

## *News Release*

May 9, 2016

### **Regarding the KITZ Group Third Phase of Medium-Term Management Plan (FY2016 – FY2018) and Revision of targets of “KITZ Global Vision 2020”**

Since formulating the “KITZ Global Vision 2020” in May 2010, we have been striving to implement policies for growth so that we can achieve its numerical targets with expecting economic recovery after Lehman shock.

In overseas market, the effects of slowing Chinese economic growth have caused stagnation not only in China but also in other emerging countries. Because of the sharp drop in the crude oil price, capital investments by energy-related companies have significantly decreased.

In domestic market, we can expect some demand of building facilities for Olympic / Paralympic games Tokyo in 2020, but with the effect of global stagnation, financial outlook of companies is uncertain and we cannot expect aggressive capital investments. Based on the above situation, we judged that it is difficult to optimistically anticipate rapid increase of sales in next few years. Having reviewed the results of the second phase of the Medium-Term Management Plan (2013-2015) and considering the changing market environment, we formulated the following third phase of the Medium-Term Management Plan to fiscal 2018 and revised the targets of Long-Term Management Plan.

#### 1. Basic Policy

- a. Concentrate management resources in the focused market fields (Building facility, Petrochemistry, General Chemistry, and Clean Energy) where we can make use of our advantages. Introduce new products and concentrate capital / R&D investment in those fields. Strengthen strategic implementation structure by following PDCA cycle of prioritized measures.
- b. Improve cost by global procurement, self-manufacture, and increasing productivity. Aggressively make capital investments which generate profit. Reorganize the business and eliminate waste. Aim for thorough implementation of the profit/cash flow-oriented policy and 8% or more of ROE.
- c. Aim for achieving 10 billion yen or more of the operating profit in the fiscal 2018 and the record-high profit in the fiscal 2020.
- d. To enhance return of profits to shareholders, we have set a target dividend payout ratio of about 25% of the consolidated Net Income attributable to owners of parent and will take a proactive stance for the acquisition of treasury stock.

## 2. Valve Manufacturing Business : Three Strategic Pillars

### a. Narrowing down of the focused market fields and focused areas

Narrow down the focused market fields to building facility, petrochemistry and general chemistry, and clean energy (hydrogen and LNG) and move forward with the introduction of new specialized products to dig the market deeply and try to expand our market share. Also narrow down the focused areas to Japan + 3 Regional HQs (Europe/The Americas/ASEAN), two hub markets (China and India) and reinforce their multifunctionalization: Sales, Marketing, Engineering, Stock, Maintenance and Service. Especially, our prioritized areas are ASEAN and The Americas.

### b. The Matrix structure with vertical (organizations by functions) and horizontal (company-wide horizontally-based organization) by which we implement business strategy with enhancement of management of both “organization” and “product”. By enhancement of function and authority of Business Planning Dept. , try to thorough management of important measures for existing organization and following PDCA cycle.

Newly establish the Product Management Center, comprehensively introduce the product group based on the strategy in a timely/expeditious manner, and implement the product management. Try to expand the sales and share in the focused market fields and take responsibility for achievement (figures).

### c. Realization of the cost to be able to compete globally by utilizing existing resources with economy and thoroughly to expand sales and profit.

Enhance the cost improvement promotion system as anchored by the Production Head Office. Put effort into global procurement, self-manufacture, and improvement of productivity. Newly establish the Engineering Center in which estimation/design work is aggregated within the Engineering Head Office and try to improve profitability of the special order products.

## 3. Consolidated numerical targets

### Main Target figures

	FY2015 Result	FY2016	FY2017	FY2018
Net Sales	117,278	111,500	115,000	120,000
Operating Income	7,245	8,000	9,000	10,000
Ordinary Income	7,300	7,700	8,700	9,700
Profit attributable to Owners of Parent	4,915	5,000	5,700	6,300
Operating income ratio	6.2%	7.2%	7.8%	8.3%
Overseas Sales ratio	31.7%	31.8%	32.7%	34.2%
ROE	6.6%	6.6%	7.2%	7.7%
Equity Capital Ratio	62.9%	63.9%	64.7%	64.0%
EPS (Yen)	45.5	46.6	54.0	61.0
BPS (Yen)	700.17	736.00	778.00	825.00

### Millions of yen

FY2020 Revised
135,000
12,500
12,200
8,000
9.3%
37.7%
9.0%
62.9%
81.0
938.00

#### Net Sales by segment

	FY2015 Result	FY2016	FY2017	FY2018
Valve manufacturing business	93,579	92,000	95,000	100,000
Brass bar manufacturing business	20,557	16,400	16,500	16,500
Others	3,141	3,100	3,500	3,500
Total	117,278	111,500	115,000	120,000

#### Millions of yen

FY2020 Revised
113,000
17,800
4,200
135,000

#### Operating Income by segment

	FY2015 Result	FY2016	FY2017	FY2018
Valve manufacturing business	10,384	11,000	11,900	13,150
Brass bar manufacturing business	(16)	250	350	100
Others	75	100	150	150
Corporate expenses	(3,197)	(3,350)	(3,400)	(3,400)
Total	7,245	8,000	9,000	10,000

#### Millions of yen

FY2020 Revised
15,150
500
250
(3,400)
12,500

#### 4. Revision of targets of “KITZ Global Vision 2020”

##### Millions of yen

	FY2020	
	After	Before
Net Sales	135,000	250,000
Operating Income	12,500	20,000
Operating Income Ratio	9.3%	8.0%
Overseas Sales ratio	37.7%	50.0%
ROE	9.0%	7.0%
Equity Capital Ratio	62.9%	70.0%

■ For further information contact us:

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