

December 19, 2003

To All KITZ Customers

Announcement for the fundamental agreement on acquisition of TOYO VALVE operation.

We announce that KITZ CORPORATION has reached the fundamental agreement today on the acquisition of TOYO VALVE CO.,LTD (Chuoh ward, Tokyo : President and CEO, Sakae Kobayashi, hereinafter called "TOYO VALVE") with its production and marketing operation. (Some operation excluded.)

This agreement was made to aim to consolidate the strengths of the two companies in the field of the valve operation and expand their further business opportunities.

1. Circumstance of the agreement.

Since its establishment, KITZ has been developing, focusing on the production and sales of valves for buildings, equipment and industrial plants. On the other hand, TOYO VALVE, long standing valve manufacturer since its establishment in 1919, has operated the valve business with its brand name "TOYO" mainly in the field of the commercial market. However, the Japanese economy has long suffered from the recession, with deflation continuing, the slump of individual consumption and housing investment caused by unstable employment situation. In addition shifting production facilities to overseas locations, such country as China, has further worsened the situation in the domestic capital investment for long time. Therefore even in the valve industry, the voice to ask for the reorganization of the industry has been getting louder and louder because of oversupply.

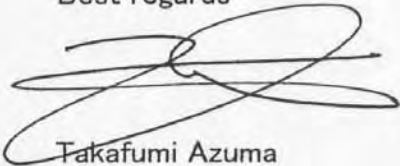
Under this circumstance, we came to realized that the consolidation of KITZ and TOYO VALVE will bring benefits, such as enhancing further price competitiveness both in domestic and Thai markets by expanding the volume of production and sales, and consolidating management resource of both companies. In addition, this consolidation will also bring advantage in the improvement of product development by combining technologies of two companies, which enable us to meet market needs more efficiently. Furthermore, it will bring many other advantages such as in logistics and other fields. Marketing will also be benefited from this consolidation by providing better service with wider areas, which will increase customer satisfaction. With all these benefits taken into consideration, and after discussing deliberately between two companies, we have reached this agreement, aiming to heighten our corporate value for the new KITZ group.

2. The content of the fundamental agreement on the acquisition.

- (1) We aim to acquire all of the production and marketing operation conducted by TOYO VALVE and its subsidiaries (TOVALENGI CO.,LTD and TOYO VALVE (THAILAND) CO.,LTD.) on March 31st 2004. Detailed terms and conditions will continue to be discussed by KITZ and TOYO VALVE.
- (2) The acquisition will be made by one of KITZ subsidiaries (the company not decided). It is our intention that the employment of the current employees of TOYO VALVE and other pertinent subsidiaries will be secured after they terminate their employment contract with TOYO VALVE.

Further information will be released as it becomes available.

Best regards



Takafumi Azuma

VICE PRESIDENT-EXECUTIVE OFFICER

DIVISION GENERAL MANAGER

INTERNATIONAL SALES DIVISION