Consolidated Financial Results for the Six-Month Period Ended September 30, 2008

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

Company Name: KITZ CORPORATION Stock Listing: Tokyo Stock Exchange
Stock Code: 6498
(URL: http://www.kitz.co.jp/english/index.html)
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Date of Payment of Dividends (Planned): December 5, 2008
Reporting Date of Quarterly Financial Statement: November 13, 2008
(Note: In this report, amounts of less than one million yen are omitted and per share figures are rounded down to two decimal places.)

1. Consolidated Financial Results (Apr. 1 – Sept. 30, 2008)

(1) Consolidated Operating Results

(Note: Percentages are YoY changes for the six month period ended September 30)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Ended Sept. 30, 2008	70,837	—	4,642	—	4,269	—	2,484	—
Ended Sept. 30, 2007	76,009	9.2	6,032	7.2	5,651	7.1	3,410	(29.7)

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
Ended Sept. 30, 2008	21.96	21.95
Ended Sept. 30, 2007	29.49	29.43

(2) Consolidated Financial Position

	Total assets	Net asset	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Sept. 30, 2008	110,334	54,065	48.2	470.06
Mar. 31, 2008	109,310	53,337	47.9	463.16

Reference: Equity (Millions of yen) Sept. 30, 2008: 53,163 Mar. 31, 2008: 52,391

2. Dividends

	Cash dividends per share				
Record Dates	1Q	2Q	3Q	4Q	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 31, 2008	—	7.00	—	8.00	15.00
Year ending Mar. 31, 2009	—	6.00			
Year ending Mar. 31, 2009 (Planned)			—	6.00	12.00

Note: Revisions to the dividend forecast in the first half of the fiscal year: Yes
For more information, please see "Notice of Revisions to Dividend Forecast for the Fiscal Year ending March 2009," released on Oct. 31, 2008

3. Consolidated Financial Forecast for the Fiscal Year Ending March 2009 (Apr. 1, 2008 – Mar. 31, 2009)

(Note: Percentages are YoY changes for the fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending Mar. 31, 2009	135,000	(9.6)	9,200	(20.8)	8,400	(20.2)	4,850	(22.9)	42.88

Note: Revisions to the consolidated financial forecast in the first half of the fiscal year: Yes

4. Others

(1) Changes in significant subsidiaries (Changes in subsidiaries affecting the scope of consolidation): None

(2) Use of simplified accounting methods and special accounting methods for the preparation of quarterly consolidated financial statements: Yes
For more information, please see "Qualitative Information and Financial Statements 4, Others (2)" on page 6.

(3) Revisions in accounting rules, procedures and presentations concerning preparation of the quarterly consolidated financial statements (Revisions in significant items concerning the basis for preparing the quarterly consolidated financial statements)
1. Revisions involving a change to accounting standards: Yes
2. Other revisions Yes
For more information, please see "Qualitative Information and Financial Statements 4, Others (3)" on page 6.

(4) Number of shares outstanding (Common stock)
1. Shares issued and outstanding (including treasury stock)
Sept. 30, 2008: 120,396,511 Mar. 31, 2008: 120,396,511
2. Treasury stock
Sept. 30, 2008: 7,298,457 Mar. 31, 2008: 7,279,922
3. Average number of shares issued (during the first half of the fiscal year)
Ended Sept. 30, 2008: 113,110,775 Year ended Mar. 31, 2008: 115,646,382

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

1. The consolidated fiscal year forecasts announced on May 9, 2008 have been revised for the fiscal year.
2. The forecast was prepared using information that was available on the announcement date. Actual performance may differ from the forecast for a number of reasons. Please see "Qualitative Information and Financial Statements 3, Qualitative Information on Consolidated Financial Forecast" on page 5 for more information.
3. Beginning with the current fiscal year, the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12) and the "Implementation Guidance on Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No. 14) have been applied. In addition, the quarterly consolidated financial statements have been prepared in accordance with the "Rules for Quarterly Consolidated Financial Statements."

(Reference)

Non-consolidated Financial Forecast for the Fiscal Year Ending March 2009 (Apr. 1, 2008 – Mar. 31, 2009)

(Note: Percentages are YoY changes for the fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending Mar. 31, 2009	66,300	(2.2)	5,100	(23.6)	4,800	(26.5)	3,000	(29.8)	26.52

Note: Revisions to the non-consolidated financial forecast in the first half of the fiscal year: Yes

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

1. The non-consolidated fiscal year forecasts announced on May 9, 2008 have been revised for the fiscal year.
2. The above financial forecasts are based on information currently available to the Company at the time of the release of this report. Actual results could differ materially from projections due to various factors.

Qualitative Information and Financial Statements

1. Qualitative Information on Consolidated Business Results

In the first half of the fiscal year, Japan's economy was severely impacted by the global turmoil in financial markets that originated in the United States and affected the real economy worldwide, the sharp decline of prices of crude oil and other basic materials, declines in internal and external demand, and the yen's appreciation.

In this environment, valve manufacturing business sales were down in Japan and overseas. In addition, there was a decrease in sales in the brass bar manufacturing business. The result was first half sales of 70,837 million yen.

Earnings were affected by the decline in sales and by a reduction in the book value of inventories resulting from a reexamination of the profitability of certain inventory items. As a result, operating income was 4,642 million yen, ordinary income was 4,269 million yen, and net income was 2,484 million yen.

There was a situation involving water leaks from some KITZ copper alloy insertion joints sold between 2002 and 2005 (total of about 980,000 units). The cause was the use of these joints in a corrosive environment that KITZ had not anticipated. KITZ is currently replacing these joints as a preventive measure. Estimated replacement expenses of 286 million yen (resulting in cumulative expenses of 1,199 million yen) were posted in the second quarter. Expenses recorded thus far for this issue, including expenses for completed replacements, represent 28% of all applicable joints.

Results by Business Segment

(1) Valve manufacturing business

Sales to external customers totaled 47,306 million yen. This was mainly attributable to a decline in residential and building construction application approvals in Japan caused by delays associated with the amended Building Standards Law, a downturn in orders for valves used in semiconductor manufacturing equipment, and lower sales in the Middle East. Operating income was 5,678 million yen, the result of a decline in sales volume and a loss for the devaluation of inventories due to lower profitability.

(2) Brass bar manufacturing business

Sales were 18,744 million yen due to declines in sales volume and sales prices. Operating income was 264 million yen due to a decrease in sales and other factors.

(3) Services and other business

Sales in the fitness club business increased because a new center started operations. In the hotel business, there was a decrease in the number of guests. The result was sales of 4,786 million yen. Operating income was 212 million yen due to lower sales in the hotel business and other factors.

2. Qualitative Information on Consolidated Financial Condition

At the end of the first half, assets totaled 110,334 million yen, 1,024 million yen more than at the end of the previous fiscal year. There was a decrease in inventories, and securities declined along with their market values. Offsetting these decreases were an increase in trade receivables, and an increase in cash and cash equivalents in response to the reluctance of banks to extend loans. Liabilities increased 296 million yen to 56,268 million yen mainly due to an increase in long- and short-term loans.

Net assets increased 727 million yen to 54,065 million yen. This was mainly the net result of a first half net income of 2,484 million yen, a decrease in retained earnings because of dividend payments, and a decrease in translation adjustment.

(Cash Flows)

There was a net increase of 1,599 million yen in cash and cash equivalents to 6,669 million yen. Income before income taxes and minority interests was about the same as one year earlier and cash was used for the repayment of debt.

Cash flows and their major components were as follows:

(1) Cash flows from operating activities

Income before income taxes and minority interests was 4,186 million yen and depreciation was 1,771 million yen. There were also increases in notes and accounts receivable and income taxes paid. As a result, net cash provided by operating activities was 3,647 million yen.

(2) Cash flows from investing activities

Net cash used in investing activities was 2,114 million yen. The primary use of cash was payments of 2,128 million yen for the purchase of property, plant and equipment, mainly in the valve manufacturing business.

(3) Cash flows from financing activities

Debt increased 976 million yen from the end of the previous fiscal year, mainly due to additional long- and short-term loans to increase internal liquidity. Although cash was used for dividend payments, financing activities provided net cash of 94 million yen.

Notes: 1. To be prepared to meet short-term demands for working capital, KITZ has established an 8,000 million yen credit facility with a syndication of banks. As of September 30, 2008, KITZ had no loans through this credit facility.
2. On September 26, 2008, KITZ submitted a shelf registration to issue up to 20,000 million yen of bonds.

3. Qualitative Information on Consolidated Financial Forecast

In the valve manufacturing business, market conditions are expected to remain challenging. Issues include pressure on earnings from the yen's rapid appreciation, declining residential and building construction application approvals in Japan, and a prolonged slump in the semiconductor market. In the brass bar manufacturing business, sales are expected to decline as product prices fall with the cost of raw materials. In addition, demand for brass is likely to fall due to Japan's weakening economy.

In response to this outlook, KITZ has revised the forecast announced on May 9, 2008 for consolidated performance in the fiscal year ending March 2009 as follows.

In addition, due to these forecast revisions, KITZ has revised the dividend forecast announced Oct. 31, 2008 in a release titled "Notice of Revisions to Dividend Forecast for the Fiscal Year ending March 2009." Although KITZ originally planned to pay an annual dividend of 15 yen per share, the company now plans to pay an annual dividend of 12 yen, the sum of six-month and year-end dividends of 6 yen each.

	Net sales	Operating income	Ordinary income	Net income	Net income per share (basic)
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	147,000	11,650	10,650	6,400	56.57
Current revised forecast (B)	135,000	9,200	8,400	4,850	42.88
Changes in amount (B－A)	(12,000)	(2,450)	(2,250)	(1,550)	—
Percentage change (%)	(8.2%)	(21.0%)	(21.1%)	(24.2%)	—
Previous result (Year ended Mar. 31, 2008)	149,274	11,615	10,525	6,290	54.52

4. Others

(1) Changes in significant subsidiaries (Changes in subsidiaries affecting the scope of consolidation)

There are no significant items

(2) Use of simplified accounting methods and special accounting methods for the preparation of quarterly consolidated financial statements

(Simplified accounting methods)

April 1 – September 30, 2008
Method for calculating deferred tax assets and liabilities Concerning the likelihood of recovering deferred tax assets, there have been no significant changes in the operating environment, temporary differences or other associated factors since the end of the previous fiscal year. Consequently, deferred tax assets and liabilities were calculated in accordance with earnings forecasts and tax planning documents that were used at the end of the previous fiscal year.

(Special accounting methods for the preparation of quarterly consolidated financial statements)

April 1 – September 30, 2008
Calculation of tax expenses For the calculation of tax expenses, a reasonable estimate of the effective tax rate was determined after applying tax effect accounting to income before income taxes for the fiscal year. The first half income before income taxes was then multiplied by the estimated effective tax rate. Deferred taxes are included in income taxes.

(3) Revisions in accounting rules, procedures and presentations concerning preparation of quarterly consolidated financial statements

Beginning with the current fiscal year, the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12) and the “Implementation Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14) have been applied. In addition, the quarterly consolidated financial statements have been prepared in accordance with the “Rules for Quarterly Consolidated Financial Statements.”

Quarterly consolidated financial statements have been prepared in accordance with the revised rules for the presentation of quarterly consolidated financial statements as provided for in the Supplementary Provision in Article 7, Paragraph 1.5 of the “Cabinet Office Ordinance for Partial Revisions of Regulations Concerning Financial Statement Terminology, Style and Preparation Method” (August 7, 2008 Cabinet Office Ordinance No. 50).

(Changes in Important Items Used as Basis for Preparing Quarterly Consolidated Financial Statements)

April 1 – September 30, 2008
Changes in items concerning accounting standards (1) Changes in valuation standards and methods for significant assets Inventories For ordinary inventories held for sale, valuations have previously been based on the cost method determined by the periodic average method. Beginning with this fiscal year, KITZ has started applying the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 5, 2006). As a result, inventories are valued primarily by using the cost method using the periodic average method (in this method, the book values of inventories as shown on the balance sheet are reduced to reflect declines in profitability). The application of this valuation method reduced the first half gross profit, operating income, ordinary income and income before income taxes by 507 million yen each. The effect on business segments is shown in the business information section.

April 1 – September 30, 2008
(2) Application of "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" Beginning with the first quarter in which it is applicable, KITZ is applying the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ACBJ Practical Issues Task Force No. 18, May 17, 2006), and making adjustments as required to consolidated financial statements. These adjustments had no significant effect on consolidated financial statements for the first half of the current fiscal year. (3) Application of accounting standards for lease transactions For financial leases where ownership is not transferred to the lessee, beginning with the fiscal years starting on or after April 1, 2008, companies in Japan are allowed to apply the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, originally issued by The Accounting Standards Board of Japan (ASBJ) on June 17, 1993, final revision issued on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, originally issued by ASBJ on January 18, 1994, final revision issued on March 30, 2007). Accordingly, KITZ has decided to use this standard starting with the first quarter of the current fiscal year, which results in the application of accounting methods applicable to ordinary buying and selling transactions for applicable leases. In addition, for depreciation of leased assets using financial leases where ownership is not transferred to the lessee, lease periods are used as the useful lives of the leased assets and residual value is depreciated to zero using the straight-line method. This change had no material effect on the first half results of operations in the current fiscal year. For financial leases where ownership is not transferred to the lessee that began prior to April 1, 2008, the accounting method for ordinary rental transactions is applied.

(4) Additional information

April 1 – September 30, 2008
(Change in useful lives of tangible fixed assets) Previously, KITZ and its consolidated subsidiaries in Japan used a period of 12–13 years for the useful lives of equipment. Beginning in the first quarter of the current fiscal year, in conjunction with amendments to the Corporation Tax Law of Japan, this period has been changed to 7–12 years. This revision reduced the first half gross profit, operating income, ordinary income and income before income taxes by 75 million yen each. The effect on business segments is shown in the business information section.

5. Quarterly Consolidated Financial Statements, etc.

(1) Quarterly Consolidated Balance Sheets

Classification	As of Sept. 30, 2008	As of Mar. 31, 2008
(Assets)	Millions of yen	Millions of yen
Current assets		
Cash in hand and in banks	6,669	5,069
Notes and accounts receivable—trade	28,464	27,549
Purchased and manufactured products	6,467	6,937
Work in process	5,205	5,177
Raw materials and supplies	7,224	7,508
Other	3,170	3,229
Allowance for doubtful accounts	(46)	(40)
Total current assets	57,155	55,432
Fixed assets		
Property, plant and equipment, net		
Buildings and fixtures	14,972	15,274
Land	11,510	11,634
Other, net	13,904	14,052
Total property, plant and equipment	40,386	40,961
Intangible assets	649	658
Investments and other assets	12,142	12,257
Total fixed assets	53,178	53,877
Total assets	110,334	109,310
(Liabilities)		
Current liabilities		
Notes and accounts payable—trade	6,367	6,499
Current portion of corporate bonds	2,348	2,648
Short-term bank loans	5,557	4,681
Current portion of long-term debt	8,289	6,677
Income taxes payable	1,608	1,624
Accrued bonus to employees	1,677	1,740
Accrued bonus to directors	—	108
Other	5,106	5,058
Total current liabilities	30,955	29,038
Long-term liabilities		
Corporate bonds	8,818	8,842
Long-term debt	12,079	13,398
Accrued retirement benefits to employees	343	343
Accrued retirement benefits to directors, corporate auditors and operating officers	370	360
Other	3,701	3,989
Total long-term liabilities	25,312	26,933
Total liabilities	56,268	55,972
(Net assets)		
Shareholders' equity		
Common stock	21,207	21,207
Additional paid-in capital	9,430	9,488
Retained earnings	23,995	22,364
Treasury stock	(2,407)	(2,395)
Total shareholders' equity	52,225	50,664
Valuation and translation adjustments		
Net unrealized gains on other securities	1,549	1,754
Translation adjustment	(611)	(26)
Total valuation and translation adjustments	937	1,727
Minority interests in consolidated subsidiaries	902	945
Total net assets	54,065	53,337
Total liabilities and net assets	110,334	109,310

(2) Quarterly Consolidated Statements of Income

Classification	Apr. 1, 2008 – Sept. 30, 2008
	Millions of yen
Net sales	70,837
Cost of sales	55,769
Gross profit	15,067
Selling, general and administrative expenses	10,424
Operating income	4,642
Non-operating income	
Interest	33
Dividend income	96
Foreign exchange gain	17
Other	195
Total	343
Non-operating expenses	
Interest expenses	357
Sales discounts	169
Other	189
Total	716
Ordinary income	4,269
Extraordinary income	
Gain on sale of property, plant and equipment	2
Other	0
Total	3
Extraordinary loss	
Loss on sale / removal of property, plant and equipment	80
Other	5
Total	86
Income before income taxes and minority interests	4,186
Income taxes	1,698
Minority interest in income of consolidated subsidiaries	4
Net income	2,484

(3) Quarterly Consolidated Statements of Cash Flows

Millions of yen

Classification	Apr. 1, 2008 – Sept. 30, 2008
Cash flows from operating activities	
Income before income taxes	4,186
Depreciation	1,771
Increase (decrease) in accrued bonuses to employees	(57)
Increase (decrease) in accrued retirement benefits to employees	(65)
Interest and dividend income	(130)
Interest expenses	357
(Increase) decrease in notes and accounts receivable	(1,195)
(Increase) decrease in inventories	419
(Increase) decrease in other current assets	(31)
Increase (decrease) in accounts payable	92
Increase (decrease) in other current liabilities	625
Other, net	(264)
Subtotal	5,708
Interest and dividend income received	122
Interest expenses paid	(375)
Income taxes paid	(1,807)
Net cash provided by (used in) operating activities	3,647
Cash flows from investing activities	
Purchase of property, plant and equipment	(2,128)
Sale of property, plant and equipment	20
Purchase of investment securities	(22)
Other, net	17
Net cash provided by (used in) investing activities	(2,114)
Cash flows from financing activities	
Net increase (decrease) in short-term bank loans, net	1,026
Procurement long-term debt	3,765
Repayment of long-term debt	(3,472)
Issuance of bonds	981
Redemption of bonds	(1,324)
Cash dividends paid	(904)
Other, net	22
Net cash provided by (used in) financing activities	94
Effect of exchange rate changes on cash and cash equivalents	(28)
Net increase (decrease) in cash and cash equivalents	1,599
Cash and cash equivalents at beginning of period	5,069
Cash and cash equivalents at end of period	6,669

Beginning with the current fiscal year, the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12) and the "Implementation Guidance on Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No. 14) have been applied. In addition, the quarterly consolidated financial statements have been prepared in accordance with the "Rules for Quarterly Consolidated Financial Statements."

Quarterly consolidated financial statements have been prepared in accordance with the revised rules for the presentation of quarterly consolidated financial statements as provided for in the Supplementary Provision in Article 7, Paragraph 1.5 of the "Cabinet Office Ordinance for Partial Revisions of Regulations Concerning Financial Statement Terminology, Style and Preparation Method" (August 7, 2008 Cabinet Office Ordinance No. 50).

(4) Precaution about Going Concern Assumption

There are no significant items.

(5) Segment Information

Operating Segment Information

The first half of the current fiscal year (April 1, 2008 – September 30, 2008) Millions of yen

	Valve manufacturing business	Brass bar manufacturing business	Services and other business	Total	Eliminations or corporate assets	Consolidated total
Net sales						
(1) Sales to outside customers	47,306	18,744	4,786	70,837	—	70,837
(2) Inter-segment sales / transfers	251	2,041	20	2,314	(2,314)	—
Total	47,558	20,785	4,807	73,151	(2,314)	70,837
Operating income	5,678	264	212	6,155	(1,512)	4,642

Notes: 1. Classification of operating segments and major businesses in each segment

(1) Operating segments are based on the line of products and the category of business

(2) Major businesses and products in each segment are as follows:

Operating segment	Major products and businesses
Valve manufacturing business	Bronze valves, general service iron valves, valve-related products, filter-related products
Brass bar manufacturing business	Copper products, rolled copper products
Services and other business	Hotel and restaurant business, fitness club business, glass craft products marketing

2. Change in accounting policy

(Accounting Standard for Measurement of Inventories)

As is explained in "Changes in Important Items Used as Basis for Preparing Quarterly Consolidated Financial Statements" (1), KITZ started applying "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006) in the first quarter of the current fiscal year. This change reduced the first half operating income by 455 million yen in the valve manufacturing business and 52 million yen in the brass bar manufacturing business.

3. Additional information

(Change in useful lives of tangible fixed assets)

As is explained in Qualitative Information and Financial Results 4. Others (4), Additional information, KITZ and its consolidated subsidiaries in Japan used a period of 12–13 years for the useful lives of equipment. Beginning in the first quarter of the current fiscal year, in conjunction with amendments to the Corporation Tax Law of Japan, this period has been changed to 7–12 years. This change reduced the first half operating income by 1 million yen in the valve manufacturing business, 74 million yen in the brass bar manufacturing business, and 0 million yen in services and other business.

Geographical Segment Information

The first half of the current fiscal year (April 1, 2008 – September 30, 2008) Millions of yen

	Japan	North America	Asia	Europe	Total	Eliminations or corporate assets	Consolidated total
Sales							
(1) Sales to outside customers	61,189	3,575	4,929	1,142	70,837	—	70,837
(2) Inter-segment sales / transfers	2,175	0	6,793	155	9,124	(9,124)	—
Total	63,364	3,576	11,723	1,297	79,961	(9,124)	70,837
Operating income	4,736	393	895	92	6,117	(1,474)	4,642

Notes: 1. Geographic segments are based on geographic proximity.
2. Countries and regions excluding Japan:
(1) North America: U. S. A.
(2) Asia: Taiwan, Thailand and China
(3) Europe: Spain
3. Change in accounting policy
(Accounting Standard for Measurement of Inventories)
As is explained in “Changes in Important Items Used as Basis for Preparing Quarterly Consolidated Financial Statements” (1), KITZ started applying “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 5, 2006) in the first half of the current fiscal year. This change reduced the first half operating income by 482 million yen in Japan, 0 million yen in North America and 24 million yen in Asia.
4. Additional information
(Change in useful lives of tangible fixed assets)
As is explained in Qualitative Information and Financial Results 4. Others (4), Additional information, KITZ and its consolidated subsidiaries in Japan used a period of 12–13 years for the useful lives of equipment. Beginning in the first quarter of the current fiscal year, in conjunction with amendments to the Corporation Tax Law of Japan, this period has been changed to 7–12 years. This change reduced the first half operating income by 75 million yen in Japan.

Overseas Sales

The first half of the current fiscal year (April 1, 2008 – September 30, 2008) Millions of yen

	North America	Asia	Others	Total
I. Overseas sales	4,142	7,092	3,044	14,279
II. Consolidated sales	—	—	—	70,837
III. Ratio of overseas sales to consolidated sales (%)	5.8	10.1	4.3	20.2

Notes: 1. Geographic segments are based on geographic proximity.
2. Each area represents the following countries and regions:
(1) North America: U. S. A. and Canada
(2) Asia: Taiwan, China, Thailand, Indonesia, Singapore, Malaysia, etc.
(3) Others: Europe, Middle East, Oceania, etc.
3. Overseas sales include sales of the Company and its consolidated subsidiaries in countries and regions other than Japan (Excludes all intercompany (consolidated company) transactions).

(6) Note in the Event of a Significant Change in Shareholders’ Equity

There are no significant items.

(Reference)

Financial Results in the Previous Fiscal Year

(1) Consolidated Statements of Income

	Apr. 1, 2007 – Sept. 30, 2007	
Classification	Millions of yen	%
I. Net sales	76,009	100
II. Cost of sales	59,668	78.5
Gross profit	16,341	21.5
III. Selling, general and administrative expenses	10,308	13.6
Operating income	6,032	7.9
IV. Non-operating income		
1. Interest	30	
2. Dividend income	81	
3. Amortization of negative goodwill	5	
4. Foreign exchange gain	17	
5. Assurance income	29	
6. Other	217	
Subtotal	382	0.5
V. Non-operating expenses		
1. Interest expenses	427	
2. Trade discounts	160	
3. Loss on sales of notes receivable	122	
4. Other	53	
Subtotal	763	1.0
Ordinary income	5,651	7.4
VI. Extraordinary income		
1. Gain on sale of property, plant and equipment	33	
2. Reversal of allowance of doubtful accounts	0	
3. Other	6	
Subtotal	40	0.1
VII. Extraordinary loss		
1. Loss on sale / removal of property, plant and equipment	120	
2. Impairment loss of fixed assets	988	
3. Other	45	
Subtotal	1,155	1.5
Income before income taxes and minority interests	4,536	6.0
Income taxes - current (Income, Residential and Enterprise taxes)	790	
Income taxes - deferred	331	
Total	1,121	1.5
Minority interest in income of consolidated subsidiaries	4	0.0
Net income	3,410	4.5

(2) Consolidated Statements of Cash Flows

Millions of yen

Classification	Apr. 1, 2007- Sept. 30, 2007
I. Cash flows from operating activities	
Income before income taxes	4,536
Depreciation	1,601
Amortization of negative goodwill	(5)
Exchange gain / loss	22
Increase (decrease) in provision for allowance for doubtful accounts	(1)
Increase (decrease) in accrued bonuses to employees	29
Increase (decrease) in accrued retirement benefits to employees	(87)
Increase (decrease) in allowance for retirement benefits to directors	(28)
Increase (decrease) in provision accrued bonuses to directors	(152)
Interest and dividend income	(111)
Interest expenses	427
Gain / loss on sale / disposal of property, plant and equipment, net	87
Impairment loss of fixed assets	988
(Increase) decrease in notes and accounts receivable	632
(Increase) decrease in inventories	(1,183)
(Increase) decrease in other current assets	533
Increase (decrease) in accounts payable	(1,111)
Increase (decrease) in other current liabilities	32
Other, net	160
Subtotal	6,369
Interest and dividend income received	111
Interest expenses paid	(429)
Income taxes paid	(878)
Net cash provided by (used in) operating activities	5,172
II. Cash flows from investing activities	
Purchase of property, plant and equipment	(2,328)
Sale of property, plant and equipment	51
Purchase of investment securities	(8)
Sale of investment securities	2
Collection of short-term loans	111
Collection of long-term loans	4
Other, net	(48)
Net cash provided by (used in) investing activities	(2,216)
III. Cash flows from financing activities	
Net increase (decrease) in short-term bank loans, net	(1,056)
Procurement long-term debt	1,747
Repayment of long-term debt	(2,392)
Redemption of bonds	(775)
Sale of treasury stock	97
Acquisition of treasury stock	(41)
Cash dividends paid	(1,040)
Cash dividends paid to minority interests	(6)
Other, net	(4)
Net cash provided by (used in) financing activities	(3,471)
IV. Effect of exchange rate changes on cash and cash equivalents	(36)
V. Net increase (decrease) in cash and cash equivalents	(552)
VI. Cash and cash equivalents at beginning of period	5,060
VII. Cash and cash equivalents at end of period	4,508

(3) Segment Information

Operating Segment Information

The first half of the previous fiscal year (April 1, 2007 – September 30, 2007) Millions of yen

	Valve manufacturing business	Brass bar manufacturing business	Services and other business	Total	Eliminations or corporate assets	Consolidated total
Net sales						
(1) Sales to outside customers	49,859	21,277	4,872	76,009	—	76,009
(2) Inter-segment sales / transfers	275	1,473	25	1,773	(1,773)	—
Total	50,134	22,750	4,898	77,783	(1,773)	76,009
Operating expenses	43,217	22,384	4,603	70,205	(228)	69,976
Operating income	6,917	365	295	7,577	(1,544)	6,032

Notes: 1. Classification of operating segments and major businesses in each segment

(1) Operating segments are based on the line of products and the category of business

(2) Major businesses and products in each segment are as follows:

Operating segment	Major products and businesses
Valve manufacturing business	Bronze valves, general service iron valves, valve-related products, filter-related products
Brass bar manufacturing business	Copper products, rolled copper products
Services and other business	Hotel and restaurant business, fitness club business, glass craft products marketing

2. Amounts included in eliminations and corporate and their significant components Millions of yen

	April 1, 2007 – Sept 30, 2007	Significant components
Amounts of operating expenses included in eliminations or corporate that cannot be systematically allocated	1,545	Operating expenses included in eliminations or corporate consist primarily of expenses related to the head office general affairs division, the accounting division, and the management planning division, and includes the Makuhari head office building management expenses.

3. Additional Information

(The first half of the previous fiscal year)

KITZ and its consolidated subsidiaries in Japan have, for assets acquired prior to April 1, 2007, started including in depreciation expenses the difference between 5% of the acquisition price and the memorandum price, in five equal annual installments. Inclusion of these installments starts with the fiscal year following the fiscal year in which an applicable asset's book value falls to 5% of its acquisition price. This change reduced operating income by 68 million yen in the valve manufacturing business, 16 million yen in the brass bar manufacturing business, and 2 million yen in the services and other business, and reduced eliminations or corporate assets by 3 million yen.

Geographical Segment Information

The first half of the previous fiscal year (April 1, 2007 – September 30, 2007) Millions of yen

	Japan	North America	Asia	Europe	Total	Eliminations or corporate assets	Consolidated total
Sales							
(1) Sales to outside customers	66,761	4,000	4,064	1,183	76,009	—	76,009
(2) Inter-segment sales / transfer	1,955	0	9,011	136	11,104	(11,104)	—
Total	68,717	4,001	13,075	1,319	87,114	(11,104)	76,009
Operating expenses	62,486	3,538	12,412	1,109	79,548	(9,571)	69,976
Operating income	6,230	462	663	210	7,565	(1,533)	6,032

Notes: 1. Geographic segments are based on geographic proximity.

2. Countries and regions excluding Japan:
   (1) North America: U. S. A.
   (2) Asia: Taiwan, Thailand and China
   (3) Europe: Spain

3. Amounts included in eliminations and corporate and their significant components Millions of yen

	April 1, 2007 – Sept 30, 2007	Significant components
Amounts of operating expenses included in eliminations or corporate that cannot be systematically allocated	1,545	Operating expenses included in eliminations or corporate consist primarily of expenses related to the head office general affairs division, the accounting division, and the management planning division, and includes the Makuhari head office building management expenses.

4. (The first half of the previous fiscal year)
   KITZ and its consolidated subsidiaries in Japan have, for assets acquired prior to April 1, 2007, started including in depreciation expenses the difference between 5% of the acquisition price and the memorandum price, in five equal annual installments. Inclusion of these installments starts with the fiscal year following the fiscal year in which an applicable asset's book value falls to 5% of its acquisition price. This change reduced the first half operating income by 88 million yen in Japan and reduced eliminations or corporate assets by 3 million yen.

Overseas sales

The first half of the previous fiscal year (April 1, 2007 – September 30, 2007) Millions of yen

	North America	Asia	Others	Total
I. Overseas sales	4,153	7,361	3,725	15,240
II. Consolidated sales	—	—	—	76,009
III. Ratio of overseas sales to consolidated sales (%)	5.5	9.7	4.9	20.1

Notes: 1. Geographic segments are based on geographic proximity.

2. Each area represents the following countries and regions:
   (1) North America: U. S. A. and Canada
   (2) Asia: Taiwan, China, Thailand, Indonesia, Singapore and Malaysia, etc.
   (3) Others: Europe, Middle East, Oceania, etc.

3. Overseas sales include sales of the Company and its consolidated subsidiaries in countries and regions other than Japan (Excludes all intercompany (consolidated company) transactions).

6. Other information

There are no significant items.