and structures	10,199	Long-term debt	7,037
Machinery, equipment and vehicles	11,642	Deferred tax liabilities	807
Tools, furniture and fixtures	5,307	Accrued retirement benefits to directors, corporate auditors and operating officers	362
Land	10,500	Allowance for stock benefit for directors and operating officers	124
Construction in progress	3,807	Retirement benefit liabilities	749
Other	220	Asset retirement obligations	408
Intangible assets	9,420	Other	1,207
Goodwill	887	Total liabilities	54,827
Software in progress	6,599	<i>Net assets</i>	
Other	1,933	Shareholders' equity	74,411
Investments and other assets	9,332	Common stock	21,207
Investments in securities	4,943	Capital surplus	5,674
Retirement benefit assets	326	Retained earnings	51,562
Deferred tax assets	1,316	Treasury stock	(4,032)
Other	2,748	Accumulated other comprehensive income	1,185
Less: Allowance for doubtful accounts	(2)	Net unrealized gains on other securities	1,333
Total assets	131,657	Translation adjustments	(254)
		Cumulative adjustments related to retirement benefits	107
		Non-controlling interests	1,232
		Total net assets	76,829
		Total liabilities and net assets	131,657

Consolidated Statements of Income (From April 1, 2018 to March 31, 2019)

(Units: Millions of yen)

Item	Amount	
Net sales		136,637
Cost of sales		98,188
Gross profit		38,449
Selling, general and administrative expenses		26,735
Operating income		11,713
Non-operating income		
Interest and dividend income	206	
Insurance income	173	
Exchange gains	122	
Other	513	1,017
Non-operating expenses		
Interest expenses	252	
Sales discount	415	
Losses on sales of notes receivable	24	
Other	154	847
Ordinary income		11,883
Extraordinary income		
Gain on sales of property, plant and equipment	11	
Gain on sales of investment securities	0	
Other	1	12
Extraordinary loss		
Losses on sales or disposal of property, plant and equipment	104	
Impairment loss	2,675	
Other	7	2,787
Net income before income taxes		9,108
Income taxes (income, residential and enterprise taxes)	3,312	
Income tax adjustment	33	3,345
Net income		5,762
Net income attributable to non-controlling interests		136
Net income attributable to owners of the parent		5,625

Consolidated Statements of Changes in Net Assets (From April 1, 2018 to March 31, 2019)

(Units: Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of start of current fiscal year	21,207	5,674	47,679	(2,004)	72,556
Changes during fiscal year					
Dividends from surplus			(1,742)		(1,742)
Net income attributable to owners of the parent			5,625		5,625
Acquisition of treasury stock				(2,028)	(2,028)
Sales of treasury stock		0		0	0
Cancellation of treasury shares					-
Change of interest for transaction attributable to non-controlling parties					-
Items other than changes in shareholders' equity, net					
Total change during fiscal year	-	0	3,883	(2,028)	1,854
Balance as of end of current fiscal year	21,207	5,674	51,562	(4,032)	74,411

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Net unrealized gains on other securities	Translation adjustments	Cumulative adjustments related to retirement benefits	Total accumulated other comprehensive income		
Balance as of start of current fiscal year	2,279	1,291	89	3,660	1,173	77,391
Changes during fiscal year						
Dividends from surplus						(1,742)
Net income attributable to owners of the parent						5,625
Acquisition of treasury stock						(2,028)
Sales of treasury stock						0
Cancellation of treasury shares						-
Change of interest for transaction attributable to non-controlling parties						-
Items other than changes in shareholders' equity, net	(946)	(1,546)	17	(2,475)	58	(2,416)
Total change during fiscal year	(946)	(1,546)	17	(2,475)	58	(561)
Balance as of end of current fiscal year	1,333	(254)	107	1,185	1,232	76,829

Non-consolidated Financial Statements

Non-consolidated Balance Sheet (as of March 31, 2019)

(Units: Millions of yen)

Item	Amount	Item	Amount
<i>Assets</i>		<i>Liabilities</i>	
Current assets	36,702	Current liabilities	17,165
Cash in hand and in banks	3,915	Accounts payable–trade	5,084
Notes receivable - trade	868	Current portion of corporate bonds	574
Electronically recorded monetary claims	8,006	Short-term borrowings	4,337
Accounts receivable - trade	9,129	Current portion of long-term debt	2,011
Merchandise and finished goods	3,169	Income taxes payable	893
Work in process	1,986	Accrued bonuses to employees	1,504
Raw materials and supplies	2,165	Accrued bonuses to directors	51
Short-term loans receivable	5,259	Other	2,707
Other	2,203	Long-term liabilities	27,801
Less: Allowance for doubtful accounts	(2)	Corporate bonds	21,904
Fixed assets	62,343	Long-term debt	4,496
Property, plant and equipment	16,007	Allowance for stock benefit for directors and operating officers	124
Buildings	2,670	Other	1,276
Structures	430	Total liabilities	44,966
Machinery and equipment	4,158		
Tools, furniture and fixtures	4,498	<i>Net assets</i>	
Land	3,789	Shareholders' equity	52,764
Construction in progress	292	Common stock	21,207
Other	167	Capital surplus	5,715
Intangible assets	7,880	Legal capital surplus	5,715
Investments and other assets	38,455	Other capital surplus	0
Investments in securities	4,588	Retained earnings	29,875
Stocks of subsidiaries and affiliates	27,162	Other retained earnings	29,875
Long-term loans receivable	6,309	Retained earnings brought forward	29,875
Deferred tax assets	671	Treasury stock	(4,032)
Other	1,940	Valuation and translation adjustments	1,314
Less: Allowance for doubtful accounts	(2,217)	Net unrealized gains on other securities	1,314
Total assets	99,045	Total net assets	54,079
		Total liabilities and net assets	99,045

Non-consolidated Statement of Income (From April 1, 2018 to March 31, 2019) (Units: Millions of yen)

Item	Amount	
Net sales		72,262
Cost of sales		52,415
Gross profit		19,847
Selling, general and administrative expenses		13,861
Operating income		5,985
Non-operating income		
Interest and dividend income	1,922	
Insurance income	131	
Other	99	2,153
Non-operating expenses		
Interest expenses	228	
Sales discount	215	
Exchange losses	40	
Other	45	530
Ordinary income		7,609
Extraordinary income		
Gain on sales of property, plant and equipment	2	
Gain on sales of investment securities	0	
Gain on liquidation of subsidiaries and affiliates	125	127
Extraordinary loss		
Losses on sales or disposal of property, plant and equipment	21	
Impairment loss	58	
Loss on valuation of stocks of subsidiaries and affiliates	3,020	
Other	6	3,106
Income before income taxes		4,630
Income taxes (income, residential and enterprise taxes)	1,682	
Income tax adjustment	(38)	1,644
Net income		2,985

Non-consolidated Statements of Changes in Net Assets (From April 1, 2018 to March 31, 2019)

(Units: Millions of yen)

	Shareholders' equity						Valuation and translation adjustments
	Common stock	Capital surplus		Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on other securities
		Legal capital surplus	Other capital surplus	Other retained earnings Retained earnings brought forward			
Balance as of start of current fiscal year	21,207	5,715	–	28,631	(2,004)	53,549	2,219
Changes during fiscal year							
Dividends from surplus				(1,742)		(1,742)	
Net income				2,985		2,985	
Acquisition of treasury stock					(2,028)	(2,028)	
Sales of treasury stock			0		0	0	
Cancellation of treasury shares						–	
Items other than changes in shareholders' equity, net							(905)
Total change during fiscal year	–	–	0	1,243	(2,028)	(784)	(905)
Balance as of end of current fiscal year	21,207	5,715	0	29,875	(4,032)	52,764	1,314

Auditor's Reports

Accounting Audit Report on the Consolidated Financial Statements

Independent Auditor's Report

May 20, 2019

To the Board of Directors
KITZ Corporation

Ernst & Young ShinNihon LLC
Koichi Yanai Certified Public Accountant
Designated and Engagement Partner
Yuhei Ohno Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 444, Item 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the Consolidated Balance Sheet, the Consolidated Statements of Income, the Consolidated Statements of Changes in Net Assets and the Notes to the Consolidated Financial Statements of KITZ Corporation (the "Company") applicable to the fiscal year from April 1, 2018, through March 31, 2019.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion, from an independent perspective on the consolidated financial statements based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depending on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors do not consider internal control for the purpose of expressing an opinion on its effectiveness, but consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the corporate group, which consisted of KITZ Corporation and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2019, in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As described in Notes on Changes in Accounting Policies, consolidated subsidiaries that engage in the Brass Bar Manufacturing business had adopted mainly a declining balance method for depreciation of property, plant and equipment (excluding leased assets), but changed it to a straight-line method effective at the beginning of the current fiscal year.

Our opinion is not qualified in respect of this matter.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

Accounting Audit Report on the Non-consolidated Financial Statements

Independent Auditor's Report

May 20, 2019

To the Board of Directors
KITZ Corporation

Ernst & Young ShinNihon LLC
Koichi Yanai Certified Public Accountant
Designated and Engagement Partner
Yuhei Ohno Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 436, Item 2, Paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the Non-consolidated Balance Sheet, Non-consolidated Statement of Income, Non-consolidated Statements of Changes in Net Assets, Notes to the Non-consolidated Financial Statements and the related supplementary schedules of KITZ Corporation (the "Company") applicable to the 105th fiscal year from April 1, 2018, through March 31, 2019.

Management's Responsibility for the Non-consolidated Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion, from an independent perspective on the non-consolidated financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the related supplementary schedules. The procedures selected and applied depending on the auditors' judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the related supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditors do not consider internal control for the purpose of expressing an opinion on its effectiveness, but consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used, the method of their application, and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the non-consolidated financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of the corporate group, which consisted of KITZ Corporation and its consolidated subsidiaries, applicable to the 105th fiscal year ended March 31, 2019, in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

Audit Report of the Audit & Supervisory Board

Audit Report

With respect to the Directors' performance of their duties during the 105th business year (from April 1, 2018 through March 31, 2019), the Audit & Supervisory Board has prepared this audit report after deliberations based on the audit report prepared by each Audit & Supervisory Board Member, and hereby reports as follows as the consensus of opinion of the Audit & Supervisory Board.

1. Method and Contents of Audit by Audit & Supervisory Board Members and the Audit & Supervisory Board

- (1) In accordance with the Rules of the Audit & Supervisory Board, the Audit & Supervisory Board undertook the necessary reviews as described below.
 - (i) We have established the audit policies, audit plans and other relevant matters for the fiscal year, received a report regularly from each of the Audit & Supervisory Board Member regarding the status of implementation of their audits and results thereof, and reviewed the performance of directors' duties.
 - (ii) We had regular opportunities for exchanging opinions with the President, and then reported and shared views on the audit results, while receiving reports from directors, employees, and other relevant persons as necessary.
 - (iii) We invited the accounting auditor and the General Manager of the Internal Audit Office to our regular meetings and made efforts to facilitate tripartite collaboration in audits and enhance the effectiveness and efficiency of each audit. In addition, we worked to facilitate mutual communication, together with outside Directors as deemed appropriate, and strengthen cooperation with auditing and supervisory function.
 - (iv) We received regular reports from the accounting auditor on application of the "Principles for effective management of audit firms (the audit firm governance code)" (Financial Services Agency, March 2017) and the measures for securing the quality of its audits, and sought explanations as necessary. We also examined whether it would be appropriate to re-elect the accounting auditor for the next fiscal year in light of the evaluation standards and policies for determining the dismissal or non-reappointment of the accounting auditor.
- (2) Each Audit & Supervisory Board Member complied with the auditing standards of Audit & Supervisory Board Members established by the Audit & Supervisory Board, followed the auditing policies, allocation of duties, and other relevant matters, communicated with such as the Directors, the General Manager of the Internal Audit Office and other employees, made efforts to establish the environment for collecting information and auditing, and conducted the audit by the following methods.
 - (i) Each Audit & Supervisory Board Member participated in the meetings of the Board of Directors and other important meetings, received reports from the Directors, employees, and other relevant persons on the performance of their duties, and requested explanations as necessary. In addition, each Audit & Supervisory Board Member inspected important approval/decision documents, and investigated the status of the corporate affairs and assets at the Head Office and other principal business locations.
 - (ii) Regarding the subsidiaries, two standing Audit & Supervisory Board Members served concurrently as Audit & Supervisory Board Member of domestic subsidiaries, and audited the execution of duties of the subsidiaries' Boards of Directors. The Members also attended meetings of the subsidiaries' Boards of Directors, including those overseas, and received reports on the operations and assets of each subsidiary as well as the development and operational status of Internal Control System therein. The Members also communicated with the Directors and other relevant persons of the subsidiaries, and, where necessary, investigated the relevant subsidiaries' operations and other relevant matters.
 - (iii) The Audit & Supervisory Board Members examined the appropriateness of the Board of Directors' resolutions regarding the development and maintenance of the Internal Control System described in the business report;
 - i) the system for ensuring that the performance of duties by the Directors conforms to the applicable laws and regulations and Articles of Incorporation, and
 - ii) the system stipulated in Article 100, Item 1 and Item 3 of the Enforcement Regulations of the Companies Act, which are necessary for ensuring the properness of operations of the enterprises consisting of the Company and its subsidiaries.

The Board Members also received reports regarding the development and operation status at the Board of Directors and other relevant bodies and expressed opinions as necessary. With regard to the aspects of the Internal Control System that concern financial reporting, the Audit & Supervisory Board Members received reports at the Board of Directors and other relevant bodies, and also received periodic reports from Ernst & Young ShinNihon LLC and the General Manager of the Internal Audit Office regarding the status of the evaluation and audit of the Internal Control System.

- (iv) Through communicating with the accounting auditor, each Audit & Supervisory Board Member monitored and verified whether the accounting auditor maintained its independence and properly conducted its audit, received a report regularly from the accounting auditor on its audit plans and the status of its performance of duties, and requested explanations as necessary. Also, we reviewed the appropriateness of the audit procedures and audit results by the accounting auditor. In addition, we received notice from the Accounting Auditor that “System for ensuring that duties are performed properly” (matters set forth in each item of Article 131 of the Company Accounting Regulations) is organized in accordance with the “Quality Management Standards Regarding Audits” (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations as necessary.

Based on the above methods, each Audit & Supervisory Board Member examined the business report and the accompanying detailed statements, the financial statements (balance sheet, statement of income, statement of changes in net assets, and notes to non-consolidated financial statements) and the related supplementary schedules as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of equity, and notes to consolidated financial statements) for the fiscal year under review.

2. Results of Audit

(1) Results of Audit of Business Report and Other Relevant Documents

- (i) We confirm that the business report and the accompanying detailed statements fairly represent the Company’s conditions in accordance with the related laws and regulations and Articles of Incorporation.
- (ii) We have found no significant evidence of wrongful act or violation of related laws and regulations, nor the Articles of Incorporation with regard to the execution of duties by the Directors.
- (iii) We confirm that the content of the resolution of the Board of Directors regarding the Internal Control System is proper. In addition, we have found no matters on which to remark in regard to the description of the business report and the execution of duties by the Directors regarding the Internal Control System.

(2) Result of the Audit of the Non-consolidated Financial Statements and the Related Supplementary Schedules

We confirm that the methods and results of the audit conducted by the Accounting Auditor, Ernst & Young ShinNihon LLC are proper.

(3) Result of the Audit of the Consolidated Financial Statements

We confirm that the methods and results of the audit conducted by the Accounting Auditor, Ernst & Young ShinNihon LLC are proper.

3. Decision to Re-elect the Accounting Auditor

As a result of its review, the Audit & Supervisory Board has determined that Ernst & Young ShinNihon LLC should be re-elected as the accounting auditor for the 106th fiscal year ending March 31, 2020.

May 27, 2019

Audit & Supervisory Board of Kitz Corporation
Standing Audit & Supervisory Board Member Masahiko Kondo
Standing Audit & Supervisory Board Member Taro Kimura
Outside Audit & Supervisory Board Member Tatsuhiro Takai
Outside Audit & Supervisory Board Member Shuhei Sakuno